ITC Holdings Corp.
Form 424B3
February 27, 2013
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Registration No. 333-184073

MERGER PROPOSED YOUR VOTE IS IMPORTANT

Dear Fellow Shareholders:

As previously announced, the board of directors of ITC Holdings Corp. (ITC) has approved a merger that will combine ITC with the transmission business of Entergy Corporation (Entergy). To facilitate this merger, Entergy will cause specific assets and liabilities of its transmission business in Louisiana, Arkansas, Mississippi, Missouri and Texas to be transferred to Mid South TransCo LLC (TransCo), a newly formed subsidiary of Entergy, and distribute the limited liability interests of TransCo to Entergy s shareholders. ITC Midsouth LLC (formerly known as Ibis Transaction Subsidiary LLC), which is a wholly-owned subsidiary of ITC, will be merged with and into TransCo, with TransCo surviving such merger as a wholly-owned subsidiary of ITC.

The merger will result in ITC acquiring Entergy s transmission business, which includes approximately 15,400 circuit miles of transmission lines operated at 69kV to 500kV and approximately 1,400 substations, as well as the employees and assets used to plan, operate and maintain that system. Following the merger, the combined company will continue to operate under the ITC name and its common stock will continue to be listed on the New York Stock Exchange under the ticker symbol ITC . ITC s current management team will manage the combined company after the merger, but will be supplemented with certain key management personnel from Entergy s transmission business. In addition, the board of directors of ITC will continue to govern the combined business after the close of the merger. At the effective time of the merger, ITC s board of directors will cause two vacancies on the board to exist (either through resignations of existing directors, by increasing the size of the board or a combination thereof), which vacancies will be filled immediately following the merger with two new independent directors nominated by ITC s nominating/corporate governance committee. Among other qualifications, these new directors are expected to have transmission industry knowledge and familiarity with the region in which Entergy operates.

Pursuant to the merger agreement, ITC will issue an aggregate number of shares of its common stock to Entergy shareholders which will result in Entergy shareholders (and, if applicable, the exchange trust) owning approximately 50.1% of the shares of ITC common stock outstanding on a fully diluted basis upon the closing of the merger. The number of shares to be issued to Entergy shareholders is based on the exchange ratio set forth in the merger agreement multiplied by the number of shares of ITC common stock on a fully diluted basis. In addition, ITC will also assume approximately $1.775 billion of debt from TransCo and its subsidiaries and issue approximately $740 million of debt in support of the recapitalization it is expected to undertake prior to the merger.

In addition, assuming the merger is consummated, prior to closing ITC will effectuate a $700 million recapitalization, which will take the form of a one-time special dividend to pre-merger ITC shareholders, a share repurchase or a combination thereof. The decision regarding the form of the recapitalization remains in the sole discretion of the ITC board of directors and will be made closer to the closing of the merger.

Based on the number of outstanding shares and the closing price on the New York Stock Exchange of ITC common stock on December 4, 2011, and assuming the consummation of the recapitalization referred to above as a one-time special dividend and the assumption of debt referred to above, as of December 4, 2011, the consideration in the merger agreement implies an enterprise value for Entergy s Transmission Business of approximately $5 billion. You are cordially invited to attend the ITC Holdings Corp. Special Meeting of Shareholders at 9:00 a.m. local time, on April 16, 2013 at our corporate headquarters located at 27175 Energy Way, Novi, Michigan 48377.

At the special meeting, among other matters, we will ask you to consider and vote on the merger related proposals, including approving the merger agreement, approving an amendment to the ITC Holdings Corp. Articles of Incorporation to increase the number of authorized shares, and approving the issuance of ITC Holdings Corp. common stock pursuant to the merger agreement. A notice of the special meeting and proxy statement follow.

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Your board of directors believes that the merger should enhance shareholder value by reinforcing our core strategy, validating the merits of the independent transmission model, strengthening our leading transmission platform, increasing our size and scale, enhancing our overall credit quality, diversifying our capital investment profile, and providing long-term sustainable growth, while providing tangible benefits to the customers and stakeholders of the Entergy transmission business. Your board of directors recommends that you vote FOR each proposal.

Your vote is very important. We cannot complete the merger unless all of the merger related proposals are approved by ITC shareholders at the special meeting. Please vote by completing, signing and dating the enclosed proxy card for the special meeting and mailing the proxy card to us, whether or not you plan on attending the special meeting. If you sign, date and mail your proxy card without indicating how you would like to vote, your proxy will be counted as a FOR each of the proposals presented at the special meeting. You can also vote your shares in person, or by phone or Internet. If you do not return your card, or vote in person or by phone or Internet or if you do not specifically instruct your broker how to vote any shares held for you in street name , your shares will not be voted on the proposals relating to the merger at the special meeting.

This document is a proxy statement by ITC for use in soliciting proxies for the special meeting. This document answers questions about the proposed merger and the special meeting and includes a summary description of the merger. We urge you to review this entire document carefully. In particular, you should also consider the matters discussed under Risk Factors beginning on page 53.

We are very excited about the opportunities offered by the proposed transaction, and we thank you for consideration and ongoing support.

Sincerely,

Joseph L. Welch

Chairman, President & CEO

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger and the other transactions contemplated by the merger agreement or the separation agreement or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

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This document is dated February 27, 2013 and is first being mailed to ITC shareholders on or about February 28, 2013.

ADDITIONAL INFORMATION

The accompanying proxy statement/prospectus incorporates by reference important business and financial information about ITC Holdings Corp. (ITC) from documents that are not included in or delivered with the proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in the proxy statement/prospectus from the SEC s website at *http://www.sec.gov* or from ITC s website at *www.itc-holdings.com* or by requesting them in writing or by telephone from ITC at the following address and telephone number:

ITC Holdings Corp.

27175 Energy Way

Novi, Michigan 48377

Attention: Investor Relations

Telephone: (248) 946-3000

In addition, if you have questions about the merger agreement, the merger and related transactions and agreements or the special meeting of ITC shareholders, or if you need to obtain copies of the accompanying proxy statement/prospectus, proxy cards, or other documents incorporated by reference in the proxy statement/prospectus, you may contact ITC s proxy solicitor, at the address and telephone number listed below. You will not be charged for any of the documents you request.

199 Water Street, 26th Floor

New York, NY 10038-3560

Banks and Brokers Call (212) 440-9800

All Others Call Toll-Free (800) 561-2871

If you would like to request documents, please do so by April 9, 2013 in order to receive them before the special meeting of ITC shareholders.

For a more detailed description of the information incorporated by reference in the accompanying proxy statement/prospectus and how you may obtain it, please see the section entitled Where You Can Find More Information; Incorporation By Reference beginning on page 241 of the accompanying proxy statement/prospectus.

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27175 ENERGY WAY

NOVI, MICHIGAN 48377

(248) 946-3000

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON APRIL 16, 2013

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders of ITC Holdings Corp. (ITC) will be held at our corporate headquarters located at 27175 Energy Way, Novi, Michigan 48377, on April 16, 2013, at 9:00 a.m., local time, for the following purposes:

(1) *Merger Proposal*. To consider and vote upon a proposal to approve the Merger Agreement, dated as of December 4, 2011, as amended by Amendment No. 1, dated September 21, 2012, and by Amendment No. 2, dated January 28, 2013, among Entergy Corporation, Mid South TransCo LLC (TransCo), ITC and ITC Midsouth LLC (formerly known as Ibis Transaction Subsidiary LLC) (Merger Sub) (as the same may be amended from time to time, the merger agreement), as required under Sections 703a and 754 of the Business Corporation Act of the State of Michigan, as amended, pursuant to which Merger Sub will merge with and into TransCo, with TransCo surviving as a wholly owned subsidiary of ITC;

(2) *Amendment of Articles of Incorporation Proposal*. To consider and vote upon a proposal to amend the Amended and Restated Articles of Incorporation of ITC to increase the number of authorized shares of ITC common stock from 100,000,000 to 300,000,000;

(3) *Stock Issuance Proposal*. To consider and vote upon a proposal to approve the issuance of ITC common stock pursuant to the merger agreement. The exact number of shares to be issued is calculated based on a formula in the merger agreement, described on page 113 of the proxy statement/prospectus. We currently expect, based on the number of outstanding shares of ITC common stock as of February 22, 2013 and assuming the ITC recapitalization takes the form of a one-time special dividend, that ITC will issue to Entergy shareholders approximately 52,953,261 shares of ITC common stock as a result of the transactions, although the precise number of shares will not be known until closer to the closing date of the merger and could be significantly impacted by the form of the ITC recapitalization;

(4) *Merger-Related Executive Compensation Proposal*. To consider and vote upon a proposal to approve, by non-binding advisory vote, certain compensation arrangements for ITC s named executive officers in connection with the merger contemplated by the merger agreement; and

(5) *Adjournment Proposal*. To consider and vote upon a proposal to adjourn the special meeting if necessary or appropriate to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve proposals (1), (2) and (3).

Proposals (1) through (3) above are collectively referred to as the merger proposals.

The ITC board of directors has fixed the close of business on February 26, 2013 as the record date for the special meeting. Accordingly, only shareholders of record on the record date are entitled to notice of and to vote at the special meeting or at any adjournment of the special meeting. The list of shareholders entitled to vote at the special meeting will be available for review at the special meeting by any ITC shareholder entitled to vote at the special meeting.

THE ITC BOARD OF DIRECTORS HAS APPROVED THE MERGER AGREEMENT, THE MERGER AND THE OTHER TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT AND RECOMMENDS THAT ITC SHAREHOLDERS VOTE FOR EACH PROPOSAL. SHAREHOLDER APPROVAL OF EACH MERGER PROPOSAL IS NECESSARY TO EFFECT THE MERGER. THE APPROVAL OF EACH MERGER PROPOSAL IS CONDITIONED UPON THE APPROVAL OF EACH OF THE OTHER MERGER PROPOSALS.

By Order of the Board of Directors,

/s/ Wendy A. McIntyre

Wendy A. McIntyre

Corporate Secretary

Novi, Michigan

February 27, 2013

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YOUR VOTE IS IMPORTANT

YOUR VOTE IS IMPORTANT. PLEASE VOTE ON THE ENCLOSED PROXY CARD NOW EVEN IF YOU PLAN TO ATTEND THE SPECIAL MEETING. YOU CAN VOTE BY SIGNING, DATING AND RETURNING YOUR PROXY CARD BY MAIL IN THE ENCLOSED RETURN ENVELOPE, WHICH REQUIRES NO ADDITIONAL POSTAGE IF MAILED IN THE UNITED STATES, OR BY TELEPHONE OR INTERNET BY FOLLOWING THE INSTRUCTIONS ON THE PROXY CARD. IF YOU DO ATTEND THE SPECIAL MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE IN PERSON IF YOU ARE A SHAREHOLDER OF RECORD OR HAVE A LEGAL PROXY FROM A SHAREHOLDER OF RECORD.

The accompanying proxy statement/prospectus provides a detailed description of the merger agreement, the merger, the merger proposals and related agreements and transactions. We urge you to read the accompanying proxy statement/prospectus, including any documents incorporated by reference into the accompanying proxy statement/prospectus, and its annexes carefully and in their entirety. If you have any questions concerning the merger, the merger proposals, the other proposals or the accompanying proxy statement/prospectus, would like additional copies of the accompanying proxy statement/prospectus or need help voting your shares, please contact ITC s proxy solicitor at the address and telephone number listed below:

199 Water Street, 26th Floor

New York, NY 10038-3560

Banks and Brokers Call (212) 440-9800

All Others Call Toll-Free (800) 561-2871

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HELPFUL INFORMATION

Certain abbreviations and terms used in the text and notes are defined below:

Abbreviation/Term	Description
APSC	Arkansas Public Service Commission
City Council	City Council for the City of New Orleans
Code	The Internal Revenue Code of 1986, as amended
The debt exchange	The planned exchange by Entergy of the TransCo debt securities previously issued to Entergy in full or partial satisfaction of the Entergy exchangeable debt. In the debt exchange (should the debt exchange occur), the unrelated creditor or creditors that hold the Entergy exchangeable debt will receive the TransCo debt securities and Entergy will receive the Entergy exchangeable debt.
DGCL	General Corporation Law of the State of Delaware
The distribution	The distribution by Entergy, pursuant to the merger agreement, of 100% of the TransCo common units (excluding any TransCo common units to be contributed to the exchange trust in the event Entergy makes the exchange trust election) to Entergy s shareholders through a spin-off, a split-off exchange offer or a combination of the two.
E-RSC	Entergy Regional State Committee
Entergy	Entergy Corporation
Entergy Arkansas	Entergy Arkansas, Inc.
The Entergy exchangeable debt	New debt issued by Entergy to one or more unrelated creditors or existing Entergy debt held by one or more unrelated creditors that is expected to be tendered in the debt exchange.
Entergy Gulf States Louisiana	Entergy Gulf States Louisiana, L.L.C.
Entergy Louisiana	Entergy Louisiana, LLC
Entergy Mississippi	Entergy Mississippi, Inc.
Entergy New Orleans	Entergy New Orleans, Inc.
Entergy Texas	Entergy Texas, Inc.
Entergy s Transmission Business (or Transmission Business of Entergy Corporation and Subsidiaries)	The transmission business currently held indirectly by Entergy. Entergy s Transmission Business consists of the Entergy transmission system, which is comprised of approximately 15,400 circuit miles of transmission lines operated at 69kV to 500kV and approximately 1,400 substations, as well as the employees and assets used to plan, operate and maintain that system. The Entergy transmission system spans portions of Arkansas, Louisiana, Mississippi, Missouri and Texas covering 114,000 square miles. Under the terms of the separation agreement, specified assets and liabilities used in Entergy s transmission business as described in this proxy statement/prospectus would transfer to ITC in connection with the separation, distribution and merger.

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ESI	Entergy Services, Inc., which is a service company that provides services to the Utility Operating Companies and which also owns certain assets related to the operation of Entergy s Transmission Business
The exchange trust	An irrevocable trust to be formed in the event that Entergy makes the exchange trust election under Delaware law into which Entergy will transfer the retained TransCo common units
The exchange trust election	Entergy s exercisable right to, at least thirty (30) business days prior to the closing of the merger, retain up to the number of TransCo common units that would convert in the merger into up to 4.9999% of the total number of shares of ITC common stock outstanding on a fully diluted basis immediately following the consummation of the merger that otherwise would have been distributed in the distribution.
FERC	Federal Energy Regulatory Commission
HSR Act	The Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended
ICT	Independent coordinator of transmission
IRS	Internal Revenue Service
IRS rulings	Private letter rulings from the IRS with respect to the anticipated non-taxable nature of the transactions
ITC	ITC Holdings Corp.
ISO	Independent system operator that coordinates, controls and monitors the operation of large parts of the transmission system, usually within a single state, but sometimes across multiple states
kV or Kilovolt(s)	A common measure of electric potential, which equals one thousand volts
LPSC	Louisiana Public Service Commission
MBCA	The Business Corporation Act of the State of Michigan
The merger	The merger of Merger Sub with and into TransCo, with TransCo surviving the merger as a wholly owned subsidiary of ITC, as contemplated by the merger agreement
The merger agreement	The Merger Agreement, dated as of December 4, 2011, as amended by Amendment No. 1, dated September 21, 2012, and by Amendment No. 2, dated January 28, 2013, among Entergy, TransCo, ITC and Merger Sub (as the same may be amended from time to time)
Merger Sub	ITC Midsouth LLC (formerly known as Ibis Transaction Subsidiary LLC), which is a wholly owned subsidiary of ITC
MISO	Midwest Independent Transmission System Operator, Inc., a regional transmission organization
MPSC	Mississippi Public Service Commission

MW or Megawatt(s)	A common measure of electric power, which equals one thousand kilowatts
NYSE	The New York Stock Exchange
OATT	Open Access Transmission Tariff, which is a pricing schedule required by FERC to prevent undue discrimination or preference in the transmission of electricity in interstate commerce
PUCT	Public Utility Commission of Texas
RTOs	Regional transmission organizations that administer the transmission grid on a regional basis throughout North America
The separation	The internal restructuring to separate and consolidate specified assets and liabilities used in Entergy s Transmission Business under TransCo pursuant to the separation agreement
The separation agreement	The Separation Agreement, dated as of December 4, 2011, as amended by Amendment No. 1, dated September 24, 2012, by and among Entergy, ITC, TransCo, each of the Utility Operating Companies and ESI (as the same may be amended from time to time)
SPP	Southwest Power Pool
The transactions	The separation, the distribution and the merger and related transactions
TransCo	Mid South TransCo LLC, which is currently a wholly-owned subsidiary of Entergy Corporation
TransCo common units	Limited liability company membership interests in TransCo
TransCo debt securities	Senior securities of TransCo issued to Entergy in partial consideration for the contribution of equity interests of the TransCo Subs to TransCo
TransCo Subs	The following newly formed subsidiaries of Entergy s Utility Operating Companies, the equity interests of which are to be transferred to TransCo pursuant to the separation: Transmission Company Arkansas, LLC; Transmission Company Louisiana I, LLC; Transmission Company Louisiana II, LLC; Transmission Company Mississippi, LLC; Transmission Company New Orleans, LLC and Transmission Company Texas, LLC.
TransCo Subs Financing	Bridge facility of the TransCo Subs, the proceeds of which will be distributed to Utility Operating Companies in connection with the contribution of each Utility Operating Company s transmission business to its respective TransCo Sub
U.S. GAAP	United States generally accepted accounting principles
Utility Operating Company (or Utility Operating Companies)	The following six companies that, prior to consummation of the transactions described in this proxy statement/prospectus, own the Entergy transmission system assets that are located in their respective service areas: Entergy Arkansas, Inc., Entergy Gulf States Louisiana, L.L.C., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc. and Entergy Texas, Inc.

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QUESTIONS AND ANSWERS ABOUT THE TRANSACTIONS AND THE SPECIAL MEETING

Q: What are ITC shareholders being asked to vote on at the special meeting?

A: In order to implement the merger, ITC shareholders are being asked to consider and vote on a proposal to approve the merger agreement, a proposal to amend ITC s amended and restated articles of incorporation to increase the number of authorized shares of ITC common stock to effectuate the merger and a proposal to approve the issuance of ITC common stock pursuant to the merger agreement (these proposals are collectively referred to as the merger proposals). Approval of each of the merger proposals by ITC shareholders is required for the completion of the merger. The approval of each of the merger proposals is conditioned upon the approval of each of the other merger proposals, and the merger will not occur unless all of the merger proposals are approved. ITC shareholders are also being asked to consider and vote on a proposal to approve, by non-binding advisory vote, certain compensation arrangements for ITC s named executive officers in connection with the merger contemplated by the merger agreement and to vote on the adjournment proposal.

The exact number of shares of ITC common stock to be issued to Entergy shareholders in connection with the merger is calculated based on a formula in the merger agreement, described on page 113 of this proxy statement/prospectus. We currently expect, based on the number of outstanding shares of ITC common stock as of February 22, 2013 and assuming the ITC recapitalization takes the form of a one-time special dividend, that ITC will issue to Entergy shareholders approximately 52,953,261 shares of ITC common stock as a result of the transactions, although the precise number of shares will not be known until closer to the closing date of the merger and could be significantly impacted by the form of the ITC recapitalization.

Q: When and where is the special meeting of ITC shareholders?

A: The special meeting of ITC shareholders will be held at 9:00 a.m., local time, on April 16, 2013, at ITC corporate headquarters located at 27175 Energy Way, Novi, Michigan 48377.

Q: Who can vote at the special meeting of ITC shareholders?

A: Holders of ITC common stock can vote their shares at the special meeting if they are holders of record of those shares at the close of business on February 26, 2013, the record date for the special meeting.

Q: What vote is required to approve each proposal?

A: The proposal to approve the merger agreement and the proposal to amend ITC s amended and restated articles of incorporation to increase the number of authorized shares of ITC common stock each require the affirmative vote of holders of a majority of the outstanding shares of ITC common stock entitled to vote at the meeting. The proposal to approve the issuance of ITC common stock pursuant to the merger agreement requires the affirmative vote of a majority of the votes cast, in person or by proxy, at the special meeting. However, the approval of each of the merger proposals is conditioned upon the approval of each of the other merger proposals, and the merger will not occur unless all of the merger proposals are approved. The proposal to approve, by non-binding advisory vote, certain compensation arrangements for ITC s named executive officers in connection with the merger and the proposal to approve the adjournment proposal requires the affirmative vote of a majority of the votes cast, in person or by proxy, at the special meeting.

Q: How do ITC shareholders vote?

A: ITC shareholders may submit a proxy to vote before the special meeting in one of the following ways:

- calling the toll-free number shown on the proxy card to submit a proxy by telephone;
- visiting the website shown on the proxy card to submit a proxy via the Internet; or

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completing, signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope.
ITC shareholders may also vote in person by attending the special meeting and voting their shares.

Q: If an ITC shareholder is not going to attend the special meeting, should that shareholder return his or her proxy card or otherwise vote his or her shares?

A: Yes. Completing, signing, dating and returning the proxy card by mail or submitting a proxy by calling the toll-free number shown on the proxy card or submitting a proxy by visiting the website shown on the proxy card ensures that the shareholder s shares will be represented and voted at the special meeting, even if the shareholder is unable to or does not attend.

Q: If an ITC shareholder s shares are held in street name by his or her broker, will the broker vote the shares for the ITC shareholder?

A: A broker will vote a shareholder s shares only if the shareholder provides instructions to the broker on how to vote. ITC shareholders should follow the directions provided by their brokers regarding how to instruct the broker to vote their shares. Without instructions, the shares will not be voted, which will have the effect of a vote against the approval of the merger agreement, the amendment of ITC s amended and restated articles of incorporation to increase the number of authorized shares of ITC common stock and the approval, by non-binding advisory vote, of certain compensation arrangements for ITC s named executive officers in connection with the merger (though it will have no effect on the vote to approve the issuance of ITC common stock pursuant to the merger agreement or the adjournment proposal), and may result in the failure to establish a quorum for the special meeting.

Q: Can ITC shareholders change their vote?

A: Yes. Holders of record of ITC common stock who have properly completed and submitted their proxy card or proxy by telephone or Internet can change their vote in any of the following ways:

sending a written notice to the ITC Corporate Secretary that is received prior to the special meeting stating that the ITC shareholder revokes his or her proxy;

properly completing, signing and dating a new proxy card bearing a later date and properly submitting it so that it is received prior to the special meeting;

visiting the website shown on the proxy card and submitting a new proxy in the same manner that the shareholder would to submit his or her proxy via the Internet or by calling the toll-free number shown on the proxy card to submit a new proxy by telephone; or

attending the special meeting in person and voting their shares.
Simply attending the special meeting will not revoke a proxy.

An ITC shareholder whose shares are held in street name by his or her broker and who has directed that person to vote his or her shares should instruct that person in order to change his or her vote.

Q: What if ITC shareholders do not vote or abstain from voting?

A: If a holder of ITC common stock fails to submit his or her proxy or vote his or her shares or fails to instruct his or her broker or other nominee how to vote on the proposals to approve the merger agreement and to amend ITC s amended and restated articles of incorporation to increase the number of authorized shares of ITC common stock, that failure will have the same effect as a vote against those proposals. If a holder of ITC common stock

fails to submit his or her proxy or vote his or her shares or fails to instruct his or her broker or other nominee how to vote on the proposal to issue shares of ITC common stock pursuant to the merger agreement, the proposal to approve, by non-binding advisory vote, certain compensation arrangements for ITC s named executive officers in connection with the merger or the adjournment proposal, that failure will have no effect on those proposals, assuming a quorum is present at the special meeting.

Holders of ITC common stock who submit proxy cards but do not indicate how they want to vote on a particular proposal will have their proxies counted as votes in favor of that proposal.

Q: Does the ITC board of directors support the merger?

A: Yes. The ITC board of directors has approved the merger agreement and the merger and recommends that ITC shareholders vote FOR the merger proposals.

Q: What should ITC shareholders do now?

A: After carefully reading and considering the information contained in this proxy statement/prospectus, ITC shareholders should submit a proxy by mail, via the Internet or by telephone to vote their shares as soon as possible so that their shares will be represented and voted at the special meeting. ITC shareholders should follow the instructions set forth on the enclosed proxy card or on the voting instruction form provided by the record holder if their shares are held in the name of a broker or other nominee.

Q: What are the transactions described in this proxy statement/prospectus?

A: The transactions are designed to effect the transfer of Entergy s Transmission Business to ITC. References to the transactions are to the separation, distribution, merger and related transactions to be entered into by Entergy, ITC, Merger Sub and TransCo, including their respective affiliates, as described under The Transactions and elsewhere in this proxy statement/prospectus.

Q: What will happen in the separation?

A: Prior to the merger, certain subsidiaries of Entergy will undergo an internal restructuring to separate and consolidate Entergy s Transmission Business under TransCo pursuant to the separation agreement by and among Entergy, ITC, TransCo, each of Entergy s Utility Operating Companies and Entergy Services, Inc. (ESI), a service company that provides services to the Utility Operating Companies. Entergy s transmission assets and liabilities are currently owned by Entergy s Utility Operating Companies and ESI. In the separation, each Utility Operating Company will transfer its respective specified transmission assets and liabilities to a newly formed subsidiary of such Utility Operating Company (such newly formed subsidiaries are referred to as the TransCo Subs) and ESI will transfer its specified transmission assets to TransCo or one or more TransCo Subs. Immediately thereafter, the Utility Operating Companies and certain other intermediate holding companies of Entergy will distribute the equity interests of the TransCo Subs so that Entergy will be the direct holder of the equity interests of each TransCo Sub. Entergy will then contribute the equity interests in each TransCo Sub to TransCo in exchange for TransCo common units and TransCo debt securities. See The Transactions Overview beginning on page 108 and The Transactions The Separation and Distribution beginning on page 112.

Q: What will happen in the distribution that occurs prior to the merger?

A: After the Utility Operating Companies and ESI transfer their respective specified assets and liabilities related to Entergy s Transmission Business to TransCo and its subsidiaries, Entergy will distribute 100% of the TransCo common units (excluding any TransCo common units to be contributed to an exchange trust in the event Entergy makes the exchange trust election as described below and elsewhere in this proxy statement/prospectus) to Entergy s shareholders through a spin-off, a split-off exchange offer or a combination of both. The distribution

agent will hold such shares for the benefit of Entergy shareholders that are entitled to the TransCo common units. In accordance with the terms of the merger agreement, the TransCo common units delivered to the distribution agent will be converted into ITC common stock at the effective time of the merger. Accordingly, in lieu of delivering TransCo common units to Entergy shareholders that are entitled to the TransCo common units in the distribution, the distribution agent will distribute to Entergy shareholders shares of ITC common stock into which the Transco common units will have converted at the time of the merger and cash in lieu of fractional shares (if any). Entergy currently intends to effectuate the distribution through a spin-off but, pursuant to the merger agreement, will advise ITC of the final form of the distribution no later than 30 business days prior to the closing. See The Transactions Overview beginning on page 108 and The Transactions The Separation and Distribution beginning on page 112.

Q: What are the exchange trust and the exchange trust election as referenced in the preceding question?

A: Pursuant to the terms of the merger agreement, Entergy may elect, at least thirty (30) business days prior to the closing of the merger, to retain up to the number of TransCo common units that would convert in the merger into up to 4.9999% of the total number of shares of ITC common stock outstanding on a fully diluted basis immediately following the consummation of the merger that otherwise would have been distributed in the distribution. Such election is referred to as the exchange trust election. If Entergy makes the exchange trust election, Entergy will transfer the retained TransCo common units to an irrevocable trust, referred to as the exchange trust. The TransCo common units transferred to the exchange trust will not be distributed to the distribution agent on behalf of Entergy shareholders in the distribution. At the closing of the merger, the TransCo common units transferred to the trust will convert to ITC common stock. The trustee of the exchange trust will own and hold legal title to the TransCo common units or ITC common stock for the benefit of Entergy and Entergy shareholders; provided, however, in no event will the ITC common stock held by the exchange trust be transferred to Entergy. Upon delivery of notice by Entergy, the trustee of the exchange trust will conduct an exchange offer (referred to as the exchange trust exchange offer) pursuant to which Entergy shareholders may exchange Entergy common stock for the ITC common stock held by the exchange trust pursuant to irrevocable terms contained in the trust agreement at the time it is entered into. Any ITC common stock remaining in the exchange trust after six months following the completion of the merger will be distributed to Entergy shareholders *pro rata* (this distribution is referred to as a mandatory trust distribution). The purpose of the exchange trust is to permit an exchange offer with Entergy shareholders to occur during a period after the closing, when the trading market for the combined company s common stock has settled following the merger. This delayed exchange offer, if elected by Entergy, is an option to help Entergy efficiently manage its post-transaction capital structure and improve cash flow and credit metrics. Upon the consummation of a successful exchange offer by the trust, there would be fewer outstanding shares of Entergy common stock, as those shares would have been exchanged for the shares of ITC common stock held by the trust. Consequently, a successful delayed exchange offer would permit Entergy to reduce its common shares outstanding and aggregate cash dividends paid and as a result could improve Entergy s available cash flow and credit metrics. See The Transactions Exchange Trust beginning on page 117 and Additional Material Agreements Agreements Related to the Exchange Trust and Exchange Offer Exchange Trust Agreement beginning on page 201.

Q: What will happen in the merger?

A: In accordance with the terms of the merger agreement, Merger Sub, a wholly owned subsidiary of ITC, will be merged with and into TransCo with TransCo surviving the merger as a wholly owned subsidiary of ITC. Pursuant to the merger, the TransCo common units held by the distribution agent (and, if applicable, the exchange trust) will be converted into the number of shares of ITC common stock such that immediately after the merger Entergy shareholders (and, if applicable, the exchange trust) will collectively own approximately 50.1% of ITC common stock on a fully diluted basis, and ITC shareholders will collectively own approximately 49.9% of ITC common stock on a fully diluted basis (subject to adjustment in limited circumstances as provided in the merger agreement and excluding any ITC equity awards issued to employees of Entergy s

Transmission Business who become employees of TransCo). In no event will Entergy shareholders (and, if applicable, the exchange trust) hold less than 50.1% of the outstanding common stock of ITC immediately after the merger. See The Transactions The Merger beginning on page 113 and The Transactions Calculation of the Merger Consideration beginning on page 113.

Q: Why will the post-merger ownership of ITC between Entergy shareholders and pre-merger ITC shareholders be approximately 50.1% and 49.9%, respectively?

A: Immediately after the merger, Entergy shareholders (and, if applicable, the exchange trust) will collectively own approximately 50.1% of ITC common stock on a fully diluted basis, and ITC shareholders will collectively own approximately 49.9% of ITC common stock on a fully diluted basis (subject to adjustment in limited circumstances as provided in the merger agreement and excluding any ITC equity awards issued to employees of Entergy s Transmission Business who become employees of TransCo). In no event will Entergy shareholders (and, if applicable, the exchange trust) hold less than 50.1% of the outstanding common stock of ITC immediately after the merger. The post-merger ownership of ITC was the result of a negotiated value exchange between Entergy and ITC, which was based upon each party s independent valuations of pre-merger ITC and Entergy s Transmission Business, the size of the ITC recapitalization in connection with the proposed transaction and tax requirements for a Reverse Morris Trust transaction structure. The proposed transaction is a Reverse Morris Trust acquisition structure, which allows a parent company (here, Entergy) to distribute a subsidiary or a business (here, TransCo and Entergy s Transmission Business) in a tax-efficient manner. The first step of such a transaction is the tax-free distribution through a dividend (a spin-off), exchange (a split-off) or a combination of a spin-off and split-off of the subsidiary stock to or with the parent company shareholders under Section 355 of the Code. The distributed subsidiary then merges with the acquiring third party (here, Merger Sub, a wholly owned subsidiary of ITC) in a tax-free reorganization under Section 368 of the Code. Such a transaction can qualify as tax-free for U.S. federal income tax purposes for the parent company, its shareholders and the acquiring third party s shareholders if the transaction structure meets all applicable requirements, including that the parent company shareholders own more than 50% of the stock of the combined entity immediately after the merger. Therefore, in order to meet all applicable requirements of the Code, Entergy shareholders must own more than 50% of the ITC common stock outstanding immediately following the merger.

Q: What will be the indebtedness of ITC and the former transmission business of Entergy, referred to as the combined company, following completion of the transactions?

A: By virtue of the transactions, TransCo is expected to incur a maximum of $1.775 billion of indebtedness, as may be adjusted pursuant to the merger agreement and the separation agreement. This indebtedness is expected to consist of $575 million of senior debt securities of TransCo (i.e., the TransCo debt securities) and $1.2 billion in the form of a 366-day bridge facility (i.e., the TransCo Subs Financing). It is expected that after the merger the TransCo Subs will issue first mortgage bonds to replace the bridge facility. The senior debt securities will be issued by TransCo to Entergy in partial consideration for the equity interests of the TransCo Subs contributed by Entergy to TransCo. Neither TransCo nor any of the TransCo Subs will retain any net proceeds from the TransCo debt securities or the TransCo Subs Financing. Entergy will use the net proceeds from the financings, plus approximately $100 million from general corporate sources, to redeem approximately $300 million of the Utility Operating Companies outstanding preferred equity interests and to repay approximately $1.577 billion of historic debt of Entergy or of the Utility Operating Companies. At the request of ITC, Entergy will use its reasonable best efforts to cause TransCo to arrange a working capital revolving credit facility in a principal amount mutually determined by ITC and Entergy, which TransCo will not draw upon without the consent of ITC. Furthermore, ITC expects to issue approximately $740 million of new indebtedness to fund the $700 million one-time special dividend and/or share repurchase it will complete in connection with the merger, with the remaining approximately $40 million to be used for general corporate purposes and payment of transaction-related costs. The combined company will also retain the obligation of ITC s indebtedness existing prior to the merger. After giving effect to the merger and the assumption and incurrence of debt related thereto, ITC would have had total outstanding consolidated debt on its balance sheet of approximately $5.6 billion as of September 30, 2012. See The Financings beginning on page 162.

Q: Why has Entergy decided to separate its Transmission Business?

A: Entergy s board of directors believes that the transactions will accomplish a number of important business objectives and benefits. Certain of these objectives and benefits as they relate to TransCo include enhancing transparency to customers from independent planning and operation of the transmission system; strengthening and improving overall system performance; achieving the optimal structure for the transmission system as an independent transmission company that is a member of an RTO, such as the proposed membership in the Midwest ISO; improving access to capital; and utilizing ITC s experience, track record of safe and reliable operations, and unique position as an independent transmission company. See The Transactions Entergy s Reasons for the Separation, Distribution and the Merger beginning on page 147.

Q: What will ITC shareholders receive in the merger?

A: Immediately after the merger, ITC shareholders will continue to own shares in ITC, which will then include the specified assets and liabilities from Entergy s Transmission Business (including $1.775 billion of debt expected to be incurred by TransCo and/or the TransCo Subs in connection with the transactions). However, pre-merger ITC shareholders will collectively hold approximately 49.9% of ITC common stock on a fully diluted basis after the merger (subject to adjustment in limited circumstances as provided in the merger agreement and excluding any ITC equity awards issued to employees of Entergy s Transmission Business who become employees of TransCo). In no event will Entergy shareholders (and, if applicable, the exchange trust) hold less than 50.1% of the outstanding common stock of ITC following the merger. In addition, under the terms of the merger agreement, prior to closing the merger, ITC may, in ITC s sole discretion, elect to (i) pay a $700 million one-time special dividend to its pre-merger shareholders, (ii) repurchase $700 million of ITC common stock or (iii) undertake a combination of both (not to exceed $700 million in the aggregate). See The Transactions The Merger beginning on page 113, The Transactions ITC s Dividend Policy and $700 Million Recapitalization beginning on page 160 and Risk Factors beginning on page 53.

Q: What will Entergy shareholders receive in the transactions?

A: Each Entergy shareholder (other than certain holders of Entergy restricted common stock) will ultimately receive shares of ITC common stock in the merger. A holder of restricted Entergy common stock will not be entitled to any TransCo common units in any distribution in respect of his or her Entergy restricted common stock. However, Entergy restricted common stock held by employees who will be transferred to TransCo will be converted into similarly restricted shares of ITC common stock. Entergy shareholders will not be required to pay for the TransCo common units distributed in the distribution or the shares of ITC common stock issued in the merger. Entergy shareholders will receive cash from the distribution agent in lieu of any fractional shares of ITC common stock to which such shareholders would otherwise be entitled. All shares of ITC common stock issued in the merger will be issued in book entry form. Calculated based on the number of outstanding shares and the closing price on the NYSE of ITC common stock as of February 22, 2013 and assuming the ITC recapitalization takes the form of a one-time special dividend, the shares of ITC common stock that ITC expects to issue to Entergy shareholders as a result of the transactions would have had a market value of approximately $3,638.9 million in the aggregate (the actual value will not be known until the closing date). For more information, see The Transactions The Merger beginning on page 113 and The Transactions Calculation of the Merger Consideration beginning on page 113.

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Q: Will Entergy shareholders who sell their shares of Entergy common stock shortly before the completion of the distribution and merger still be entitled to receive shares of ITC common stock with respect to the shares of Entergy common stock that were sold?

A: Entergy common stock is currently listed on the NYSE and CHX under the ticker symbol ETR. In the event the distribution is effectuated as a spin-off, it is currently expected that beginning not earlier than two (2) business days before the record date to be established for the distribution, and continuing through the closing date of the merger, there will be two markets in Entergy common stock on the NYSE and CHX: a regular way market and an ex-distribution market.

- If an Entergy shareholder sells shares of Entergy common stock in the regular way market under the symbol ETR during this time period, that Entergy shareholder will be selling both his or her shares of Entergy common stock and the right to receive TransCo common units that will be converted into shares of ITC common stock, and cash in lieu of fractional shares (if any), at the closing of the merger. Entergy shareholders should consult their brokers before selling their shares of Entergy common stock in the regular way market during this time period to be sure they understand the effect of the NYSE and CHX due-bill procedures.

- If an Entergy shareholder sells shares of Entergy common stock in the ex-distribution market during this time period, that Entergy shareholder will be selling only his or her shares of Entergy common stock, and will retain the right to receive TransCo common units that will be converted into shares of ITC common stock, and cash in lieu of fractional shares (if any), at the closing of the merger.

After the closing date of the merger, shares of Entergy common stock will no longer trade in the ex-distribution market, and shares of Entergy common stock that are sold in the regular way market will no longer reflect the right to receive TransCo common units that will be converted into shares of ITC common stock, and cash in lieu of fractional shares (if any), at the closing of the merger. See The Transactions Trading Markets beginning on page 116.

Q: In what ways will being a shareholder of both Entergy and ITC differ from being an Entergy shareholder?

A: Following the separation, distribution and merger, Entergy shareholders will continue to own all of their shares of Entergy common stock. Their rights as Entergy shareholders will not change, except that their shares of Entergy common stock will represent an interest in Entergy that no longer indirectly owns or operates Entergy s Transmission Business. Entergy shareholders will also separately own stock of ITC as owner and operator of the former transmission business of Entergy and the currently owned transmission business of ITC (referred to in this proxy statement/prospectus as the combined company). For more information, see Comparison of Rights of Shareholders Before and After the Merger beginning on page 217.

For a more complete description of the characteristics of the combined company s business, see Business of the Combined Company beginning on page 94.

Q: Will the separation, distribution or merger affect employees and former employees of Entergy who hold Entergy restricted common stock?

A: Yes. Entergy has agreed that restricted stock held by an Entergy employee who transfers employment to TransCo will be converted into a number of similarly restricted shares of ITC common stock based on the ratio of the closing per share trading price of Entergy common stock in the regular way trading market on the day before the distribution date which price should reflect the entitlement to receive TransCo common units in the distribution to the closing per share trading price of ITC common stock on the closing date. Accordingly, a holder of restricted Entergy common stock whose employment is transferred to TransCo will not be entitled to any TransCo common units in any spin-off distribution in respect of his or her restricted Entergy common stock. As of the date of this proxy statement/prospectus, the Entergy compensation committee has not made a

determination regarding the nature of the adjustment to be made to restricted Entergy common stock held by any employee not transferring employment to TransCo. The Entergy equity incentive compensation plans generally prohibit the holder of any Entergy restricted common stock from transferring such stock before the applicable forfeiture restrictions lapse. If Entergy elects to effectuate the distribution with a split-off exchange offer, any holder of Entergy restricted common stock would be precluded from participating in such split-off exchange offer with respect to his or her restricted common stock. See The Transactions Effects of the Distribution and the Merger on Entergy Equity-Based Awards/Plans beginning on page 151.

Q: Will the separation, distribution or merger affect employees and former employees of Entergy who hold other Entergy equity-based awards?

A: Yes. Certain employees of Entergy hold options to purchase its common stock and units that may be settled in, or whose value is otherwise determined by reference to the value of, Entergy common stock. Each Entergy stock option held by an Entergy employee who transfers employment to TransCo will be converted into an option to purchase a number of shares of ITC common stock equal to the number of shares of Entergy common stock subject to the option multiplied by the same ratio used to convert restricted Entergy common stock (rounded down to the nearest number of whole shares) at an exercise price per share equal to the per-share exercise price under the Entergy option divided by such ratio (rounded up to the nearest cent), all subject to the same terms and conditions (including those related to vesting and post-employment exercise provisions) as were applicable under the Entergy option. In addition, each Entergy stock unit will be converted into a number of ITC restricted stock and/or ITC restricted stock units units that may be settled in, or whose value is otherwise determined by reference to the value of, ITC common stock equal to such ratio, all subject to restrictions and other terms and conditions substantially identical to those that applied to the corresponding Entergy units immediately before the closing. As of the date of this proxy statement/prospectus, the Entergy compensation committee has not made a determination regarding the nature of the adjustment to be made to Entergy stock options and units held by any employee not transferring employment to TransCo.

Q: Has Entergy set a record date for the distribution of the TransCo common units?

A: No. Entergy will publicly announce the record date for the distribution when the record date has been determined. This announcement will be made prior to the completion of the distribution and the merger.

Q: What are the material United States federal income tax consequences to ITC shareholders and Entergy shareholders resulting from the separation, distribution, merger, exchange trust exchange offer, and mandatory trust distribution?

A: Entergy shareholders are not expected to recognize any gain or loss for U.S. federal income tax purposes as a result of the separation, distribution, merger, exchange trust exchange offer, and mandatory trust distribution except for any gain or loss attributable to the receipt of cash in lieu of a fractional share of ITC common stock in the merger, exchange trust exchange offer, or mandatory trust distribution or cash, if any, received by an Entergy shareholder in addition to the shares of ITC common stock in an exchange trust exchange offer or mandatory trust distribution (other than cash received instead of fractional shares). ITC shareholders will not receive any stock or other consideration in respect of their ITC common stock pursuant to the aforementioned transactions and accordingly are not expected to realize any gain or loss as a result of such transactions (excluding any effects of the ITC $700 million recapitalization in the form of a one-time special dividend and/or share repurchase). The material U.S. federal income tax consequences of the separation, distribution, merger, exchange trust exchange offer, and mandatory trust distribution are described in more detail under Material United States Federal Income Tax Consequences of the Transactions.

Q: Are Entergy shareholders required to do anything?

A: No. Entergy shareholders are not required to take any action in connection with the separation, distribution, or merger, and no action by Entergy shareholders is required to participate in these transactions. However,

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Entergy shareholders should carefully read this proxy statement/prospectus, which contains important information about the transactions, Entergy, ITC and TransCo.

ENTERGY SHAREHOLDERS WILL NOT BE REQUIRED TO SURRENDER THEIR SHARES OF ENTERGY COMMON STOCK IN THE DISTRIBUTION OR THE MERGER, AND THEY SHOULD NOT RETURN THEIR ENTERGY STOCK CERTIFICATES. THE SEPARATION, DISTRIBUTION AND MERGER WILL NOT RESULT IN ANY CHANGE IN ENTERGY SHAREHOLDERS OWNERSHIP OF ENTERGY COMMON STOCK FOLLOWING THE MERGER (OTHER THAN WITH RESPECT TO SOME OR ALL HOLDERS OF ENTERGY RESTRICTED COMMON STOCK).

Q: Are there risks associated with the merger?

A: Yes. ITC may not realize the expected benefits of the merger because of the risks and uncertainties discussed in the section entitled Risk Factors beginning on page 53 and the section entitled Cautionary Statement Concerning Forward-Looking Statements beginning on page 66. Those risks include, among others, risks relating to the uncertainty that the merger will close, the uncertainty that ITC will be able to integrate the transmission assets and liabilities received in the merger successfully.

Q: Will the instruments that govern the rights of ITC and Entergy shareholders with respect to their shares of ITC common stock after the merger be different from those that govern the rights of current ITC shareholders?

A: No. The rights of ITC shareholders with respect to their shares of ITC common stock after the merger will continue to be governed by applicable laws and ITC s current governing documents, including:

- the Business Corporation Act of the State of Michigan, as amended (the MBCA);
- ITC s articles of incorporation (as amended in connection with the merger); and
- ITC s bylaws.

Q: Who will serve on the ITC board of directors following completion of the merger?

A: The directors of ITC immediately prior to the closing of the merger are expected to be the directors of ITC immediately following the closing of the merger, except that at the effective time of the merger, ITC has agreed that there will be at least two vacancies on the ITC board of directors (either through resignations of existing directors, by increasing the size of the board or a combination thereof) pursuant to the merger agreement, which vacancies will be filled immediately after the effective time of the merger with two independent directors nominated by ITC s nominating/corporate governance committee. Among other qualifications, nominees are expected to have transmission industry knowledge and familiarity with the region in which Entergy operates. Entergy will be entitled to offer to ITC s nominating/corporate governance committee suggestions on candidates to fill such vacancies in connection with the search process. Any decision with respect to Entergy s candidates, however, will be made solely by ITC s nominating/corporate governance committee.

Q: Will ITC s current senior management team manage the business of ITC after the transactions?

A: Yes. It is expected that ITC s management team will remain intact for the combined business and the executive officers of ITC immediately prior to the closing of the merger are expected to be the executive officers of ITC immediately following the closing of the merger. The merger agreement provides that ITC and TransCo will take all necessary action to appoint certain specified individuals to management positions at ITC or TransCo as of the effective time of the merger.

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Q: Does ITC have to pay anything to Entergy if the merger agreement is not approved by the ITC shareholders or if the merger agreement is otherwise terminated?

A: Depending on the reasons for termination of the merger agreement prior to the closing date, ITC may have to pay Entergy a termination fee of $113,570,800 in specified limited circumstances. For a discussion of the circumstances under which the termination fee is payable by ITC to Entergy, see The Merger Agreement beginning on page 164.

Q: Why is ITC proposing to amend its articles of incorporation to increase the number of authorized shares of ITC common stock from 100,000,000 to 300,000,000?

A: In connection with the merger, ITC will issue approximately 52,953,261 shares of ITC common stock (based on the number of outstanding shares of ITC common stock on February 22, 2013 and assuming the ITC recapitalization takes the form of a one-time special dividend) to Entergy shareholders. ITC does not have sufficient authorized and unissued shares of ITC common stock to complete that issuance, and accordingly needs to increase the number of authorized shares of ITC common stock in its articles of incorporation to complete this transaction. Although the ITC board of directors could have selected a different number of authorized shares for the ITC shareholders to approve in order to have a sufficient amount to issue to Entergy shareholders in connection with the merger, the ITC board of directors selected 300,000,000 because the ITC board of directors believes that such amount leaves enough shares authorized but unissued following the merger for other corporate purposes as the ITC board of directors may determine in the future in its discretion, including, without limitation, for future acquisitions, stock splits, stock dividends and future financings. Other than the issuance of shares of ITC common stock in connection with the merger, the ITC board of directors has no plans, proposals, or arrangements, written or otherwise, at this time to issue any of the newly available authorized shares of ITC common stock if the ITC shareholders approve the amendment of articles of incorporation proposal.

Q: Can Entergy or ITC shareholders demand appraisal rights of their shares?

A: Entergy shareholders do not have appraisal rights under Delaware law in connection with the distribution or the merger. ITC shareholders do not have appraisal rights under the MBCA in connection with the merger.

Q: What is the current relationship between TransCo and ITC?

A: TransCo is currently a wholly owned subsidiary of Entergy and was formed as a Delaware limited liability corporation in December 2011 to effectuate the separation, distribution and merger. Other than in connection with the transactions, there is no relationship between TransCo and ITC.

Q: When will the merger be completed?

A: ITC and Entergy are working to complete the merger as quickly as possible after receipt of applicable regulatory approvals, the last of which is currently expected to be received in 2013. In addition to regulatory approvals, and assuming that the merger proposals are approved by the ITC shareholders at the special meeting, other important conditions to the closing of the separation and merger exist, including, among other things, the completion of the financings, the internal restructuring necessary to separate Entergy s transmission assets and liabilities from Entergy s other business, and the receipt of the IRS rulings and tax opinions regarding the tax-free treatment of certain aspects of the transactions. However, it is possible that factors outside ITC s and Entergy s control could require Entergy to complete the separation and distribution and ITC and Entergy to complete the merger at a later time or not complete them at all. For a discussion of the conditions to the separation and the merger, see The Transactions Regulatory Approvals beginning on page 155, The Merger Agreement Conditions to the Merger beginning on page 180, and The Separation Agreement Conditions to the Separation beginning on page 194.

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Q: Who can answer my questions?

A: If you are an ITC shareholder and you have any questions about the merger, please contact ITC s proxy solicitor:

199 Water Street, 26th Floor

New York, NY 10038-3560

Banks and Brokers Call (212) 440-9800

All Others Call Toll-Free (800) 561-2871

If you are an Entergy shareholder and you have any questions about the separation, distribution or merger or you would like to request additional documents, including copies of this proxy statement/prospectus, please contact Entergy s Investor Relations information line at 1-888-ENTERGY (368-3749) or Entergy Corporation, Investor Relations, P.O. Box 61000, New Orleans, LA 70161.

Q: Who is the transfer agent for ITC common stock and the distribution agent for the distribution?

A: Computershare Trust Company, N.A. is the transfer agent for ITC common stock. Wells Fargo Bank, N.A. is the distribution agent for the distribution.

Q: Where can I find more information about Entergy, ITC, TransCo and the transactions?

A: You can find out more information about Entergy, ITC, TransCo and the transactions by reading this proxy statement/prospectus and, with respect to Entergy and ITC, from various sources described in Where You Can Find More Information; Incorporation By Reference beginning on page 241.

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SUMMARY

This summary, together with the section titled Questions and Answers About the Transactions and the Special Meeting immediately preceding this summary, provides a summary of the material terms of the separation, distribution and merger. These sections highlight selected information contained in this proxy statement/prospectus and may not include all the information that is important to you. To better understand the proposed separation, distribution and merger, and the risks related to these transactions, you should read this entire proxy statement/prospectus carefully, including the annexes, as well as those additional documents to which this proxy statement/prospectus refers you. See also Where You Can Find More Information; Incorporation By Reference.

Information on ITC (page 73)

ITC Holdings Corp.

27175 Energy Way

Novi, Michigan 48377

(248) 946-3000

ITC Holdings Corp., referred to as ITC, and its subsidiaries are engaged in the transmission of electricity in the United States. ITC s current operating subsidiaries include International Transmission Company (ITCTransmission), Michigan Electric Transmission Company, LLC (METC), ITC Midwest LLC (ITC Midwest) and ITC Great Plains, LLC (ITC Great Plains). ITCTransmission, METC, ITC Midwest and ITC Great Plains are collectively referred to as ITC s regulated operating subsidiaries. Through ITC s regulated operating subsidiaries, ITC operates high-voltage systems in Michigan s Lower Peninsula and portions of Iowa, Minnesota, Illinois, Missouri, Oklahoma and Kansas that transmit electricity from generating stations to local distribution facilities connected to ITC s systems. ITC s business strategy is to operate, maintain and invest in transmission infrastructure in order to enhance system integrity and reliability, to reduce transmission constraints and to allow new generating resources to interconnect to ITC s transmission systems. ITC also is pursuing development projects not within ITC s existing systems, which are intended to improve overall grid reliability, lower electricity congestion and facilitate interconnections of new generating resources, as well as to enhance competitive wholesale electricity markets. For more information on ITC, see Information on ITC.

ITC Midsouth LLC

c/o ITC Holdings Corp.

27175 Energy Way

Novi, Michigan 48377

(248) 946-3000

ITC Midsouth LLC (formerly known as Ibis Transaction Sub LLC), referred to as Merger Sub, is a wholly owned subsidiary of ITC. Merger Sub was organized on December 1, 2011 for the purposes of merging with and into TransCo in the merger. Merger Sub has not carried on any activities other than in connection with the merger agreement and the transactions and approvals contemplated therein.

Information on Entergy (page 80)

Entergy Corporation

639 Loyola Avenue

New Orleans, Louisiana 70113

(504) 576-4000

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Entergy Corporation, referred to as Entergy, is an integrated energy company engaged primarily in the electric power production and retail distribution operations. Entergy, through its subsidiaries, owns and operates power plants with approximately 30,000 megawatts of electric generating capacity, including more than 10,000 megawatts of nuclear power, making it one of the nation s leading nuclear generators. Entergy delivers electricity to 2.8 million utility customers in Arkansas, Louisiana, Mississippi and Texas. Entergy has annual revenues of more than $11 billion and approximately 15,000 employees. Entergy operates its business in two segments: the utility business segment and the Entergy wholesale commodities businesses segment. For more information on Entergy, see Information on Entergy.

Mid South TransCo LLC

c/o Entergy Corporation

639 Loyola Avenue

New Orleans, Louisiana 70113

(504) 576-4000

Mid South TransCo LLC, referred to as TransCo, was organized on December 2, 2011 and is currently a wholly owned subsidiary of Entergy. In connection with the separation and distribution, Entergy will cause specified assets and liabilities used in Entergy s Transmission Business to be transferred to TransCo and then distribute all of the limited liability company interests in TransCo, referred to as the TransCo common units, to Entergy shareholders (excluding any TransCo common units to be contributed to the exchange trust in the event Entergy makes the exchange trust election, as further described below under The Exchange Trust).

The Entergy transmission business, referred to as Entergy s Transmission Business, consists of the Entergy transmission system, which is comprised of approximately 15,400 circuit miles of transmission lines operated at 69kV to 500kV and approximately 1,400 substations, as well as the employees and assets used to plan, operate and maintain that system. The Entergy transmission system spans portions of Arkansas, Louisiana, Mississippi, Missouri and Texas covering 114,000 square miles. The Entergy transmission system moves high voltage bulk electric power from generating plants of the Utility Operating Companies and other third parties across an interconnected system of transmission lines and substations to distribution points for delivery to wholesale customers such as municipalities and cooperatives, as well as to the approximately 2.8 million retail customers of the Utility Operating Companies. For more information on Entergy s Transmission Business, see Information on Entergy s Transmission Business.

The Transactions (See The Transactions beginning on page 108).

On December 4, 2011, ITC and Entergy agreed to enter into transactions to effect the transfer of Entergy s Transmission Business to ITC. These transactions provide for the separation of Entergy s Transmission Business into TransCo, the distribution of TransCo and the subsequent merger of Merger Sub with and into TransCo, with TransCo surviving as a wholly owned subsidiary of ITC. As a result of and immediately following these transactions, Entergy shareholders (and, if applicable, the exchange trust) will collectively own approximately 50.1% of ITC common stock on a fully diluted basis, and existing ITC shareholders will collectively own approximately 49.9% of ITC common stock on a fully diluted basis (subject to adjustment in limited circumstances as provided in the merger agreement and excluding any ITC equity awards issued to employees of Entergy s Transmission Business who become employees of TransCo). In no event will Entergy shareholders (and, if applicable, the exchange trust) hold less than 50.1% of the outstanding common stock of ITC immediately after the merger. Entergy shareholders will retain their shares of Entergy common stock.

In order to effect the separation, distribution and merger, ITC, Merger Sub, Entergy and TransCo entered into the merger agreement; Entergy, ITC, TransCo, each of Entergy s Utility Operating Companies and ESI entered into the separation agreement and Entergy, ITC and TransCo entered into the employee matters agreement. In addition, ITC, Entergy, TransCo or their respective affiliates will also enter into a series of

ancillary agreements in connection with the transactions. These agreements, which are described in greater detail in this proxy statement/prospectus, will govern the relationship among ITC, Entergy, TransCo and their respective affiliates after the separation and distribution. For a more complete discussion of the transaction agreements, see The Merger Agreement, The Separation Agreement, and Additional Agreements.

Transaction Timeline (See The Transactions Transaction Timeline beginning on page 108).

Below is a step-by-step list illustrating the material events relating to the separation, distribution and merger:

Step #1 *Entergy Exchangeable Debt*. At least fourteen (14) days prior to the debt exchange, Entergy will issue or unrelated creditors will purchase Entergy exchangeable debt (as described below under The Financings). The amount of Entergy exchangeable debt to be issued or purchased is expected to be $575 million, but in any case will be of equal aggregate principal amount as the TransCo debt securities.

Step #2 *ITC Financing, ITC Special Dividend and/or Share Repurchase*. Prior to the merger, ITC may, in its sole discretion, elect to (i) declare a one-time special dividend payable to pre-merger ITC shareholders, (ii) effect a share repurchase of ITC common stock or (iii) undertake a combination of a one-time special dividend and share repurchase of ITC common stock. The aggregate amount payable to ITC shareholders in connection with a one-time special dividend or share repurchase or a combination of both will not exceed $700 million. Prior to the merger, ITC expects to enter into debt financings to fund any such transactions.

Step #3 *Entergy Corporate Reorganization*. On or prior to the separation date, Entergy, the Utility Operating Companies and other Entergy affiliates will effectuate a series of restructuring transactions. Such restructuring transactions will include (i) each Utility Operating Company redeeming its outstanding preferred equity interests, if any, and (ii) each Utility Operating Company merging with and into a newly formed, directly or indirectly, wholly owned limited liability company of Entergy with such limited liability company surviving.

Step #4 *TransCo Subs Financing; Utility Operating Companies Contribution of Transmission Assets*. The TransCo Subs will effectuate the TransCo Subs Financing (as described below under The Financings). The aggregate amount of the TransCo Subs Financing is expected to be $1.2 billion. Simultaneously with or immediately after the TransCo Subs Financing, each Utility Operating Company (now in limited liability company form) will transfer its respective specified transmission assets and liabilities to its respective TransCo Sub and, as part of the consideration for such transfer, each Utility Operating Company will receive its respective portion of the net proceeds of the TransCo Sub Financing.

Step #5 *Distribution of TransCo Subs to Entergy*. All of the equity interests in each respective TransCo Sub will be distributed to Entergy.

Step #6 *Entergy Contribution*. Entergy will contribute to TransCo all of the equity interests of each TransCo Sub and cash in exchange for (i) the number of TransCo common units determined pursuant to the merger agreement and (ii) the TransCo debt securities (as described below under The Financings).

Step #7 *Transfer of ESI Assets to TransCo or one or more TransCo Subs*. Using the cash received in Step #6, TransCo or one or more TransCo Subs will purchase certain assets owned by ESI.

Step #8 *The Distribution*. Entergy will effect the distribution of the TransCo common units to the Entergy shareholders through a spin-off, split-off exchange offer or a combination of a spin-off and split-off exchange offer. At the closing of the distribution, the TransCo common units will be delivered to the distribution agent, who will hold such shares for the benefit of Entergy shareholders. In the event Entergy makes the exchange trust election, Entergy will contribute the TransCo common units to be held by the exchange trust at or prior to the distribution.

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Step #9 *The Debt Exchange*. At the time of the separation, it is expected that Entergy will effect an exchange of the TransCo debt securities for the Entergy exchangeable debt.

Step #10 *The Merger*. Merger Sub will be merged with and into TransCo with TransCo surviving the merger as a wholly owned subsidiary of ITC. In the merger, the TransCo common units held by the distribution agent will be converted into the number of shares of ITC common stock such that immediately after the merger, Entergy shareholders (and, if applicable, the exchange trust) will collectively own approximately 50.1% of ITC common stock on a fully diluted basis, and existing ITC shareholders will collectively own approximately 49.9% of ITC common stock on a fully diluted basis (subject to adjustment in limited circumstances as provided in the merger agreement and excluding any ITC equity awards issued to employees of Entergy s Transmission Business who become employees of TransCo). In no event will Entergy shareholders (and, if applicable, the exchange trust) hold less than 50.1% of the outstanding common stock of ITC immediately after the merger.

Step #11 *Distribution of ITC Common Stock to Entergy Shareholders*. The distribution agent will distribute shares of ITC common stock and cash in lieu of fractional share interests to Entergy shareholders on a *pro rata* (with certain limited exceptions) basis in accordance with the terms of the merger agreement (assuming Entergy elects to effectuate the distribution through a spin-off).

The Separation and Distribution (See The Transactions The Separation and Distribution beginning on page 112).

Prior to the merger of Merger Sub with and into TransCo, Entergy will undergo an internal restructuring to separate and consolidate Entergy s Transmission Business under TransCo pursuant to the terms of the separation agreement.

On or prior to the separation date, Entergy, the Utility Operating Companies and other Entergy affiliates will effectuate a series of restructuring transactions. Such restructuring transactions will include (i) each Utility Operating Company redeeming its outstanding preferred equity interests, if any, and (ii) each Utility Operating Company merging with and into a newly formed, directly or indirectly, wholly-owned limited liability company of Entergy with such limited liability company surviving.

Simultaneously with or immediately after the TransCo Subs Financing, each Utility Operating Company will transfer its respective specified transmission assets and liabilities to its respective TransCo Sub, referred to as the Utility Operating Companies contributions. In consideration of the Utility Operating Companies contributions, each Utility Operating Company will receive the net proceeds of the respective TransCo Sub Financing.

Immediately thereafter, the Utility Operating Companies and certain other intermediate holding companies of Entergy will distribute the equity interests of the TransCo Subs so that Entergy will be the direct holder of the equity interests of each TransCo Sub. Immediately thereafter, Entergy will contribute cash to certain TransCo Subs, and such TransCo Subs will purchase certain assets of ESI.

Immediately thereafter, Entergy will contribute all the equity interests in each TransCo Sub to TransCo in exchange for (i) a number of TransCo common units not to be less than the number which will be necessary for the Entergy shareholders (and, if applicable, the exchange trust) immediately prior to the merger to constitute the holders of at least 50.1% of the outstanding ITC common stock immediately following the merger and (ii) TransCo debt securities.

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Pursuant to the merger agreement and prior to the merger, Entergy will distribute 100% of the TransCo common units (excluding any TransCo common units to be contributed to the exchange trust in the event Entergy makes the exchange trust election) to Entergy s shareholders through a spin-off, a split-off exchange offer or a combination of the two, referred to as the distribution.

If the distribution includes a spin-off, each record holder of Entergy common stock (other than restricted Entergy common stock) will be entitled to receive its *pro rata* share of TransCo common units subject to the spin-off.

If the distribution includes a split-off exchange offer of TransCo common units for currently outstanding shares of Entergy common stock, in the event that there are unsubscribed TransCo common units resulting from such split-off exchange offer, Entergy will distribute them to Entergy shareholders, a transaction referred to as the clean-up spin-off. In a clean-up spin-off, each record holder of Entergy common stock (other than Entergy restricted common stock) will be entitled to receive its *pro rata* share of TransCo common units subject to the clean-up spin-off.

Conditions to the Separation (See The Separation Agreement Conditions to the Separation beginning on page 194).

The obligations of Entergy to effect the separation pursuant to the separation agreement are subject to fulfillment (or waiver by Entergy) at or prior to the separation date of the conditions that:

- each of the conditions to Entergy s obligation to effect the closing of the transactions contemplated by the merger agreement (as more fully described below in Conditions to the Merger and in The Merger Agreement Conditions to the Merger), have been satisfied or waived (other than conditions that, by their nature, are to be satisfied between the separation time and closing or contemporaneously with closing);

- ITC shall have irrevocably confirmed to Entergy that each condition to ITC s obligation to effect the closing of the transactions contemplated by the merger agreement (as more fully described below in Conditions to the Merger and in The Merger Agreement Conditions to the Merger) have been satisfied or waived (other than conditions that, by their nature, are to be satisfied between the separation time and closing or contemporaneously with closing); and

- the financings will have been completed in accordance with and subject to the terms of the separation agreement, and the sum of the principal amount of the TransCo debt securities issued to Entergy and the TransCo Subs Financing principal amount is at least equal to $1.775 billion, subject to specified adjustments pursuant to the merger agreement.

The Merger; Merger Consideration (See The Transactions The Merger beginning on page 113 and The Transactions Calculation of the Merger Consideration beginning on page 113)**.**

In accordance with the merger agreement and Delaware law, immediately following the distribution, Merger Sub will merge with and into TransCo. As a result of the merger, the separate corporate existence of Merger Sub will cease and TransCo will continue as the surviving entity and will become a wholly-owned direct subsidiary of ITC. Following the merger, ITC will continue the combined business operations of TransCo and ITC.

The merger agreement provides that each TransCo common unit issued and outstanding immediately before the effective time of the merger (which calculation is described below) will automatically convert at the effective time of the merger into the right to receive one fully paid and nonassessable share of ITC common stock. However, each TransCo common unit that is owned, directly or indirectly, by ITC or Merger Sub or held by TransCo, immediately prior to the effective time of the merger, will be automatically cancelled at the effective

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time of the merger. Holders of Entergy common stock (who following the distribution will have become holders of TransCo common units) will not be required to pay for the shares of ITC common stock they receive and will also retain all of their Entergy common stock. Existing shares of ITC common stock will remain outstanding.

No fractional shares of ITC common stock will be issued in the merger to holders of fractional TransCo common units. Instead, within 30 business days following the effective time of the merger, the exchange agent will aggregate all fractional shares of ITC common stock and sell them on behalf of those Entergy shareholders who otherwise would be entitled to receive a fractional share of ITC common stock. Those Entergy shareholders will then receive a cash payment in an amount equal to their *pro rata* share of the total net proceeds of those sales. The receipt of cash in lieu of fractional shares generally will be taxable to the recipient shareholders as described in Material United States Federal Income Tax Consequences of the Transactions.

As further described above under The Separation and Distribution and under The Merger Agreement, in the separation, TransCo will issue to Entergy a number of TransCo common units equal to the sum of:

- the number obtained by multiplying (i) 1.00400801603206 by (ii) the number of ITC shares of common stock on a fully diluted basis (calculated as detailed in the merger agreement and as summarized below), on the estimation date (as defined below), less the number of common units of TransCo outstanding immediately prior to such calculation (which are estimated to be approximately 1,000); plus

- the number obtained by dividing the aggregate disqualified share number (as defined below) by 49.9% (provided that such number will not exceed an amount that would reduce, as calculated in the merger agreement, the transaction maximum principal amount of indebtedness of $1.775 billion to be incurred by TransCo by the issuance of TransCo debt securities and the TransCo Subs in the TransCo Subs Financing by more than $100 million).

The term fully diluted basis means Entergy and ITC s estimate of the number of shares of ITC common stock that will be outstanding on the closing date of the merger, together with the estimated amount of shares of ITC common stock that will be issuable on the closing date of the merger upon the exercise of any options, rights or units based on the treasury stock method (other than the shares of ITC common stock issued or to be issued in the merger, including pursuant to the employee matters agreement) as further detailed in the merger agreement.

The estimation date will be the nearest reasonably practicable date prior to the last trading day that ends at least 20 trading days prior to the date the distribution will be expected to occur, as mutually agreed by Entergy and ITC.

The aggregate disqualified share number means ITC s and Entergy s best estimate of the number of shares of ITC common stock issuable upon the conversion of Entergy stock options and restricted shares to ITC stock options and restricted shares that are reasonably likely to be treated as being issued as part of a plan or series of related events for U.S. federal income tax purposes that would cause the distribution to be treated as a taxable event.

The merger agreement also provides that the number of TransCo common units to be issued to Entergy will in no event be less than that number which will be necessary for the Entergy shareholders (and, if applicable, the exchange trust) immediately prior to the merger to constitute the holders of at least 50.1% of the outstanding common stock immediately following the merger, as determined under U.S. federal income tax rules to ensure that the spin-off or split-off exchange offer is not taxable to Entergy.

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Conditions to the Merger (See The Merger Agreement Conditions to the Merger beginning on page 180).

As more fully described in this proxy statement/prospectus, the obligations of each of the parties to effect the closing of the merger are subject to the satisfaction or waiver of a number of conditions, including those described below.

Mutual Conditions. The obligations of Entergy, TransCo, Merger Sub and ITC to effect the merger are subject to the satisfaction (or waiver by all parties) of the following conditions:

- the absence of any temporary restraining orders or injunctions that would prevent the consummation of the merger or the transactions;
- the occurrence of the transfer of Entergy s Transmission Business to TransCo and the distribution in accordance with the terms of the separation agreement;
- the approval of the merger proposals by ITC shareholders at the special meeting;
- the authorization for listing on the NYSE of the ITC common stock to be issued pursuant to the merger agreement;
- the effectiveness of the registration statement of which this proxy statement/prospectus is part and any registration statements filed by TransCo, as applicable;
- the expiration of any offer period or notice period related to a split-off exchange offer or spin-off, as the case may be;
- the absence of any temporary restraining order, injunction or other order issued in connection with any of the required regulatory approvals that would impose an ITC burdensome condition;
- the receipt by Entergy of all necessary approvals from state and federal regulatory authorities to allow Entergy s Transmission Business to become a member of an acceptable RTO; and
- the completion of the financings pursuant to the separation agreement.

ITC Conditions. The obligation of each of ITC and Merger Sub to effect the merger is further subject to the satisfaction of the following conditions (each of which is for the exclusive benefit of ITC and Merger Sub and may be waived by ITC):

- performance by Entergy and TransCo, in all material respects, of their respective obligations and compliance with all covenants required by the merger agreement and the other transaction agreements to be performed on or before the closing;
- the accuracy of Entergy s representations and warranties set forth in the merger agreement, generally both when made and at the time of the closing, subject to certain specified materiality standards;

the absence of any Transmission Business MAE (as defined in the section entitled The Merger Agreement) having occurred from the date of the merger agreement through the closing date;

Entergy will have delivered to ITC an officer s certificate to the effect that each of the conditions set forth in the three bullet points immediately above are satisfied;

the receipt of a written tax opinion from Simpson Thacher & Bartlett LLP, stating that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

the receipt of IRS rulings, requested by Entergy, regarding the tax-free treatment of certain aspects of the transactions;

the absence of any changes in, revocation of, or amendment to the IRS rulings or change in law that, in the reasonable judgment of ITC, has a materially adverse impact on ITC or TransCo, and the tax opinion from counsel to be obtained by Entergy regarding the tax-free nature of certain aspects of the transactions being in form and substance reasonably acceptable to ITC;

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- the receipt of the required regulatory approvals, including approval of the FERC, the Arkansas Public Service Commission, the Louisiana Public Service Commission, the Mississippi Public Service Commission, the Public Utility Commission of Texas, the Missouri Public Service Commission and the Council for the City of New Orleans, as well as the expiration of the applicable waiting period under the HSR Act, and such approvals will have become final orders which do not impose terms or conditions that, individually or in the aggregate, would reasonably be expected to have an ITC burdensome condition;

- the completion of the ITC financing and the one-time special dividend, share repurchase or both, as the case may be, pursuant to the terms of the merger agreement;

- in the event that the integration of the Utility Operating Companies into an acceptable RTO has not been fully completed as of the closing date, arrangements reasonably acceptable to ITC will have been made such that neither ITC nor any of its affiliates (including TransCo and the TransCo Subs) would be responsible for performing generator dispatch, for economics or market operations, following the consummation of the merger; and

- the execution by Entergy, TransCo or any affiliate of Entergy who is a party to the ancillary agreements of each of the ancillary agreements.

Entergy Conditions. The obligation of each of Entergy and TransCo to effect the merger is further subject to the satisfaction of the following conditions (each of which is for the exclusive benefit of Entergy and TransCo and may be waived by Entergy):

- performance of ITC and Merger Sub in all material respects, of their respective obligations and compliance with all covenants required by the merger agreement and the other transaction agreements to be performed on or before the closing;

- the accuracy of the representations and warranties of ITC set forth in the merger agreement, generally both when made and at the time of the closing, subject to certain specified materiality standards;

- the absence of any ITC MAE (as defined in the section entitled The Merger Agreement) having occurred from the date of the merger agreement through the closing date;

- ITC will have delivered to Entergy an officer s certificate to the effect that each of the conditions set forth in the three bullet points immediately above are satisfied;

- the Entergy board of directors will have received an opinion from a nationally recognized solvency valuation firm, that, after giving effect to the transactions (including the anticipated financings), the transactions will not leave TransCo insolvent or otherwise unable to pay its obligations as they come due;

- Entergy will have received the IRS rulings to be requested by Entergy regarding the tax-free treatment of certain aspects of the transactions and tax opinions from counsel; provided that Entergy will not be permitted to avoid closing as a result of any failure of Entergy to receive favorable IRS rulings or tax opinion with respect to the tax-free treatment of its debt exchange or the exchange trust arrangements;

- the absence of any change in, revocation of, or amendment to the IRS rulings or change in law that could, in the reasonable judgment of counsel to Entergy, affect the validity of the IRS rulings in a manner that is materially adverse to Entergy;

the receipt of the required regulatory approvals, including approval of the FERC, the Nuclear Regulatory Commission, the Arkansas Public Service Commission, the Louisiana Public Service Commission, the Mississippi Public Service Commission, the Public Utility Commission of Texas, the Missouri Public Service Commission and the Council for the City of New Orleans, as well as the

expiration of the applicable waiting period under the HSR Act, and such approvals will have become final orders which do not impose terms or conditions that, individually or in the aggregate, would reasonably be expected to have an Entergy burdensome condition or an ITC burdensome condition; and

the execution by ITC of each of the ancillary agreements to which it is a party.

The Exchange Trust (See The Transactions Exchange Trust beginning on page 117).

Pursuant to the terms of the merger agreement, Entergy may elect, at least 30 business days prior to the closing of the merger to retain up to the number of TransCo common units that would convert in the merger to up to 4.9999% of the total number of shares of ITC common stock outstanding immediately following the consummation of the merger that otherwise would have been distributed in the distribution, such election is referred to as the exchange trust election. If Entergy makes an exchange trust election, and subject to the conditions in the merger agreement, Entergy, TransCo, ITC and a trustee will enter into a trust agreement, referred to as the exchange trust agreement. Under the terms of the exchange trust agreement, at the time of the distribution, Entergy will transfer such TransCo common units to an irrevocable Delaware trust, referred to as the exchange trust. The TransCo common units transferred to the exchange trust will not be distributed to Entergy shareholders in the distribution and, at the closing of the merger, will subsequently be converted into ITC common stock in the merger. The trustee of the trust will own and hold legal title to the TransCo common units or ITC common stock. Pursuant to the exchange trust agreement, the exchange trust will hold the shares for the benefit of Entergy and Entergy shareholders; provided, however, in no event will the ITC common stock held by the exchange trust be transferred to Entergy. Upon delivery of notice by Entergy, the trustee will conduct an exchange offer whereby Entergy shareholders may exchange Entergy common stock for the ITC common stock held by the exchange trust pursuant to irrevocable terms contained in the trust agreement at the time it is entered into, referred to as the exchange trust exchange offer. Pursuant to the exchange trust agreement, any ITC common stock remaining in the exchange trust after six months following the completion of the merger will be distributed to Entergy shareholders *pro rata*. If Entergy makes an exchange trust election, Entergy, ITC and the trustee of the exchange trust will also enter into a registration rights agreement whereby ITC will provide the trustee and Entergy certain registration rights with respect to the retained equity. The purpose of the exchange trust is to permit an exchange offer with Entergy shareholders to occur when the trading market for the combined company s common stock has settled following the merger. This delayed exchange offer, if elected by Entergy, is an option to help Entergy efficiently manage its post-transaction capital structure and improve cash flow and credit metrics. Upon the consummation of a successful exchange offer by the trust, there would be fewer outstanding shares of Entergy common stock, as those shares would have been exchanged for the shares of ITC common stock held by the trust. Consequently, a successful delayed exchange offer would permit Entergy to reduce its common shares outstanding and aggregate cash dividends paid and as a result could improve Entergy s available cash flow and credit metrics.

For additional information on the exchange trust agreement and the registration rights agreement, see Additional Agreements Exchange Trust Agreement and Additional Agreements Registration Rights Agreement.

Opinions of ITC s Financial Advisors (See The Transactions Opinion of J.P. Morgan beginning on page 133 and The Transactions Opinion of Barclays beginning on page 141).

Opinion of J.P. Morgan

In deciding to approve the merger, the merger agreement, the separation agreement, the employee matters agreement and the other transactions contemplated thereby, the ITC board of directors considered the opinion delivered to it on December 4, 2011 by J.P. Morgan Securities LLC, its financial advisor, which we refer to herein as J.P. Morgan, that, as of the date of the opinion, and based upon and subject to the various factors,

procedures, assumptions, limitations and qualifications set forth in its opinion, the aggregate consideration (consisting of the issuance of one share of ITC common stock in exchange for each TransCo common unit, plus the payment of cash in lieu of any fractional shares) to be paid by ITC in the proposed transactions was fair, from a financial point of view, to ITC. **The full text of the written opinion of J.P. Morgan, dated December 4, 2011, which sets forth the assumptions made, matters considered and qualifications and limitations on the opinion and the review undertaken by J.P. Morgan is attached as Annex D to this proxy statement/prospectus and is incorporated by reference herein in its entirety. You are encouraged to read the opinion and the description included in this proxy statement/prospectus carefully in their entirety. The summary and the description of the opinion are qualified in their entirety by reference to the full text of the opinion. J.P. Morgan s opinion is limited to the fairness, from a financial point of view, to ITC of the aggregate consideration to be paid by ITC in the proposed transactions and J.P. Morgan expressed no opinion as to any other matter. The opinion does not constitute a recommendation to any shareholder as to how such shareholder should vote with respect to the proposed transactions or any other matter**. See The Transactions Opinion of J.P. Morgan.

Opinion of Barclays

In deciding to approve the merger, the merger agreement, the separation agreement, the employee matters agreement and the other transactions contemplated thereby, the ITC board of directors considered the opinion, dated December 4, 2011, of Barclays Capital Inc., referred to herein as Barclays, as to the fairness, from a financial point of view and as of the date of such opinion and subject to the qualifications, limitations and assumptions stated in such opinion, to ITC of the exchange ratio in the merger, which means the right, pursuant to the merger, of holders of TransCo units to receive one share of ITC common stock in exchange for each TransCo common unit they hold. The full text of Barclays written opinion is attached as Annex E to this proxy statement/prospectus and is incorporated herein by reference. The written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Barclays in rendering its opinion. This summary of Barclays written opinion is qualified in its entirety by reference to the full text of the opinion. **Barclays opinion, the issuance of which was approved by Barclays fairness opinion committee, was addressed to the ITC board of directors for its use and benefit in connection with its evaluation of the exchange ratio and related only to the fairness, from a financial point of view, to ITC of the exchange ratio in the merger. Barclays was not requested to opine as to, and its opinion did not in any manner address, ITC s underlying business decision to proceed with or effect the transactions or the likelihood of consummation of the transactions. The opinion was not intended to be and does not constitute a recommendation to any shareholder of ITC as to how such shareholder should vote or act with respect to the transactions or any related matter.** See the section entitled The Transactions Opinion of Barclays.

Board of Directors and Management of ITC Following the Merger (See Information on ITC Directors and Executive Officers of ITC Before and After the Merger beginning on page 74 and The Transactions Board of Directors and Management of ITC Following the Merger beginning on page 150).

The directors of ITC immediately prior to the closing of the merger are expected to be the directors of ITC immediately following the closing of the merger, except that at the effective time of the merger, ITC has agreed that there will be at least two vacancies on the ITC board of directors (either through resignations of existing directors, by increasing the size of the board or a combination thereof) pursuant to the merger agreement, which vacancies will be filled immediately after the effective time of the merger with two independent directors nominated by ITC s nominating/corporate governance committee. Among other qualifications, nominees are expected to have transmission industry knowledge and familiarity with the region in which Entergy operates. Entergy will be entitled to offer to ITC s nominating/corporate governance committee suggestions on candidates to fill such vacancies in connection with the search process. Any decision with respect to Entergy s candidates, however, will be made solely by ITC s nominating/corporate governance committee.

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The executive officers of ITC immediately prior to the closing of the merger are expected to be the executive officers of ITC immediately following the closing of the merger. The merger agreement provides that ITC and TransCo will take all necessary action to appoint certain specified individuals to management positions at ITC or TransCo as of the effective time of the merger.

Interests of Certain Persons in the Merger (See The Transactions Interests of Certain Persons in the Merger beginning on page 151)**.**

In considering the ITC board of directors determination to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement and to recommend that ITC shareholders vote in favor of the merger proposals, ITC shareholders should be aware that certain officers and directors of ITC may have certain interests in the merger and related transactions that are different from, or in addition to, the interests of ITC shareholders, see The Transactions Interests of Certain Persons in the Merger. The ITC board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement, the merger and the other transactions contemplated by the merger agreement, including the acceleration of certain vesting terms under ITC s 2006 Long Term Incentive Plan.

Except with respect to the treatment of Entergy restricted common stock, the directors and officers of Entergy and TransCo will receive no extra or special benefit that is not shared on a *pro rata* basis by all other Entergy shareholders in connection with the transactions. For more information on the treatment of Entergy restricted common stock, see The Transactions Effects of the Distribution and the Merger on Entergy Equity Awards/Plans.

Regulatory Approvals (See The Transactions Regulatory Approvals beginning on page 155, The Merger Agreement Antitrust Matters beginning on page 175 and The Merger Agreement Efforts to Close beginning on page 175)**.**

As further described in this proxy statement/prospectus, to complete the separation, the distribution and the merger, there are certain filings, notices and waiting periods required in order for ITC and Entergy to obtain required authorizations, approvals and/or consents from a number of federal and state public utilities, antitrust and other regulatory authorities, including the FERC, the Nuclear Regulatory Commission, the Arkansas Public Service Commission, the Louisiana Public Service Commission, the Mississippi Public Service Commission, the Public Utility Commission of Texas, the City Council for the City of New Orleans, and the Nuclear Regulatory Commission (the NRC), as well as the expiration of the applicable waiting period under the HSR Act. For additional information, see The Transactions Regulatory Approvals.

As further described in this proxy statement/prospectus, the merger agreement generally provides that Entergy and ITC will file all required notifications under the HSR Act with the Federal Trade Commission (the FTC) and the Department of Justice (the DOJ). The parties made such filings on December 14, 2012. Each party has agreed, subject to certain limitations, to use its reasonable best efforts to obtain early termination of any waiting period under the HSR Act and supply each other, the FTC and the DOJ with any information reasonably required in connection with such filings. The waiting period under the HSR Act expired on January 14, 2013. In addition, the merger agreement generally provides that Entergy and ITC will use their respective reasonable best efforts (as specified in the merger agreement and subject to certain exceptions specified therein) to consummate the transactions, including using reasonable best efforts to file any applications, notices, registrations, filings, reports, petitions and other documents required to be filed with any governmental authority necessary or advisable to consummate the transactions, obtain each required approval, consent, ratification, permission and waiver of authorization from governmental authorities and parties to any material contractual obligations, cooperate with and provide notice to each other and lift any restraint, injunction or other legal bar to the transactions. For additional information, see The Merger Agreement Antitrust Matters and The Merger Agreement Efforts to Close.

No Dissenters Rights (See The Transactions No Dissenters Rights beginning on page 160).

ITC shareholders will not be entitled to dissenters rights under the MBCA in connection with the merger.

The Financings (See The Financings beginning on page 162 and The Separation Agreement The Financings beginning on page 192)**.**

Entergy Exchangeable Debt. At least fourteen days prior to the debt exchange, Entergy will issue debt to one or more unrelated creditors or one or more unrelated creditors will purchase existing Entergy corporate debt, in each case, such debt is referred to as Entergy exchangeable debt. As described below, assuming that the desired private letter ruling from the IRS with respect to the financings is obtained, the amount of Entergy exchangeable debt to be issued or purchased is expected to be $575 million, but in any case will be of equal aggregate principal amount as the TransCo debt securities.

Issuance of TransCo Debt Securities. In partial consideration for the equity interests of the TransCo Subs contributed by Entergy to TransCo in the Entergy contribution, TransCo will issue to Entergy debt of TransCo, referred to as TransCo debt securities, in an aggregate principal amount, when combined with the TransCo Subs Financing, of $1.775 billion (as may be adjusted pursuant to the merger agreement), referred to as the transaction maximum principal amount. It is currently expected that the aggregate principal amount of the TransCo debt securities will be $575 million, but in any case will be of equal aggregate principal amount as the Entergy exchangeable debt.

The Debt Exchange. At the time of the separation, it is expected that Entergy will effect an exchange with the holders of the Entergy exchangeable debt for the TransCo debt securities previously issued to Entergy. In the exchange (should the exchange occur), the unrelated creditor or creditors that hold the Entergy exchangeable debt will receive the TransCo debt securities and Entergy will receive the Entergy exchangeable debt. TransCo will not receive any proceeds from the issuance of the TransCo debt securities or the debt exchange.

Working Capital Facility. At the request of ITC, Entergy will use its reasonable best efforts to cause TransCo to arrange a working capital revolving credit facility in a principal amount mutually determined by ITC and Entergy. TransCo will not draw down on the working capital facility without the consent of ITC.

TransCo Subs Financing. Entergy will use its reasonable best efforts to cause the TransCo Subs to arrange a 366-day bridge facility, referred to as the TransCo Subs Financing, based on a targeted capital structure for each TransCo Sub of 40% debt and 60% equity (provided that if the desired private letter ruling from the Internal Revenue Service with respect to the financings cannot be obtained without adjusting the principal amount of the TransCo Subs Financing, then the parties will have the right to increase or decrease the principal amount of the TransCo Subs Financing to an amount equal to the aggregate tax basis of the transmission assets). It is expected that after the merger the TransCo subs will issue first mortgage bonds to refinance the bridge facility. Assuming the desired private letter ruling from the IRS with respect to the financings is obtained, the aggregate amount of the TransCo Subs Financing is expected to be $1.2 billion. No TransCo Sub will retain any proceeds from the TransCo Subs Financing.

For more information on the contractual obligations of Entergy, TransCo and ITC with respect to the financings, see The Separation Agreement Financings.

ITC Recapitalization. Prior to the merger, ITC may, in its sole discretion, elect to (i) declare a one-time special dividend payable to pre-merger ITC shareholders, (ii) effect a share repurchase of ITC common stock, or (iii) undertake a combination of a one-time special dividend and share repurchase of ITC common stock. The aggregate amount payable to ITC shareholders in connection with a one-time special dividend or share

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repurchase or a combination of both will not exceed $700 million. Such transactions are expected to be funded by debt securities to be issued by ITC prior to the merger. The decision regarding the form of the recapitalization remains in the sole discretion of the ITC board of directors and will be made closer to the closing of the merger.

Termination (See The Merger Agreement Termination of the Merger Agreement beginning on page 182).

The merger agreement may be terminated at any time prior to the closing date of the merger by the mutual written consent of ITC and Entergy. In addition, either Entergy or ITC may terminate the merger agreement prior to the closing date of the merger if:

the merger has not been completed by June 30, 2013, referred to as the outside date, which date may be extended up to six months by Entergy or ITC in circumstances where all the closing conditions except specified closing conditions have been satisfied (or are capable of being satisfied by such date);

the transactions are enjoined or prohibited, or if a final non-appealable order has been entered into that prohibits any material component of the transactions or would impose an ITC burdensome condition, unless the action is due to the failure of the party seeking to terminate pursuant to this provision to perform the covenants described under The Merger Agreement Efforts to Close; Antitrust Clearance ;

the ITC shareholder meeting regarding the merger proposals has been concluded and the ITC shareholders did not approve the merger proposals; or

upon breach or failure to perform by the other party in any material respect of any of its representations, warranties, covenants or other agreements contained in the merger agreement or the separation agreement, which gives rise to the failure of a joint condition or a condition of the other party in the merger agreement or a condition in the separation agreement and such breach or failure to perform cannot be or has not been cured prior to the earlier of 60 days after written notice of such breach or failure to perform or the outside date.

In addition, ITC may terminate the merger agreement if:

at any time prior to obtaining the ITC shareholder approval of the merger proposals, in order to enter into a written definitive agreement for an ITC superior proposal, if ITC has complied with its obligations in the merger agreement regarding an ITC change of recommendation and ITC pays to Entergy the termination fee described below; or

Entergy takes any action, without the prior written consent of ITC, with respect to any proposal, condition or limitation that arises in a proceeding with a governmental authority in connection with obtaining the necessary regulatory approvals to effect the migration of Entergy s Transmission Business to an acceptable RTO, that could reasonably be expected to have a material and adverse financial or operational impact on TransCo or its subsidiaries or ITC or any of its other affiliates after the closing and which impact was not expressly contemplated in Entergy s disclosure letter.

In addition, Entergy may terminate the agreement if:

ITC or any of its subsidiaries, representatives or affiliates willfully breaches in any material respect any of their non-solicitation obligations described under The Merger Agreement No Solicitation by ITC and Change of ITC Board Recommendation and such breach cannot or has not been cured prior to the earlier of 10 days after written notice of such breach and the outside date;

if there has been an ITC change of recommendation; or

any law makes the completion of the transactions illegal or otherwise prohibited (other than those having only an immaterial effect and that do not impose criminal liability or penalties) or any

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governmental authority takes any action permanently restraining, enjoining or otherwise prohibiting any material component of the transactions or imposing an Entergy burdensome condition and such action becomes final and non-appealable, unless the action is due to the failure of Entergy to perform the covenants described under The Merger Agreement Efforts to Close; Antitrust Clearance.

Termination Fees (See The Merger Agreement Termination Fee beginning on page 183).

ITC has agreed to pay Entergy a termination fee of $113,570,800 in the event that the merger agreement is terminated:

by Entergy if there has been an ITC change of recommendation;

by ITC, at any time prior to obtaining the ITC shareholder approval of the merger proposals, in order to enter into a written definitive agreement for an ITC superior proposal, if ITC has complied with its obligations in the merger agreement regarding an ITC change of recommendation; or

by Entergy if ITC or any of its subsidiaries, representatives or affiliates willfully breach in any material respect any of their non-solicitation obligations described under The Merger Agreement No Solicitation by ITC and Change of ITC Board of Directors Recommendation, or by ITC or Entergy if the ITC shareholder meeting regarding the merger proposals has been concluded and the ITC shareholders did not approve the merger proposals; and, in either case, prior to any such termination any third party has made an ITC takeover proposal which has been publicly announced or disclosed and not publicly withdrawn or abandoned by such third party at least five business days prior to the ITC shareholders meeting and ITC has entered into an agreement to consummate or has consummated an ITC takeover transaction within 12 months of any such termination. For purposes of this provision only, ITC takeover transaction has the same meaning as defined under The Merger Agreement No Solicitation by ITC and Change of ITC Board of Directors Recommendation, except that 15% or more is changed to more than 50% .

Required Vote (See The Special Meeting of ITC Shareholders Required Vote beginning on page 69).

The affirmative vote of a majority of the outstanding shares of ITC common stock entitled to vote at the special meeting is required to approve the merger agreement. The affirmative vote of a majority of the outstanding shares of ITC common stock entitled to vote at the special meeting is required to approve the proposal to amend the amended and restated articles of incorporation of ITC to increase the number of authorized shares of ITC common stock. The affirmative vote of a majority of the votes cast, in person or by proxy, at the special meeting by holders of shares of ITC common stock is required to approve the proposal to issue shares of ITC common stock pursuant to the merger agreement. In accordance with Section 14A of the Securities Exchange Act of 1934, as amended (the Exchange Act), ITC is providing its shareholders with the opportunity to approve, by non-binding, advisory vote, certain compensation payments for ITC s named executive officers in connection with the merger, as reported in the section of this proxy statement/prospectus entitled Advisory Vote on Merger-Related Compensation for ITC s Named Executive Officers. The affirmative vote of a majority of the votes cast, in person or by proxy, at the special meeting by holders of shares of ITC common stock is required to approve this merger-related executive compensation proposal. The affirmative vote of a majority of the votes cast, in person or by proxy, at the special meeting by holders of shares of ITC common stock is required to approve the proposal to permit adjournment of the special meeting.

The approval of each of the merger proposals (which are the proposal to approve the merger agreement, the amendment of the articles of incorporation proposal and the stock issuance proposal) is conditioned upon the approval of each of the other merger proposals, and the merger will not occur unless all of the merger proposals are approved.

No vote of Entergy shareholders is required or being sought in connection with either the spin-off or the split-off exchange offer, the merger or the other transactions described in this proxy statement/prospectus.

Voting by ITC Executive Officers and Directors (See The Special Meeting of ITC Shareholders Certain Ownership of ITC Common Stock beginning on page 72)**.**

As of February 22, 2013, ITC s executive officers and directors beneficially owned 1,571,571 shares of ITC common stock, representing approximately 3.01% of the shares outstanding as of such date. ITC currently expects that each of its directors and executive officers will vote their shares of ITC common stock in favor of all proposals, although none of them has entered into an agreement requiring them to do so.

Material United States Federal Income Tax Consequences of the Transactions (See Material United States Federal Income Tax Consequences of the Transactions beginning on page 230)**.**

Entergy shareholders are not expected to recognize any gain or loss for U.S. federal income tax purposes as a result of the separation, distribution, merger, exchange trust exchange offer and mandatory trust distribution except for any gain or loss attributable to the receipt of cash in lieu of a fractional share of ITC common stock in the merger, exchange trust exchange offer, or mandatory trust distribution or cash, if any, received by an Entergy shareholder in addition to the shares of ITC common stock in an exchange trust exchange offer or mandatory trust distribution (other than cash received instead of fractional shares). ITC shareholders will not receive any stock or other consideration in respect of their ITC common stock pursuant to the aforementioned transactions and accordingly are not expected to realize any gain or loss as a result of such transactions (excluding any effects of the ITC $700 million recapitalization in the form of a one-time special dividend and/or share repurchase).

Risk Factors (See Risk Factors beginning on page 53)**.**

ITC and Entergy shareholders should carefully consider the matters described in the section Risk Factors, as well as other information included in this proxy statement/prospectus and the other documents to which they have been referred.

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SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

The following summary historical combined financial data of Entergy s Transmission Business, summary historical consolidated financial data of ITC, summary unaudited condensed combined pro forma financial data of ITC and comparative historical and pro forma per share data of ITC are being provided to help you in your analysis of the financial aspects of the transaction. You should read this information in conjunction with the financial information included elsewhere and incorporated by reference in this document. See Where You Can Find More Information; Incorporation By Reference, Information on ITC, Information on Entergy s Transmission Business and Selected Financial Statements Data.

Summary of Historical Combined Financial Data of Entergy s Transmission Business

Entergy s Transmission Business combined statement of income data for the three years ended December 31, 2011, 2010 and 2009 and the combined balance sheet data as of December 31, 2011 and 2010 have been derived from Entergy s Transmission Business audited combined financial statements, included elsewhere in this document. The summary combined financial data below is not necessarily indicative of the results that may be expected for any future period. This information is only a summary and should be read in conjunction with the financial statements of Entergy s Transmission Business and the accompanying notes and the related Management s Discussion and Analysis of Financial Condition and Results of Operations for Entergy s Transmission Business thereto included elsewhere in the document.

The financial information of Entergy s Transmission Business included in this document has been derived from the consolidated financial statements and accounting records of Entergy and reflects assumptions and allocations made by Entergy. The financial position, results of operations and cash flows of Entergy s Transmission Business presented may be different from those that would have resulted had Entergy s Transmission Business been operated as a stand-alone company. Additionally, the financial position, results of operations and cash flows of Entergy s Transmission Business presented reflects its existing state and local jurisdictional rate regulation as a component of the Utility Operating Companies as compared to the FERC rate regulation expected for Entergy s Transmission Business under ITC s ownership. As a result, the historical financial information of Entergy s Transmission Business is not a reliable indicator of future results. See Risk Factors.

	Entergy s Transmission Business Year Ended December 31,		
	2011	**2010**	**2009**
(In thousands)			
Statement of Income Data:			
Operating revenues	$ 652,792	$ 631,742	$ 582,847
Operating expenses	396,982	381,903	335,374
Operating income	255,810	249,839	247,473
Other expenses (income) net	46,526	72,112	68,842
Income before income taxes	209,284	177,727	178,631
Income taxes	74,460	67,166	68,205
Net income	$ 134,824	$ 110,561	$ 110,426

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	Entergy s Transmission Business As of December 31,		
	2011	2010	2009
(In thousands)			(unaudited)
Balance Sheet Data:			
Total assets	$ 4,015,404	$ 3,669,588	$ 3,450,333
Long-term debt			
Total equity	2,862,465	2,551,097	2,340,668

	Entergy s Transmission Business Year Ended December 31,		
	2011	2010	2009
(In thousands)			
Statement of Cash Flows Data:			
Cash provided by (used in):			
Operating activities	$ 238,244	$ 278,662	$ 288,600
Investing activities	(415,621)	(377,781)	(268,316)
Financing activities	177,385	99,421	(20,624)
Depreciation and amortization expense	132,302	127,738	110,294
Expenditures for property, plant and equipment	(415,621)	(377,781)	(268,316)

Summary of Historical Consolidated Financial Data of ITC

ITC s summary historical consolidated financial data presented below have been derived from, and should be read in conjunction with ITC s consolidated financial statements and the accompanying notes and the related Management s Discussion and Analysis of Financial Condition and Results of Operations sections in ITC s Annual Report on Form 10-K, as amended by the Annual Report on Form 10-K/A, for the year ended December 31, 2011 (which is incorporated herein by reference). The data shown below is not necessarily indicative of results to be expected for any future period. To find where you can obtain copies of ITC s documents that have been incorporated by reference, see Where You Can Find More Information; Incorporation By Reference.

	ITC Year Ended December 31,		
	2011	2010	2009
(In thousands)			
Statement of Operations Data:			
Operating revenues	$ 757,397	$ 696,843	$ 621,015
Operating expenses (a) (b) (c) (d)	359,645	339,522	294,148
Operating income	397,752	357,321	326,867
Other expenses (income) net	131,318	129,389	118,395
Income before income taxes	266,434	227,932	208,472
Income tax provision	94,749	82,254	77,572
Net income	$ 171,685	$ 145,678	$ 130,900

(In thousands)	ITC As of December 31, 2011	2010	2009
Balance Sheet Data:			
Total assets	$ 4,823,366	$ 4,307,873	$ 4,029,716
Long-term debt	2,645,022	2,496,896	2,434,398
Total stockholders equity	1,258,892	1,117,433	1,011,523

(In thousands)	ITC Year Ended December 31, 2011	2010	2009
Statement of Cash Flows Data:			
Cash provided by (used in):			
Operating activities	$ 380,916	$ 423,333	$ 267,935
Investing activities	(560,195)	(388,861)	(408,962)
Financing activities	142,514	(14,216)	157,770
Depreciation and amortization expense	94,981	86,976	85,949
Expenditures for property, plant and equipment	(556,931)	(388,401)	(404,514)

(a) The reduction in expenses for 2009 was due, in part to efforts to achieve short-term reductions in operation and maintenance expenses and general and administrative expenses to offset the impact of lower network load on cash flows and any potential revenue accrual relating to 2009.

(b) During 2011 and 2009, we recognized $2.0 million and $10.0 million, respectively, of regulatory assets associated with the development activities of ITC Great Plains as well as certain pre-construction costs for the Kansas V-Plan and Kansas Electric Transmission Authority (KETA) projects. Upon initial establishment of these regulatory assets in 2011 and 2009, $1.9 million and $8.0 million, respectively, of general and administrative expenses were reversed of which $1.4 million and $5.9 million were incurred in periods prior to 2011 and 2009, respectively. No initial establishment of regulatory assets occurred in 2010 that resulted in reversal of expenses.

(c) During 2011, we expensed external legal, advisory and financial services fees of $7.0 million relating to the Entergy transaction recorded within general and administrative expenses of which certain amounts are not expected to be deductible for income tax purposes.

(d) In 2009, the FERC accepted the depreciation studies filed by ITCTransmission and METC that revised their depreciation rates. In 2010, the FERC accepted a depreciation study filed by ITC Midwest which revised its depreciation rates. These changes in accounting estimates resulted in lower composite depreciation rates for ITCTransmission, METC and ITC Midwest primarily due to the revision of asset service lives and cost of removal values. The revised estimate of annual depreciation expense was reflected in 2009 for ITCTransmission and METC and in 2010 for ITC Midwest.

Summary Unaudited Condensed Combined Pro Forma Financial Data

The summary unaudited condensed combined pro forma financial data presented below have been prepared by ITC and are being provided for illustrative purposes only and are not necessarily indicative of what the operating results or financial position of ITC or Entergy s Transmission Business would have been had the transaction been completed at the beginning of the periods or on the dates indicated, nor are they necessarily indicative of any future operating results or financial position. The results of operations and cash flows of the acquired business reflect its existing state and local jurisdictional rate regulation as a component of the Utility Operating Companies, as compared to the FERC rate regulation expected for Entergy s Transmission Business under ITC s ownership. The pro forma financial statements do not reflect the impact of transitioning Entergy s

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Transmission Business to FERC rate regulation under ITC ownership. The selected unaudited pro forma combined consolidated financial information has been derived from, and should be read in conjunction with, the Unaudited Pro Forma Condensed Combined Consolidated Financial Statements and related notes beginning on page 41 of this proxy statement/prospectus.

(In thousands, except per share data)	For the Nine-Months Ended September 30, 2012 for Pro Forma Combined Entergy s Transmission Business and ITC	For the Year Ended December 31, 2011 for Pro Forma Combined Entergy s Transmission Business and ITC
Statement of Operations Data:		
Operating revenues	$ 1,113,898	$ 1,410,189
Operating income	537,543	677,163
Net income	231,456	291,158
Other Data (a):		
Net income per share of common stock, basic	$ 2.22	$ 2.81
Net income per share of common stock, diluted	2.21	2.79
Weighted-average shares of common stock outstanding, basic	104,040,021	103,581,669
Weighted-average shares of common stock outstanding, diluted	104,805,739	104,376,826
Balance Sheet Data (at period end):		
Cash and cash equivalents	$ 70,026	
Total assets	11,983,209	
Long-term debt	4,921,674	
Total stockholders equity	4,252,261	

(a) The share and per share information is based on the $700 million recapitalization taking the form of a one-time special dividend to ITC s pre-merger shareholders. Refer to The Financings ITC Recapitalization for more information regarding the recapitalization and Note 6, Common Stock Shares Outstanding within the Notes to the Unaudited Pro Forma Condensed Combined Consolidated Financial Statements for the share and per share impact of the $700 million recapitalization in the form of a share repurchase of ITC common stock from its shareholders.

Comparative Historical and Pro Forma Per Share Data

The following tables set forth historical and pro forma per share data of ITC. The ITC historical data have been derived from, and should be read in conjunction with, the audited consolidated financial statements of ITC and the related notes thereto included in ITC s Annual Report on Form 10-K, as amended by the Annual Report on Form 10-K/A, for the year ended December 31, 2011 and the unaudited financial statements of ITC and related notes thereto included in ITC s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, each of which is incorporated by reference into this document.

This summary of comparative historical and pro forma per share data is being provided for illustrative purposes only and is not necessarily indicative of the results that would have been achieved had the transaction been completed during the period presented, nor are they necessarily indicative of any future results. ITC and Entergy s Transmission Business may have performed differently had the transaction occurred prior to the period presented. The results of operations and cash flows of the acquired business reflect its existing state and local jurisdictional rate regulation as a component of the Utility Operating Companies, as compared to the FERC rate regulation expected for Entergy s Transmission Business under ITC s ownership. The pro forma financial

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statements do not reflect the impact of transitioning Entergy s Transmission Business to FERC rate regulation under ITC ownership. You should not rely on the pro forma per share data presented as being indicative of the results that would have been achieved had ITC and Entergy s Transmission Business been combined during the period presented or of the future results of ITC following the transaction.

The following table presents certain historical and pro forma per share data for ITC:

	As of and for the Nine Months Ended September 30, 2012		As of and for the Year Ended December 31, 2011	
	Historical	Pro Forma (a)	Historical	Pro Forma (a)
	(unaudited)			(unaudited)
ITC:				
Earnings Per Share Data:				
Basic	$ 2.72	$ 2.22	$ 3.36	$ 2.81
Diluted	$ 2.68	$ 2.21	$ 3.31	$ 2.79
Weighted-average common stock outstanding:				
Basic	50,748,257	104,040,021	50,289,905	103,581,669
Diluted	51,502,694	104,805,739	51,078,823	104,376,826
Book value per share of common stock	$ 26.59	$ 40.87	$ 25.03	
Cash dividends declared per share of common stock	$ 1.0825	$ 1.0825	$ 1.375	$ 1.375

(a) The share and per share information is based on the $700 million recapitalization taking the form of a one-time special dividend to ITC s pre-merger shareholders. Refer to The Financings ITC Recapitalization for more information regarding the recapitalization and Note 6, Common Stock Shares Outstanding within the Notes to the Unaudited Pro Forma Condensed Combined Consolidated Financial Statements for the share and per share impact of the $700 million recapitalization in the form of a share repurchase of ITC common stock from its shareholders.

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HISTORICAL MARKET PRICE DATA AND DIVIDEND INFORMATION

Historical Market Price Data

Historical market price data for TransCo has not been presented because TransCo is currently a wholly-owned subsidiary of Entergy and its equity interests are not publicly traded.

ITC common stock is listed and traded on the NYSE under the symbol ITC. The following table sets forth, for the periods indicated, the high and low sales prices per share of ITC common stock, as reported on the NYSE. In addition, the table also sets forth the quarterly cash dividends per share declared by ITC with respect to its common stock. On February 22, 2013, the last practicable trading day prior to the date of this proxy statement/prospectus, there were 52,272,168 shares of ITC common stock outstanding.

	ITC		
	High	Low	Dividends Declared
Calendar Year Ended December 31, 2010			
First Quarter	$ 56.04	$ 50.75	$ 0.3200
Second Quarter	$ 56.66	$ 21.80(a)	$ 0.3200
Third Quarter	$ 63.89	$ 51.65	$ 0.3350
Fourth Quarter	$ 63.17	$ 59.77	$ 0.3350
Calendar Year Ended December 31, 2011			
First Quarter	$ 70.28	$ 61.76	$ 0.3350
Second Quarter	$ 74.67	$ 67.46	$ 0.3350
Third Quarter	$ 78.89	$ 64.88	$ 0.3525
Fourth Quarter	$ 81.90	$ 70.00	$ 0.3525
Calendar Year Ended December 31, 2012			
First Quarter	$ 78.51	$ 71.65	$ 0.3525
Second Quarter	$ 78.86	$ 66.30	$ 0.3525
Third Quarter	$ 75.87	$ 69.10	$ 0.3775
Fourth Quarter	$ 79.62	$ 74.95	$ 0.3775
Calendar Year Ended December 31, 2013			
First Quarter (through February 22, 2013)	$ 82.56	$ 76.72	$ 0.3775

(a) The low sales price per share for the quarter ended June 30, 2010 occurred on May 6, 2010, the day when security prices on the NYSE experienced an intraday decline of over 1,000 points within a few minutes before partially recovering. Excluding the sales price per share that occurred on May 6, 2010, the lowest sales price per share for the quarter ended June 30, 2010 was $47.45.

The following table presents the last reported sale price of a share of ITC common stock, as reported on the NYSE on December 2, 2011, the last full trading day prior to the public announcement of the proposed transactions, and on February 22, 2013, the last practicable trading day prior to the date of this proxy statement/prospectus:

	ITC
December 2, 2011	$ 73.78
February 22, 2013	$ 82.11

Dividend Policy

The declaration and payment of dividends is subject to the discretion of the ITC board of directors and depends on various factors, including ITC s net income, financial condition, cash requirements, future prospects and other factors deemed relevant by the ITC board of directors. The debt agreements to which ITC is a party

contain financial covenants that could limit ITC s ability to pay dividends, as well as covenants that prohibit ITC from paying dividends if ITC is in default under its revolving credit facilities. The ITC board of directors intends to adjust the dividend rate from time to time, subject to prevailing business conditions, applicable restrictions on dividend payments, the availability of capital resources and ITC s investment opportunities.

In connection with the transactions, prior to closing the merger, ITC expects to effectuate a $700 million recapitalization, which may take the form of a one-time special dividend to ITC s pre-merger shareholders, a repurchase of ITC common stock from the ITC shareholders, or a combination of a one-time special dividend and a share repurchase. The decision regarding the form of the recapitalization remains in the sole discretion of the ITC board of directors and will be made closer to the closing of the merger.

Following the date of the merger agreement and prior to the effective time of the merger, ITC will not pay any dividends with respect to any shares of its capital stock other than (i) quarterly cash dividends not to exceed the amounts set forth on ITC s confidential disclosure letter, declared and paid in the ordinary course and with record dates and payment dates consistent with past practice, (ii) dividends payable by a wholly owned subsidiary of ITC to ITC or another wholly owned subsidiary and (iii) if elected, a one-time special dividend to ITC s pre-merger shareholders in accordance with the merger agreement.

For more information on ITC s dividend policy, see The Transactions ITC s Dividend Policy and $700 Million Recapitalization.

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SELECTED FINANCIAL STATEMENT DATA

Selected Historical Combined Financial Data of Entergy s Transmission Business

Entergy s Transmission Business selected combined statement of income data for the three years ended December 31, 2011, 2010 and 2009 and combined balance sheet data as of December 31, 2011 and 2010 have been derived from Entergy s Transmission Business audited combined financial statements, included elsewhere in this proxy statement/prospectus. Entergy s Transmission Business selected combined balance sheet data as of December 31, 2009, 2008, and 2007 and its selected statements of income data presented below for the years ended December 31, 2008 and 2007 have been derived from Entergy s Transmission Business historical accounting records, which are unaudited and are not included in this proxy statement/prospectus. Entergy s Transmission Business selected combined statement of income data for the nine months ended September 30, 2012 and 2011 and selected combined balance sheet data as of September 30, 2012 have been derived from Entergy s Transmission Business unaudited condensed combined financial statements, included elsewhere in this proxy statement/prospectus. The selected historical combined financial data below is not necessarily indicative of the results that may be expected for any future period. This information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations for Entergy s Transmission Business and the financial statements of Entergy s Transmission Business and the notes thereto included elsewhere in this proxy statement/prospectus.

The financial information of Entergy s Transmission Business included in this proxy statement/prospectus has been derived from the financial statements and accounting records of Entergy and reflects assumptions and allocations made by Entergy. The financial position, results of operations and cash flows of Entergy s Transmission Business presented may be different from those that would have resulted had Entergy s Transmission Business been operated as a stand-alone company. Additionally, the financial position, results of operations and cash flows of Entergy s Transmission Business presented reflect its existing state and local jurisdictional rate regulation as a component of the Utility Operating Companies, as compared to the FERC rate regulation expected for Entergy s Transmission Business under ITC s ownership. As a result, the historical financial information of Entergy s Transmission Business is not a reliable indicator of future results. See Risk Factors.

	Entergy s Transmission Business						
	Nine Months Ended September 30,		Year Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
(In thousands)	(unaudited)					(unaudited)	(unaudited)
Statement of Income Data:							
Operating revenues	$ 498,942	$ 505,721	$ 652,792	$ 631,742	$ 582,847	$ 569,507	$ 569,998
Operating expenses							
Operation and maintenance	167,226	159,727	218,929	212,113	186,734	189,959	168,151
Depreciation and amortization	108,286	97,966	132,302	127,738	110,294	97,287	94,908
Taxes other than income taxes	37,670	34,148	45,751	42,052	38,346	36,473	33,668
Total operating expenses	313,182	291,841	396,982	381,903	335,374	323,719	296,727
Operating income	185,760	213,880	255,810	249,839	247,473	245,788	273,271
Other expenses (income)							
Interest expense	59,959	47,003	63,247	79,041	79,734	70,782	59,415
Allowance for equity funds used during construction	(8,112)	(7,714)	(15,122)	(8,388)	(6,195)	(8,439)	(11,894)
Other expense (income)	(1,069)	(1,907)	(1,599)	1,459	(4,697)	(12,921)	(2,608)
Total other expenses (income)	50,778	37,382	46,526	72,112	68,842	49,422	44,913
Income before income taxes	134,982	176,498	209,284	177,727	178,631	196,366	228,358
Income taxes	41,007	65,593	74,460	67,166	68,205	72,265	84,362
Net income	$ 93,975	$ 110,905	$ 134,824	$ 110,561	$ 110,426	$ 124,101	$ 143,996

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(In thousands)	As of September 30, 2012 (unaudited)	Entergy s Transmission Business As of December 31, 2011	2010	2009 (unaudited)	2008 (unaudited)	2007 (unaudited)
Balance Sheet Data:						
Property, plant and equipment net	$ 3,885,501	$ 3,666,387	$ 3,369,025	$ 3,134,123	$ 2,981,331	$ 2,825,203
Total assets	$ 4,250,604	$ 4,015,404	$ 3,669,588	$ 3,450,333	$ 3,308,492	$ 3,160,214
Long-term debt						

Selected Consolidated Historical Financial Data of ITC

The selected consolidated financial data presented below have been derived from, and should be read together with, ITC s consolidated financial statements and the accompanying notes and the related Management s Discussion and Analysis of Financial Condition and Results of Operations and Selected Financial Data sections included in ITC s Annual Report on Form 10-K, as amended by the Annual Report on Form 10-K/A, for the year ended December 31, 2011 and in ITC s Quarterly Report on Form 10-Q for the nine months ended September 30, 2012, which are incorporated by reference into this proxy statement/prospectus. The summary consolidated financial data below is not necessarily indicative of the results that may be expected for any future period. To find out where you can obtain copies of ITC s documents that have been incorporated by reference, see Where You Can Find More Information; Incorporation By Reference.

(In thousands)	ITC (a) Nine Months Ended September 30, 2012 (unaudited)	2011 (unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Statement of Operations Data:							
Operating revenues	$ 608,889	$ 555,787	$ 757,397	$ 696,843	$ 621,015	$ 617,877	$ 426,249
Operating expenses							
Operation and maintenance (b)	90,314	92,486	129,288	126,528	95,730	113,818	81,406
General and administrative (b) (c) (d)	78,791	54,915	82,790	78,120	69,231	81,296	62,089
Depreciation and amortization (e)	78,453	70,338	94,981	86,976	85,949	94,769	67,928
Taxes other than income taxes (f)	44,186	39,620	53,430	48,195	43,905	41,180	33,340
Other operating income and expense net	(586)	(611)	(844)	(297)	(667)	(809)	(688)
Total operating expenses	291,158	256,748	359,645	339,522	294,148	330,254	244,075
Operating income	317,731	299,039	397,752	357,321	326,867	287,623	182,174
Other expenses (income)							
Interest expense	116,918	110,002	146,936	142,553	130,209	122,234	81,863
Allowance for equity funds used during construction	(15,800)	(12,078)	(16,699)	(13,412)	(13,203)	(11,610)	(8,145)
Loss on extinguishment of debt					1,263		349
Other income	(2,171)	(2,136)	(2,881)	(2,340)	(2,792)	(3,415)	(3,457)
Other expense	2,473	3,063	3,962	2,588	2,918	3,944	1,618
Total other expenses (income)	101,420	98,851	131,318	129,389	118,395	111,153	72,228
Income before income taxes	216,311	200,188	266,434	227,932	208,472	176,470	109,946
Income tax provision (f)	76,691	71,166	94,749	82,254	77,572	67,262	36,650
Net income	$ 139,620	$ 129,022	$ 171,685	$ 145,678	$ 130,900	$ 109,208	$ 73,296

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	ITC (a)						
	Nine Months Ended September 30,		Year Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
	(unaudited)						
Basic earnings per share	$ 2.72	$ 2.52	$ 3.36	$ 2.89	$ 2.62	$ 2.22	$ 1.72
Diluted earnings per share	$ 2.68	$ 2.49	$ 3.31	$ 2.84	$ 2.58	$ 2.18	$ 1.68
Weighted-average basic shares	50,748,257	50,192,675	50,289,905	49,526,580	49,196,470	48,592,534	42,298,478
Weighted-average diluted shares	51,502,694	50,974,142	51,078,823	50,398,039	50,077,433	49,627,887	43,454,115
Dividends declared per share	$ 1.0825	$ 1.0225	$ 1.3750	$ 1.3100	$ 1.2500	$ 1.1900	$ 1.1300

	ITC (a)						
	As of September 30,		As of December 31,				
	2012	2011	2011	2010	2009	2008	2007
(In thousands)	(unaudited)						
Balance Sheet Data:							
Cash and cash equivalents	$ 30,026	$ 48,327	$ 58,344	$ 95,109	$ 74,853	$ 58,110	$ 2,616
Working capital (deficit)	(785,818)	(2,413)	(113,939)	69,338	147,335	1,095	(30,370)
Property, plant and equipment net	3,967,190	3,221,523	3,415,823	2,872,277	2,542,064	2,304,386	1,960,433
Total assets	5,381,172	4,632,859	4,823,366	4,307,873	4,029,716	3,714,565	3,213,297
Long-term debt:							
ITC Holdings	1,193,008	1,459,493	1,459,599	1,459,178	1,458,757	1,327,741	1,687,193
Regulated Operating Subsidiaries	1,213,666	1,117,912	1,185,423	1,037,718	975,641	920,512	556,231
Total long-term debt	2,406,674	2,577,405	2,645,022	2,496,896	2,434,398	2,248,253	2,243,424
Total stockholders equity	1,349,209	1,206,002	1,258,892	1,117,433	1,011,523	929,063	563,075

	ITC (a)						
	Nine Months Ended September 30,		Year Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
(In thousands)	(unaudited)						
Other Data:							
Expenditures for property, plant and equipment	$ 637,386	$ 388,402	$ 556,931	$ 388,401	$ 404,514	$ 401,840	$ 287,170
Interest paid (net of interest capitalized)	112,040	126,481	142,101	135,771	125,254	102,149	73,489
Income taxes paid	26,024	23,010	34,127	8,844	1,971	2,012	2,058

(a) ITC Midwest s results of operations, cash flows and balances are included for the periods presented subsequent to its acquisition of the electric transmission assets of Interstate Power and Light on December 20, 2007.

(b) The reduction in expenses for 2009 compared to 2008 was due in part to efforts to achieve short-term reductions in operation and maintenance expenses and general and administrative expenses to offset the impact of lower network load on cash flows and any potential revenue accrual relating to 2009.

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(c) During 2011 and 2009, we recognized $2.0 million and $10.0 million, respectively, of regulatory assets associated with the development activities of ITC Great Plains as well as certain pre-construction costs for the Kansas V-Plan and Kansas Electric Transmission Authority (KETA) projects. Upon initial establishment of these regulatory assets in 2011 and 2009, $1.9 million and $8.0 million, respectively, of general and administrative expenses were reversed of which $1.4 million and $5.9 million were incurred in periods prior to 2011 and 2009, respectively. No initial establishment of regulatory assets occurred in 2010 that resulted in a reversal of expenses.

(d) During 2011 and the nine months ended September 30, 2012, we expensed external legal, advisory and financial services fees of $7.0 million and $12.1 million, respectively, relating to the Entergy transaction recorded primarily within general and administrative expenses of which certain amounts are not expected to be deductible for income tax purposes.

(e) In 2009, the FERC accepted the depreciation studies filed by ITCTransmission and METC that revised their depreciation rates. In 2010, the FERC accepted a depreciation study filed by ITC Midwest which revised its depreciation rates. These changes in accounting estimates resulted in lower composite depreciation rates for ITCTransmission, METC and ITC Midwest primarily due to the revision of asset service lives and cost of removal values. The revised estimate of annual depreciation expense was reflected in 2009 for ITCTransmission and METC and in 2010 for ITC Midwest.

(f) The increase in the income tax provision for 2008 compared to 2007 was due in part to the implementation of the Michigan Business Tax, which was in effect from 2008 through 2011 and was accounted for as an income tax, compared to the Michigan Single Business Tax in effect prior to 2008 that was accounted for as a tax other than income tax.

Selected Unaudited Pro Forma Condensed Combined Consolidated Information

The unaudited pro forma condensed combined consolidated financial statements (which we refer to as the pro forma financial statements) combine the historical consolidated financial statements of ITC and the historical combined financial statements of Entergy s Transmission Business to illustrate the effect of the merger. The pro forma financial statements were based on and should be read in conjunction with:

- accompanying notes to the unaudited pro forma financial statements;
- ITC s consolidated financial statements for the year ended December 31, 2011 and as of and for the nine months ended September 30, 2012 and the notes relating thereto, incorporated herein by reference; and
- Entergy s Transmission Business s combined financial statements for the year ended December 31, 2011 and as of and for the nine months ended September 30, 2012 and the notes relating thereto included in this proxy statement/prospectus.

The unaudited pro forma condensed consolidated statement of operations (which we refer to as the pro forma statement of operations) for the year ended December 31, 2011 and for the nine months ended September 30, 2012, give effect to the merger as if it occurred on January 1, 2011. The unaudited pro forma condensed consolidated balance sheet (which we refer to as the pro forma balance sheet) as of September 30, 2012, gives effect to the merger as if it occurred on September 30, 2012.

The pro forma financial statements have been presented for informational purposes only and are not indicative of the operating results or financial position that would have occurred if the merger had been consummated on the dates indicated, nor are indicative of any future operating results or financial position of the combined business. The results of operations and cash flows of the acquired business reflect its existing state and local jurisdictional rate regulation as a component of the Utility Operating Companies, as compared to the FERC rate regulation expected for Entergy s Transmission Business under ITC s ownership. The pro forma financial statements do not reflect the impact of transitioning Entergy s Transmission Business to FERC rate regulation under ITC ownership.

The merger has not been consummated as of the date of the preparation of these pro forma financial statements and there can be no assurances that the merger will be consummated. See Risk Factors for additional discussion of risk factors associated with the pro forma financial statements.

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ITC AND ENTERGY S TRANSMISSION BUSINESS

UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED BALANCE SHEET

As of September 30, 2012

(In thousands)	ITC (Historical) (a)	Entergy s Transmission Business (Historical) (a)	Adjustments to Entergy s Transmission Business (b)	As Adjusted Entergy s Transmission Business	Acquisition and Related Pro Forma Adjustments (c)	Pro Forma Combined (d)
Assets						
Current assets:						
Cash and cash equivalents	$ 30,026	$ 1,319	$ (1,319)(e)		40,000 (f)	$ 70,026
Accounts receivable	94,863	28,163	(28,163)(e)		60,848 (g)	155,711
Inventory	33,876	36,267		36,267		70,143
Deferred income taxes	21,045					21,045
Regulatory assets revenue accruals, including accrued interest	7,267					7,267
Prepaid and other current assets	9,935					9,935
Total current assets	197,012	65,749	(29,482)	36,267	100,848	334,127
Property, plant and equipment (net)	3,967,190	3,885,501	(54,459)(e)	3,831,042		7,798,232
Other assets						
Goodwill	950,163	38,494	(38,494)(g)		2,399,795 (g)	3,349,958
Intangible assets (net)	45,334					45,334
Other regulatory assets	171,057	254,986	(47,333)(e)	207,653		378,710
Deferred financing fees (net)	19,593		13,500 (f)	13,500	7,058 (f)	40,151
Other	30,823	5,874		5,874		36,697
Total other assets	1,216,970	299,354	(72,327)	227,027	2,406,853	3,850,850
Total assets	$ 5,381,172	$ 4,250,604	$ (156,268)	$ 4,094,336	$ 2,507,701	$ 11,983,209
Liabilities and stockholders equity						
Current liabilities						
Accounts payable	$ 102,530	$ 54,105	$ (6,553)(e)	$ 47,552		$ 150,082
Accrued payroll	15,721	10,905		10,905		26,626
Accrued interest	43,395					43,395
Accrued taxes	18,370	35,869	(35,869)(e)			18,370
Regulatory liabilities revenue deferrals, including accrued interest	51,836					51,836
Refundable deposits from generators for transmission network upgrades	48,041					48,041
Debt maturing within one year	651,897					651,897
Other	51,040	7,877		7,877	7,058 (f)	96,886
					30,911 (h)	
Total current liabilities	982,830	108,756	(42,422)	66,334	37,969	1,087,133
Accrued pension and other postretirement liabilities	44,299	99,244	(29,979)(e)	69,265		113,564
Deferred income taxes	432,677	949,287	(31,821)(e)	917,466	(12,658)(i)	1,337,485
Regulatory liabilities revenue deferrals, including accrued interest	68,324					68,324
Regulatory liabilities accrued asset removal costs	79,492	66,213		66,213		145,705
Refundable deposits from generators for transmission network upgrades	5,241					5,241

Other	12,426	39,396		39,396		51,822
Long-term debt	2,406,674		1,775,000 (f)	1,775,000	740,000 (f)	4,921,674
Stockholders equity						
Common stock	955,258				3,626,560 (j)	4,273,069
					(308,749)(m)	
Net parent investment		2,990,141	(1,829,479)(n)	1,160,662	(1,160,662)(n)	
Retained earnings	414,759				(23,508)(l)	
					(391,251)(m)	
Accumulated other comprehensive loss	(20,808)	(2,433)	2,433 (k)			(20,808)
Total stockholders equity	1,349,209	2,987,708	(1,827,046)	1,160,662	1,742,390	4,252,261
Total liabilities and stockholders equity	$ 5,381,172	$ 4,250,604	$ (156,268)	$ 4,094,336	$ 2,507,701	$ 11,983,209

See notes to the unaudited pro forma condensed combined consolidated financial statements.

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ITC AND ENTERGY S TRANSMISSION BUSINESS

UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED

STATEMENTS OF OPERATIONS

For the Nine Months Ended September 30, 2012

(In thousands, except share and per share data)	ITC (Historical) (a)	Entergy s Transmission Business (Historical) (a)	Adjustments to Entergy s Transmission Business (b)	As Adjusted Entergy s Transmission Business	Acquisition and Related Pro Forma Adjustments (c)	Pro Forma Combined (d)
Operating revenues	$ 608,889	$ 498,942	$ 6,067 (i)	$ 505,009		$ 1,113,898
Operating expenses						
Operation and maintenance	90,314	95,188		95,188		185,502
General and administrative	78,791	72,038	(7,072)(e)	64,966	(12,089)(h)	131,668
Depreciation and amortization	78,453	108,286	(8,824)(e)	99,462		177,915
Taxes other than income taxes	44,186	37,670		37,670		81,856
Other operating income and expense net	(586)					(586)
Total operating expenses	291,158	313,182	(15,896)	297,286	(12,089)	576,355
Operating income	317,731	185,760	21,963	207,723	12,089	537,543
Other expenses (income)						
Interest expense	116,918	59,959	(5,668)(f)	54,291	28,557 (f)	199,766
Allowance for equity funds used during construction	(15,800)	(8,112)		(8,112)		(23,912)
Other income	(2,171)	(2,164)		(2,164)		(4,335)
Other expense	2,473	1,095		1,095		3,568
Total other expenses (income)	101,420	50,778	(5,668)	45,110	28,557	175,087
Income before income taxes	216,311	134,982	27,631	162,613	(16,468)	362,456
Income tax provision	76,691	41,007	19,066(i)	60,073	(5,764)(i)	131,000
Net income	$ 139,620	$ 93,975	$ 8,565	$ 102,540	$ (10,704)	$ 231,456
Weighted-average shares of common stock outstanding (Note 6):						
Basic	50,748,257					104,040,021
Diluted	51,502,694					104,805,739
Basic earnings per common share (Note 6)	$ 2.72					$ 2.22
Diluted earnings per common share (Note 6)	$ 2.68					$ 2.21

See notes to the unaudited pro forma condensed combined consolidated financial statements.

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ITC AND ENTERGY S TRANSMISSION BUSINESS

UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED

STATEMENTS OF OPERATIONS

For the Year Ended December 31, 2011

(In thousands, except share and per share data)	ITC (Historical) (a)	Entergy s Transmission Business (Historical) (a)	Adjustments to Entergy s Transmission Business (b)	As Adjusted Entergy s Transmission Business	Acquisition and Related Pro Forma Adjustments (c)	Pro Forma Combined (d)
Operating revenues	$ 757,397	$ 652,792		$ 652,792	$	$ 1,410,189
Operating expenses						
Operation and maintenance	129,288	133,949		133,949		263,237
General and administrative	82,790	84,980	(5,152)(e)	79,828	(7,000)(h)	155,618
Depreciation and amortization	94,981	132,302	(11,449)(e)	120,853		215,834
Taxes other than income taxes	53,430	45,751		45,751		99,181
Other operating income and expense net	(844)					(844)
Total operating expenses	359,645	396,982	(16,601)	380,381	(7,000)	733,026
Operating income	397,752	255,810	16,601	272,411	7,000	677,163
Other expenses (income)						
Interest expense	146,936	63,247	9,141 (f)	72,388	38,076 (f)	257,400
Allowance for equity funds used during construction	(16,699)	(15,122)		(15,122)		(31,821)
Other income	(2,881)	(2,741)		(2,741)		(5,622)
Other expense	3,962	1,142		1,142		5,104
Total other expenses (income)	131,318	46,526	9,141	55,667	38,076	225,061
Income before income taxes	266,434	209,284	7,460	216,744	(31,076)	452,102
Income tax provision	94,749	74,460	2,611 (i)	77,071	(10,876)(i)	160,944
Net income	$ 171,685	$ 134,824	$ 4,849	$ 139,673	$ (20,200)	$ 291,158
Weighted-average shares of common stock outstanding (Note 6):						
Basic	50,289,905					103,581,669
Diluted	51,078,823					104,376,826
Basic earnings per common share (Note 6)	$ 3.36					$ 2.81
Diluted earnings per common share (Note 6)	$ 3.31					$ 2.79

See notes to the unaudited pro forma condensed combined consolidated financial statements.

ITC AND ENTERGY S TRANSMISSION BUSINESS NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of the Merger

As of December 4, 2011, Entergy and ITC executed definitive agreements under which Entergy will separate and then merge its electric transmission business with a wholly-owned subsidiary of ITC.

Entergy s Transmission Business consists of the Entergy transmission system, which comprises approximately 15,400 circuit miles of 69kV to 500kV transmission lines and approximately 1,400 substations over a 114,000-square mile service territory. The Entergy transmission system spans portions of Arkansas, Louisiana, Mississippi, Missouri and Texas.

The terms of the transaction agreements call for Entergy to separate its electric transmission business into a newly-formed entity, TransCo, and TransCo s subsidiaries, and distribute the equity interests in TransCo (excluding any equity interests in TransCo to be contributed to an exchange trust in the event Entergy makes the exchange trust election) to Entergy s shareholders in the form of a tax-free spin-off or split-off exchange offer or a combination of both. TransCo will then merge with a newly-created merger subsidiary of ITC in an all-stock, Reverse Morris Trust transaction, and will survive the merger as a wholly owned subsidiary of ITC. Prior to the merger, under the terms of the merger agreement, ITC may, in ITC s sole discretion, elect to (i) pay a $700 million one-time special dividend to its pre-merger shareholders, (ii) repurchase $700 million of ITC common stock or (iii) undertake a combination of both (not to exceed $700 million in the aggregate). Such election is referred to as the ITC recapitalization. The ITC recapitalization is expected to be funded by approximately $740 million of debt securities issued by ITC prior to the merger with the remaining $40 million to be used for general corporate purposes and payment of transaction-related costs. As a result of and immediately following the merger, Entergy shareholders (and, if applicable, the exchange trust) will collectively own approximately 50.1% of ITC common stock on a fully diluted basis, and existing ITC shareholders will collectively own approximately 49.9% of ITC common stock on a fully diluted basis (subject to adjustment in limited circumstances as provided in the merger agreement and excluding any ITC equity awards issued to employees of Entergy s Transmission Business who become employees of TransCo). In no event will Entergy shareholders (and, if applicable, the exchange trust) hold less than 50.1% of the outstanding common stock of ITC immediately after the merger. In addition, Entergy will receive senior securities of TransCo and gross cash proceeds from indebtedness that will be incurred by TransCo and its subsidiaries prior to the merger in an aggregate amount of $1.775 billion. This indebtedness will be assumed by ITC. Entergy expects that these proceeds will be used to reduce outstanding Entergy or Utility Operating Company debt or for other corporate purposes.

Upon completion of the merger, Entergy equity-based awards held by employees of Entergy s Transmission Business will generally convert to equivalent ITC equity-based awards, after giving effect to an equity exchange ratio. As defined in the employee matters agreement, the equity exchange ratio is defined as the quotient of (i) the per share closing trading price of Entergy common stock trading in the Regular Way trading market on the NYSE on the day before the distribution date and (ii) the per share closing trading price of ITC common stock trading on the NYSE on the closing date of the merger. For purposes of the per share trading prices for the pro forma financial statements, February 22, 2013 has been used as both the distribution and closing date.

Completion of the merger is expected in 2013 subject to the satisfaction of specified closing conditions, including the necessary approvals of Entergy s retail regulators, the FERC and ITC s shareholders. There can be no assurance the merger will be consummated. See Risk Factors.

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Note 2. Basis of Pro Forma Presentation

The pro forma financial statements were derived from historical consolidated financial statements of ITC and the historical combined financial statements of Entergy s Transmission Business. Certain reclassifications have been made to Entergy s Transmission Business financial statements to conform to ITC s historical presentation.

The historical consolidated financial statements have been adjusted in the pro forma financial statements to give effect to pro forma events that are (1) directly attributable to the merger, (2) factually supportable, and (3) with respect to the pro forma statement of operations, expected to have a continuing impact on the combined results. The pro forma financial statements reflect the impact of:

- the assets and liabilities of Entergy s Transmission Business that will not be transferred to ITC pursuant to the separation agreement;
- the issuance of 52,828,908 shares of ITC common stock to the shareholders of Entergy in connection with the merger and the issuance of 128,885 shares of ITC common stock as replacement awards for Entergy equity-based awards held by employees of Entergy s Transmission Business;
- the additional indebtedness to be incurred with the related financing transactions;
- the recapitalization which will take the form of one of the following: (i) a one-time special dividend payable to pre-merger ITC shareholders or (ii) a share repurchase of ITC common stock, or (iii) a combination of a one-time special dividend and share repurchase of ITC common stock; and
- other adjustments described in the notes to this section.

The following matters have not been reflected in the pro forma financial statements as they do not meet the aforementioned criteria:

- Fair value adjustments for assets or liabilities subject to rate-setting provisions for Entergy s regulated entities operating Entergy s Transmission Business. These operations are subject to the rate-setting authority of the FERC and other local regulators. The rate-setting and cost recovery provisions currently in place for Entergy s Transmission Business regulated operations provide revenues derived from costs including a return on investment of assets and liabilities included in rate base. The fair values of Entergy s Transmission Business assets and liabilities subject to these rate-setting provisions approximate their carrying values and therefore the pro forma financial statements do not reflect any net adjustments related to these amounts.
- Cost savings (or associated costs to achieve such savings) from operating efficiencies, synergies or other restructuring that could result from the merger. The timing and effect of actions associated with integration are currently uncertain.
- Adjustments to the operating expenses recorded in Entergy s Transmission Business historical financial statements associated with Entergy s MISO integration of $4.8 million and $7.0 million for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively.
- The $75.0 million aggregate principal amount of 3.98% Senior Secured Notes due 2042 issued by METC on October 26, 2012, the proceeds of which were used to repay borrowings under its revolving credit agreement, partially fund capital expenditures and for general corporate purposes and was unrelated to the transaction financings.

The $250.0 million unsecured, unguaranteed term loan credit agreement entered into by ITC on February 15, 2013, under which ITC borrowed $100.0 million to repay borrowings under the ITC revolving credit agreement and for general corporate purposes, was unrelated to the transaction financings.

The transaction is being accounted for using the acquisition method of accounting for business combinations with ITC as the acquirer for accounting purposes. Accordingly, ITC s cost to acquire Entergy s Transmission

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Business will be allocated to the assets acquired and the liabilities assumed based upon their respective fair values on the date the merger is completed. Under the acquisition method of accounting, the total estimated consideration transferred is allocated to Entergy s Transmission Business net tangible and intangible assets and liabilities based on their estimated fair values as of the date of consummation of the merger. The pro forma adjustments included herein may be revised as additional information becomes available and as additional analyses are performed. See Note 4 Estimated Consideration Transferred and Preliminary Allocation of Consideration Transferred below for the estimate of the consideration transferred allocation.

Note 3. Significant Accounting Policies

Based upon ITC s initial review of the summary of significant accounting policies for Entergy s Transmission Business, as disclosed in the notes to the combined financial statements included in this proxy statement/prospectus, as well as preliminary discussions with the management of Entergy s Transmission Business, the pro forma combined consolidated financial statements assume there will be no significant adjustments necessary to conform Entergy s Transmission Business accounting policies to ITC s accounting policies. Upon completion of the merger and a more comprehensive comparison and assessment, differences may be identified that would necessitate changes to Entergy s Transmission Business future accounting policies and such changes could result in material differences in future reported results of operations and financial position for Entergy s Transmission Business operations as compared to historically reported amounts.

Note 4. Estimated Consideration Transferred and Preliminary Allocation of Consideration Transferred

Entergy shareholders (and, if applicable, the exchange trust) are to receive approximately 50.1% of ITC s common stock on a fully diluted basis in connection with the merger. In no event will Entergy shareholders (and, if applicable, the exchange trust) hold less than 50.1% of the outstanding common stock of ITC immediately after the merger. The preliminary consideration transferred was computed using the number of shares of ITC common stock outstanding as of September 30, 2012, adjusted for the 50.1% ownership of Entergy as follows (dollars in thousands):

	Number of Shares/Awards Issued	Total Estimated Fair Value
Issuance of ITC common stock to Entergy s shareholders	52,828,908	$ 3,620,059
Issuance of ITC equity awards to replace existing earned equity awards of Entergy s Transmission Business	128,885	1,246
Transactional cash (Note 5(g))		(60,848)
Total estimated consideration transferred		$ 3,560,457

	Preliminary Allocation of Consideration Transferred
Current assets	$ 36,267
Property, plant and equipment	3,831,042
Goodwill	2,399,795
Other long-term assets, excluding goodwill	227,027
Total assets	6,494,131
Current liabilities	66,334
Deferred credits and other liabilities	1,092,340
Long-term debt (assumed by ITC Note 5(f))	1,775,000
Total liabilities	2,933,674
Total estimated consideration transferred	$ 3,560,457

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The estimated fair value of the shares of ITC common stock issued to Entergy shareholders of $68.52 per share was based on the number of shares issued multiplied by the closing price of ITC common stock ($82.11 on February 22, 2013), adjusted by $13.59 per share for the effects of the $700 million one-time special dividend as described in Note 1, Description of the Merger , as if that dividend were paid on ITC s outstanding shares of common stock at September 30, 2012 that were eligible for dividends. For purposes of these pro forma financial statements, it has been assumed that the ITC recapitalization will take the form of a one-time special dividend. Additionally, the preliminary consideration transferred reflects the total estimated fair value of Entergy s Transmission Business share-based compensation awards outstanding as of September 30, 2012, converted to ITC common shares based on the equity exchange ratio (described in Note 5(j), *Common Stock* below). If ITC were to effectuate its recapitalization in the form of a repurchase of ITC common stock outstanding prior to the closing date instead of the one-time special dividend as described above, the total estimated consideration transferred would approximate the same amount, $3,560.5 million, assuming the share repurchase was effectuated at the closing price of ITC common stock of $82.11 on February 22, 2013 multiplied by the number of shares expected to be issued after the $700 million repurchase.

The final allocation of the consideration transferred will be determined after the merger is completed and after completion of a final analysis to determine the fair values of Entergy s Transmission Business assets and liabilities as of the date of consummation of the merger. Accordingly, the final acquisition accounting adjustments may be materially different from the pro forma adjustments presented in this document.

The consideration transferred will fluctuate with the market price of ITC s common stock until it is reflected on an actual basis when the merger is completed. An increase or decrease of 21% in ITC s common share price from the price used above would increase or decrease the consideration transferred by approximately $903.2 million. Assessing sensitivity at 21% rate of change is consistent with the differential between the most recent 52-week high and low closing prices of ITC s common stock.

Note 5. Pro Forma Adjustments to Financial Statements

The pro forma adjustments included in the pro forma financial statements are as follows:

(a) *ITC and Entergy s Transmission Business historical presentation* Certain financial statement line items or components of financial statement line items included in Entergy s Transmission Business historical presentation have been reclassified to conform to ITC s historical presentation. These reclassifications had no impact on the historical operating income, net income or total equity reported by Entergy s Transmission Business. The adjustments to total assets and liabilities were not material to Entergy s Transmission Business balance sheet.

(b) *Adjustments to Entergy's Transmission Business* Pursuant to the separation agreement, certain adjustments are required to accurately reflect the assets acquired and liabilities assumed of Entergy s Transmission Business, including the issuance of long-term debt by Entergy s Transmission Business to be assumed. These adjustments to Entergy s Transmission Business financial information are described in Note 5(e) *Assets and Liabilities Not Transferred* and Note 5(f) *Debt* below.

(c) *Acquisition and Related Pro Forma Adjustments* Adjustments were made to ITC s historical financial information in addition to the As Adjusted Entergy s Transmission Business financial information. These adjustments reflect the effects of the acquisition, including the one-time special dividend and the issuance of common stock.

(d) *Pro Forma Combined* Represents the total of the ITC (Historical) column, the As Adjusted Entergy s Transmission Business column and the Acquisition and Related Pro Forma Adjustments column.

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(e) *Assets and Liabilities Not Transferred* Pursuant to the separation agreement, certain assets and liabilities of Entergy s Transmission Business will not be transferred to ITC and will be retained by Entergy. The pro forma balance sheet includes the following pro forma adjustments to reflect assets, liabilities and associated deferred taxes not transferred to ITC pursuant to the separation agreement (in thousands):

	As of September 30, 2012	
Cash and cash equivalents	$	(1,319)
Accounts receivable (net)		(28,163)
Property, plant and equipment (net) (1)		(54,459)
Other regulatory assets (2)		(47,333)
Total assets	$	(131,274)
Accounts payable	$	(6,553)
Accrued taxes		(35,869)
Accrued pension and other postretirement liabilities (2)		(29,979)
Deferred income taxes		(31,821)
Total liabilities	$	(104,222)
Net Assets Not Transferred	$	(27,052)

(1) The pro forma statements of operations include pro forma adjustments to depreciation and amortization expense of $8.8 million and $11.4 million for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively, to reflect a decrease in ongoing depreciation expense for the assets not transferred.

(2) As the combined company will not have responsibility for the inactive and retired employees under the previous Entergy pension plan pursuant to the employee matters agreement, the pro forma statements of operations include pro forma adjustments to general and administrative expenses of $7.1 million and $5.2 million for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively, to reflect a decrease in the ongoing expense relating to these employees.

(f) *Debt* As described in Note 1, Description of the Merger , the pro forma balance sheet includes a $1.775 billion and a $740 million adjustment made to the As Adjusted Entergy s Transmission Business and the Pro Forma Combined, respectively, that are described below.

Prior to the closing of the merger, Entergy s Transmission Business is expected to obtain an additional $1.775 billion in debt financing that will be assumed by ITC, consisting of $1.2 billion of TransCo Subs Financing and $575 million of TransCo debt securities. The $1.775 billion is a liability to be assumed by ITC in the transaction. The pro forma balance sheet includes a pro forma adjustment to record deferred financing fees of $13.5 million related to the TransCo Subs Financing of $1.2 billion, which will be paid by Entergy s Transmission Business.

Additionally, $740 million of new ITC debt is expected to be issued, with $40 million recorded as an increase to cash to be used for general corporate purposes and payment of transaction-related costs and $700 million to be used to finance the recapitalization of ITC, described below in Note 5(m), *Recapitalization*. The $7.1 million of deferred financing fees to be paid by ITC is included as an increase to deferred financing fees and other current liabilities.

The pro forma statements of operations include a pro forma adjustment of $5.7 million and $9.1 million to interest expense related to Entergy s Transmission Business for the $1.775 billion in debt financing for a total interest expense of $54.3 million and $72.4 million for the nine months ended September 30, 2012 and the year

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ended December 31, 2011, respectively. Additionally, the pro forma statements of operations include a pro forma adjustment of $28.6 million and $38.1 million to interest expense related to the $740 million of new ITC debt for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively. An interest rate of 5.05% was used to calculate the pro forma interest expense on the new ITC debt of $740 million as well as the TransCo debt securities to be assumed by ITC of $575 million and an interest rate of 3.50% was used to calculate the pro forma interest expense on the TransCo Subs Financing of $1.2 billion to be assumed by ITC. The interest rates are based on a 10-year forward U.S. Treasury Bond estimate for July 2013 plus an applicable credit spread for both senior secured and unsecured notes for ITC and its subsidiaries. The effect of a 0.125% change in interest rates would result in an annual change in the interest expense adjustment of approximately $3.1 million.

(g) *Goodwill* The pro forma balance sheet includes a preliminary estimate of goodwill. Goodwill represents the excess of consideration transferred over the estimated fair value of the identifiable assets acquired and liabilities assumed in addition to an adjustment to remove Entergy s Transmission Business existing goodwill balance of $38.5 million. The consideration transferred of $3,560.5 million includes: (1) ITC common stock issued to Entergy; (2) ITC equity awards issued to replace existing earned awards of Entergy s Transmission Business; and (3) a reduction for transactional cash (recorded as an increase to accounts receivable of $60.8 million). The amount of transactional cash paid to ITC from Entergy is equal to the balance of Entergy s Transmission Business customer deposits and accounts payable related to capital assets. The transactional cash is expected to be paid at or shortly after the closing of the transaction and is recorded in accounts receivable on the pro forma balance sheet.

Total estimated consideration transferred (Note 4)	$ 3,560,457
Less: Fair value of net assets assumed by ITC	(1,160,662)
Estimated goodwill from acquisition	$ 2,399,795

(h) *Merger Transaction Costs* The pro forma balance sheet includes a pro forma adjustment to reflect ITC s estimated merger transaction costs for periods subsequent to September 30, 2012 of $30.9 million. Merger transaction costs primarily include costs related to investment banking, legal, accounting, and consulting services.

The pro forma statements of operations include the pro forma adjustments to eliminate the merger transaction costs incurred by ITC of $12.1 million for the nine months ended September 30, 2012 and $7.0 million for the year ended December 31, 2011. Entergy s Transmission Business has not recorded any merger transaction costs in its historical financial statements. ITC s estimated merger transaction costs have been excluded from the pro forma statements of operations as they reflect non-recurring charges not expected to have a continuing impact on the combined results.

(i) *Income Taxes* The pro forma balance sheet includes a pro forma adjustment to reflect the estimated deferred income tax impact of $10.8 million for merger transaction costs (as described in Note 5(h), *Merger Transaction Costs*) and $1.8 million for accelerated vesting of share-based awards (as described below in Note 5(j), *Common Stock*), based on the federal statutory rate of 35%.

The total pro forma adjustments for income taxes in the pro forma statements of operations are $13.3 million for the nine months ended September 30, 2012 and $8.3 million for the year ended December 31, 2011. The pro forma adjustments are tax-effected at the federal statutory rate of 35%.

Included in the pro forma income statement for the nine months ended September 30, 2012 is an adjustment to Entergy s Transmission Business to increase the income tax provision by $9.4 million and to increase revenues by $6.1 million. As described in Note 8 in the condensed combined financial statements of Entergy s

Transmission Business for the nine months ended September 30, 2012 and 2011 included elsewhere in this proxy statement/prospectus, in June 2012 Entergy settled an uncertain tax position that was recorded as an income tax benefit and a reduction to operating revenues for the nine months ended September 30, 2012. These items were adjusted from the pro forma income statement as the items are not expected to have a continuing impact.

(j) *Common Stock* The total adjustments to common stock of $3,626.6 million consist of the following items:

An adjustment to common stock of $3,620.1 million related to the issuance of 52,828,908 shares of ITC common stock to the shareholders of Entergy (and, if applicable, the exchange trust) in order to receive approximately 50.1% of the shares of pro forma ITC as described in Note 4.

An adjustment to common stock of $1.2 million for 128,885 shares related to the issuance of ITC equity awards (as authorized by the proposed amendment to the Amended and Restated Articles of Incorporation as noted above under Notice of Special Meeting of Shareholders and described in Note 4) to replace existing awards, held by employees of Entergy s Transmission Business as described in Note 1, Description of the Merger. For the replacement awards, each Entergy share award held by an employee of Entergy s Transmission Business will be converted to an ITC equity award. The fair value of the replacement awards which are considered vested under Entergy s share-based compensation plans at the effective time of the merger has been attributed to pre-combination service and reflected in the consideration transferred. Unvested share-based awards are considered post-combination service. These estimates are preliminary, subject to change and could vary materially from the actual adjustments at the time the merger is completed, driven by various factors including changes in ITC and Entergy share prices as compared to February 22, 2013 share prices that were used for purposes of determining these pro forma adjustments.

An adjustment to common stock of $5.3 million related to the impact of the accelerated vesting of certain share based awards. In accordance with our Second Amended and Restated 2006 Long-Term Incentive Plan, the vesting period for certain grants issued to ITC employees prior to September 30, 2012 will be accelerated upon the transfer of shares in connection with the merger transaction.

(k) *Accumulated Other Comprehensive Loss* The pro forma balance sheet reflects the elimination of the historical accumulated other comprehensive loss of Entergy s Transmission Business.

(l) *Retained Earnings* The pro forma balance sheet adjustment to retained earnings of $23.5 million consists of $20.1 million related to the estimated merger transaction costs (net of tax) (as described in Note 5(h), *Merger Transaction Costs*) and $3.4 million related to the accelerated vesting of ITC common stock (net of tax) (as described in Note 5(j), *Common Stock*).

(m) *Recapitalization* ITC s $700 million recapitalization described in Note 1, Description of the Merger, may take the form of a one-time special dividend to ITC s pre-merger shareholders, a repurchase of ITC common stock from its shareholders, or a combination of a one-time special dividend and share repurchase. For purposes of these pro forma financial statements, we have assumed that the recapitalization will take the form of a one-time special dividend of $700 million, which is reflected as a reduction to common stock and retained earnings of $308.7 million and $391.3 million, respectively. If ITC s $700 million recapitalization were to take the form of a share repurchase, the pro forma financial statements would reflect a reduction in common stock of $700 million. The impact of effectuating a share repurchase instead of a one-time special dividend on pro forma basic and diluted earnings per share is described in Note 6, Common Stock Shares Outstanding.

(n) *Net Parent Investment* The pro forma balance sheet reflects the adjustment to eliminate Entergy s Transmission Business net parent investment. The elimination of the net parent investment was performed as a two-step process as described below.

In determining the net assets of the As Adjusted Entergy s Transmission Business , $1,829.5 million of Entergy s Transmission Business net parent investment was eliminated. This amount was calculated as the offsetting entry to all of the adjustments to the historical financial information of Entergy s Transmission Business (as described in Note 5(c), *Adjustments to Entergy's Transmission Business*). Included in this adjustment is the $1.775 billion of debt being issued by Entergy s Transmission Business for which Entergy will retain the proceeds (as described in Note 5(f), *Debt*).

In determining the Pro Forma Combined Balance Sheet , $1,160.7 million of Entergy s Transmission Business net parent investment was eliminated. This amount was calculated as the net assets of the As Adjusted Entergy s Transmission Business and used in the calculation of Goodwill (as calculated in Note 5(g), *Goodwill*).

Note 6. Common Stock Shares Outstanding

The pro forma weighted-average number of basic shares outstanding is calculated by adding (i) the shares issued in connection with the transaction; (ii) ITC s weighted average number of basic shares of common stock outstanding for the nine months ended September 30, 2012 and the year ended December 31, 2011; and (iii) the shares to be issued for accelerated vesting of restricted stock awards (as described above in Note 5(j), *Common Stock*). The pro forma weighted-average number of diluted shares outstanding is calculated by adding (i) the pro forma weighted-average basic shares, (ii) ITC s incremental shares for stock options and the employee stock purchase plan for the nine months ended September 30, 2012 and the year ended December 31, 2011 and (iii) the shares for stock options and restricted shares held by employees of Entergy s Transmission Business, which was converted to equivalent ITC incremental shares based on the equity exchange ratio of .932 that is pursuant to the employees matters agreement. The following table illustrates these computations:

	Nine Months Ended September 30, 2012	**Year Ended December 31, 2011**
Basic:		
ITC common shares issued in the transaction	52,828,908	52,828,908
ITC weighted-average basic common shares	50,748,257	50,289,905
Accelerated vesting of restricted stock	462,856	462,856
Pro forma weighted-average basic common shares	104,040,021	103,581,669
Diluted:		
ITC incremental shares for stock options and employee stock purchase plan	754,437	788,918
Shares for stock options and restricted shares held by employees of Entergy s Transmission Business	12,103	6,694
Equity Exchange ratio	.932	.932
Equivalent ITC incremental shares	11,281	6,239
Pro forma weighted-average diluted common shares	104,805,739	104,376,826

ITC s historical earnings per share were calculated based on the two-class method due to our restricted stock containing rights to receive nonforfeitable dividends. As a result of the accelerated vesting of the restricted stock awards at the merger date, the use of the two class method did not have a material impact on pro forma earnings per share.

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If the $700 million recapitalization took the form of a share repurchase instead of a one-time special dividend, the pro forma weighted average basic and diluted common shares would decrease by 8,525,149 shares for the nine months ended September 30, 2012 and the year ended December 31, 2011. For the nine months ended September 30, 2012, pro forma basic and diluted earnings per share would increase by $0.20 and $0.19, respectively. For the year ended December 31, 2011, pro forma basic and diluted earnings per share would increase by $0.25.

RISK FACTORS

You should carefully consider the following risks, together with the other information contained in this proxy statement/prospectus and the annexes hereto. For a discussion of additional uncertainties associated with (1) ITC s businesses and (2) forward-looking statements in this document, please see the section entitled Cautionary Statement Concerning Forward-Looking Statements. In addition, you should consider the risks associated with ITC s business that appear in ITC s Annual Report on Form 10-K, as amended by the Annual Report on Form 10-K/A, for the year ended December 31, 2011, which is incorporated by reference into this proxy statement/prospectus.

Risks Related to the Transactions

ITC and Entergy may be unable to satisfy the conditions or obtain the approvals required to complete the merger or such approvals may contain material restrictions or conditions.

The consummation of the merger is subject to numerous conditions, as described in this proxy statement/prospectus, including (i) consummation of certain transactions and financings contemplated by the merger agreement and the separation agreement (such as the separation of Entergy s Transmission Business from Entergy s other business), (ii) the receipt of ITC shareholder approval of the merger proposals and (iii) the receipt of certain regulatory approvals in a form that will not impose a burdensome condition on ITC or Entergy (as described under the heading The Merger Agreement). ITC can make no assurances that the merger and related transactions will be consummated on the terms or timeline currently contemplated, or at all. ITC has and will continue to expend management s time and resources and incur expenses due to legal, advisory and financial services fees related to the proposed transactions.

Governmental agencies may not approve the merger or the related transactions necessary to complete the merger or may impose conditions to the approval of such transactions or require changes to the terms of such transactions. Any such conditions or changes could have the effect of delaying completion of the merger, imposing costs on or limiting the revenues of the combined company following the merger or otherwise reducing the anticipated benefits of the merger. Any condition or change which results in a burdensome condition on Entergy s Transmission Business and/or ITC under the merger agreement might cause Entergy and/or ITC to restructure or terminate the merger or the related transactions.

If completed, the merger may not be successful or achieve its anticipated benefits.

If the merger is completed ITC may not be able to successfully realize anticipated growth opportunities or integrate ITC s business and operations with the TransCo business and operations. After the merger, ITC will have significantly more revenue, expenses, assets, debt and employees than ITC did prior to the merger. In the separation, ITC will also be assuming certain liabilities of Entergy s Transmission Business and taking on other obligations (including collective bargaining agreements and certain pension obligations with respect to transferred employees). ITC may not successfully or cost-effectively integrate Entergy s Transmission Business and operations into ITC s existing business and operations. Even if the combined company is able to integrate the transmission businesses and operations successfully, this integration may not result in the realization of the full benefits of the growth opportunities that ITC currently expects from the merger within the anticipated time frame, or at all.

The merger agreement contains provisions that may discourage other companies from trying to merge with ITC.

The merger agreement contains provisions that may discourage a third party from submitting a business combination proposal to ITC prior to the closing of the merger that might result in greater value to ITC shareholders than the merger. The merger agreement generally prohibits ITC from soliciting any alternative acquisition proposal, although ITC may terminate the merger agreement prior to the special meeting in order to

accept an unsolicited alternative transaction proposal that the ITC board of directors determines is superior to the merger. In addition, before the ITC board of directors may withdraw or modify its recommendation contained in this proxy statement/prospectus or ITC may terminate the merger agreement to enter into a transaction that the ITC board of directors determines is superior to the merger, Entergy has the opportunity to negotiate with ITC to modify the terms of the merger in response to any competing acquisition proposals that may be made. If the merger agreement is terminated by ITC or Entergy in certain limited circumstances, ITC may be obligated to pay a termination fee to Entergy, which would represent an additional cost for a potential third party seeking a business combination with ITC.

Failure to complete the merger could adversely affect the market price of ITC common stock as well as ITC s business, financial condition and results of operations.

If the merger is not completed for any reason, the price of ITC common stock may decline to the extent that the market price of ITC common stock reflects positive market assumptions that the merger will be completed and the related benefits will be realized. Significant expenses such as legal, advisory and financial services, many of which will be incurred regardless of whether the merger is completed, must be paid. Under the merger agreement, under certain limited circumstances, ITC must pay Entergy a termination fee.

Investors holding shares of ITC common stock immediately prior to the completion of the merger will, in the aggregate, have a significantly reduced ownership and voting interest in ITC after the merger and will exercise less influence over management.

Investors holding shares of ITC common stock immediately prior to the completion of the merger will, in the aggregate, own a significantly smaller percentage of the combined company immediately after the completion of the merger. Immediately following the completion of the merger, it is expected that current Entergy shareholders (and, if applicable, the exchange trust) will hold approximately 50.1% of ITC common stock on a fully diluted basis and existing ITC shareholders will hold approximately 49.9% of ITC common stock on a fully diluted basis (subject to adjustment in limited circumstances as provided in the merger agreement and excluding any ITC equity awards issued to employees of Entergy s Transmission Business who become employees of TransCo). In no event will Entergy shareholders (and, if applicable, the exchange trust) hold less than 50.1% of the outstanding common stock of ITC immediately after the merger. Consequently, ITC shareholders, collectively, will be able to exercise less influence over the management and policies of the combined company than they are able to exercise over ITC s management and policies immediately prior to the completion of the merger.

The merger consideration payable in the merger will not be adjusted in the event the value of Entergy s Transmission Business or its assets declines before the merger is completed. As a result, at the time ITC shareholders vote on the merger proposals at the special meeting, they will not know the final value of Entergy s Transmission Business or its assets that will be acquired in the merger. The value of Entergy s Transmission Business and its assets may have a negative effect on the value of ITC common stock following completion of the merger.

The calculation of the number of shares of ITC common stock to be issued to Entergy shareholders pursuant to the merger agreement will not be adjusted in the event the value of Entergy s Transmission Business or assets declines, including as a result of the regulatory approval process. If the value of Entergy s Transmission Business or assets declines after the ITC shareholders approve the merger proposals, the market price of the common stock of the combined company following completion of the merger may be less than ITC shareholders anticipated when they considered the merger proposals. Further, any amounts paid, payable or forgone by ITC or Entergy pursuant to orders or settlements or agreements that are issued or entered into in order to obtain the regulatory approvals that are required to complete the merger may decrease the market value of the combined company after completion of the merger. Any costs incurred to comply with the terms and conditions of regulatory approvals that are required to complete the merger (but which are not sufficiently significant to result in an

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Entergy burdensome condition or an ITC burdensome condition, as more fully described in the section The Merger Agreement) will be shared equally by Entergy and its affiliates and ITC and its affiliates. ITC may not be permitted to terminate the merger agreement because of changes in the value of Entergy s Transmission Business or its assets, including due to amounts paid, payable or forgone in connection with government approvals that do not rise to the level of a burdensome condition. ITC will not be permitted to terminate the merger agreement solely because of changes in the market price of ITC common stock.

The opinions obtained by ITC from its financial advisors do not and will not reflect changes in circumstances subsequent to the date of such opinions.

On December 4, 2011, J.P. Morgan Securities LLC, which we refer to as J.P. Morgan, issued its written opinion to the ITC board of directors as to the fairness, from a financial point of view, to ITC of the aggregate merger consideration, based upon and subject to the qualifications, limitations and assumptions described in its written opinion as more fully described in the section entitled The Transactions Opinion of J.P. Morgan. Also on December 4, 2011, Barclays Capital Inc., which we refer to as Barclays, issued its written opinion to the ITC board of directors as to the fairness, from a financial point of view and as of such date, to ITC of the exchange ratio in the merger, based upon and subject to the qualifications, limitations and assumptions described in its written opinion as more fully described in the section entitled The Transactions Opinion of Barclays. ITC has not obtained, and does not intend to obtain, updated opinions from J.P. Morgan and Barclays.

Although ITC believes there have been no material changes in the matters and conditions considered by each of J.P. Morgan and Barclays in rendering its respective opinion and no material changes are anticipated to occur prior to the special meeting of ITC shareholders, changes in the operations and prospects of ITC, general market and economic conditions and other factors that may be beyond the control of ITC, and on which the opinions were based, may alter the value of Entergy s Transmission Business, or the value of the ITC common stock being issued in the merger, by the time the merger is completed. Each of the opinions rendered by J.P. Morgan and Barclays does not speak to the time when the merger will be completed or to any other date other than the date of such opinion. As a result, each of the opinions rendered by J.P. Morgan and Barclays does not and will not address the fairness, from a financial point of view of the aggregate merger consideration (in the case of the J.P. Morgan opinion) and the exchange ratio in the merger (in the case of the Barclays opinion) at the time the merger is completed. For a more complete description of the opinion rendered by J.P. Morgan, see the section entitled The Transactions Opinion of J.P. Morgan and for a more complete description of the opinion rendered by Barclays, see the section entitled The Transactions Opinion of Barclays.

After the completion of the merger, sales of ITC common stock may negatively affect its market price.

The shares of ITC common stock to be issued in the merger to Entergy shareholders will generally be eligible for immediate resale. The market price of ITC common stock could decline as a result of sales of a large number of shares of ITC common stock in the market after the completion of the merger or the perception in the market that these sales could occur.

Immediately following the completion of the merger, it is expected that former Entergy shareholders (and, if applicable, the exchange trust) will hold approximately 50.1% of ITC s common stock on a fully diluted basis and existing ITC shareholders will hold approximately 49.9% of ITC s common stock on a fully diluted basis (subject to adjustment in limited circumstances as provided in the merger agreement and excluding any ITC equity awards issued to employees of Entergy s Transmission Business who become employees of TransCo). In no event will Entergy shareholders (and, if applicable, the exchange trust) hold less than 50.1% of the outstanding common stock of ITC immediately after the merger. Certain former Entergy shareholders (such as certain index funds and institutional investors with specific investment guidelines that do not pertain to the stock of the combined company) who receive shares of ITC common stock pursuant to the merger agreement may be required to sell their shares of ITC common stock immediately after the merger, which may negatively affect the price of ITC s common stock following the merger.

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The historical financial information of Entergy s Transmission Business may not be representative of its results if it had been operated independently of Entergy and, as a result, may not be a reliable indicator of its future results.

The historical financial information of Entergy s Transmission Business has been derived from the consolidated financial statements and accounting records of Entergy and reflects assumptions and allocations made by Entergy. The financial position, results of operations and cash flows of Entergy s Transmission Business presented may be different from those that would have resulted had Entergy s Transmission Business been operated as a standalone company or by a company other than Entergy. For example, in preparing Entergy s Transmission Business financial statements, Entergy made an allocation of costs and expenses that are attributable to Entergy s Transmission Business. However, these costs and expenses reflect the costs and expenses attributable to Entergy s Transmission Business operated as part of a larger organization and do not reflect costs and expenses that would be incurred by Entergy s Transmission Business had it been operated independently and may not reflect costs and expenses that would have been incurred had Entergy s Transmission Business been supported as a subsidiary of ITC. As a result, the historical financial information of Entergy s Transmission Business may not be a reliable indicator of future results.

ITC is required to abide by potentially significant restrictions which could limit ITC s ability to undertake certain corporate actions (such as the issuance of ITC common stock or the undertaking of a merger or consolidation) that otherwise could be advantageous.

The merger agreement and the separation agreement impose certain ongoing restrictions on ITC to ensure that applicable statutory requirements under the Internal Revenue Code of 1986, as amended (the Code) and applicable Treasury regulations are met so that the distribution, exchange trust exchange offer, and the trust distribution, together with certain related transactions qualify as tax-free to Entergy and its shareholders. As a result of these restrictions, ITC s ability to engage in certain transactions, such as the redemption of ITC common stock or the issuance of ITC equity securities (subject to certain exceptions generally relating to compensation) may be limited until two years and one day following the closing of the merger (excluding the $700 million recapitalization in the form of a one-time special dividend and/or share repurchase that is expected to be completed in connection with the merger).

If ITC takes any of an enumerated list of actions and omissions that would cause the distribution, exchange trust exchange offer, and the trust distribution to become taxable, ITC generally will be required to bear the cost of any resulting tax liability. If the distribution, exchange trust exchange offer, and the trust distribution became taxable, Entergy would be expected to recognize a substantial amount of income, which would result in a material amount of taxes. Any such taxes allocated to ITC would be expected to be material to ITC, and could cause ITC s business, financial condition and operating results to suffer. These restrictions may reduce ITC s ability to engage in certain business transactions that otherwise might be advantageous to ITC.

If the distribution, exchange trust exchange offer, and the trust distribution, together with certain related transactions do not qualify as tax-free under Sections 355 and 368(a)(1)(D) of the Code, including as a result of subsequent acquisitions of stock of Entergy or ITC, then Entergy and Entergy shareholders may be required to pay substantial U.S. federal income taxes, and ITC may be obligated to indemnify Entergy for such taxes imposed on Entergy.

The distribution, exchange trust exchange offer, and the trust distribution, together with certain related transactions and the merger are conditioned upon Entergy s receipt of a private letter ruling from the IRS and of the opinion of Entergy s counsel, Cooley LLP (Cooley), to the effect that the distribution, exchange trust exchange offer, and the trust distribution, together with certain related transactions will qualify as tax-free to Entergy, TransCo, other Entergy subsidiaries and the Entergy shareholders, as applicable, for U.S. federal income tax purposes (such rulings contained in the private letter ruling, the IRS rulings). A private letter ruling from the IRS generally is binding on the IRS. However, the IRS rulings will not rule that the distribution,

exchange trust exchange offer, and the trust distribution, together with certain related transactions satisfy every requirement for a tax-free distribution, and the parties will rely solely on the opinion of counsel for comfort that such additional requirements are satisfied.

The IRS rulings and the opinion of Entergy s counsel will be based on, among other things, certain representations and assumptions as to factual matters made by ITC and Entergy. The failure of any factual representation or assumption to be true, correct and complete in all material respects could adversely affect the validity of the IRS rulings or the opinion of counsel. In addition, the opinion of Entergy s counsel will be based on, among other things, the IRS rulings. An opinion of counsel represents counsel s best legal judgment, is not binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion. In addition, the IRS rulings and the opinion will be based on current law, and cannot be relied upon if current law changes with retroactive effect.

The distribution, exchange trust exchange offer, and the trust distribution will be taxable to Entergy pursuant to Section 355(e) of the Code if there is a 50% or greater change in ownership of either Entergy or TransCo, directly or indirectly, as part of a plan or series of related transactions that include the distribution, exchange trust exchange offer, and the trust distribution. A Section 355(e) change of ownership would not make the distribution, exchange trust exchange offer, and the trust distribution taxable to the Entergy shareholders. Because Entergy shareholders will collectively be treated as owning more than 50% of the ITC common stock following the merger, the merger alone should not cause the distribution, exchange trust exchange offer, and the trust distribution to be taxable to Entergy under Section 355(e). However, Section 355(e) might apply if other acquisitions of stock of Entergy before or after the merger, or of ITC after the merger, are considered to be part of a plan or series of related transactions that include the distribution, exchange trust exchange offer, and the trust distribution, together with certain related transactions. If Section 355(e) applied, Entergy might recognize a very substantial amount of taxable gain.

Under the separation agreement, in certain circumstances, and subject to certain limitations, ITC is required to indemnify Entergy against taxes on the distribution, exchange trust exchange offer, and the trust distribution, together with certain related transactions that arise as a result of any of an enumerated list of actions or omissions by ITC. ITC is required to abide by potentially significant restrictions which could limit ITC s ability to undertake certain corporate actions (such as the issuance of ITC common stock or the undertaking of a merger or consolidation) that otherwise could be advantageous. In some cases, however, Entergy might recognize gain on the distribution, exchange trust exchange offer, and the trust distribution, together with certain related transactions without being entitled to an indemnification payment under the separation agreement.

See Material United States Federal Income Tax Consequences of the Transactions.

If the merger does not qualify as a tax-free reorganization under Section 368 of the Code, the shareholders of Entergy may be required to pay substantial U.S. federal income taxes.

The obligations of Entergy and ITC to consummate the merger are conditioned, respectively, on Entergy s receipt of an opinion of Cooley, counsel to Entergy, and ITC s receipt of an opinion of Simpson Thacher & Bartlett LLP, counsel to ITC, in each case to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. These opinions will be based upon, among other things, certain representations and assumptions as to factual matters made by ITC and Entergy. The failure of any factual representation or assumption to be true, correct and complete in all material respects could adversely affect the validity of the opinions. An opinion of counsel represents counsel s best legal judgment, is not binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion. In addition, the opinions will be based on current law, and cannot be relied upon if current law changes with retroactive effect. If the merger were taxable, TransCo common unit holders would be considered to have made a taxable sale of their TransCo common units to ITC, and TransCo common unit holders would recognize taxable gain or loss on their receipt of ITC common stock in the merger.

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Risks Related to the Combined Company s Business Following the Transactions

Certain elements of ITC s regulated operating subsidiaries and the TransCo Subs cost recovery through rates can be challenged, which could result in lowered rates and/or refunds of amounts previously collected and thus have an adverse effect on the combined company s business, financial condition, results of operations and cash flows. ITC has also made certain commitments to federal and state regulators with respect to, among other things, rates in connection with recent acquisitions (including ITC Midwest s acquisition of IP&L s electric transmission assets) that could have an adverse effect on the combined company s business, financial condition, results of operations and cash flows.

ITC s regulated operating subsidiaries provide, and it is expected that the TransCo Subs will provide, transmission service under rates regulated by the FERC. The FERC has approved the cost-based formula rate templates used by ITC s regulated operating subsidiaries, but it does not expressly approve the amount of actual capital and operating expenditures used in the formula rates. All aspects of ITC s regulated operating subsidiaries rates approved by the FERC, including the formula rate templates, ITCTransmission s, METC s, ITC Midwest s and ITC Great Plains respective allowed 13.88%, 13.38%, 12.38% and 12.16% rates of return on the actual equity portion of their respective capital structures, and the data inputs provided by ITC s regulated operating subsidiaries for calculation of each year s rate, are subject to challenge by interested parties at the FERC in a proceeding under Section 206 of the FPA. If a challenger can establish that any of these aspects are unjust, unreasonable, unduly discriminatory or preferential, and that a different rate is just and reasonable, then the FERC will make appropriate prospective adjustments to the ITC regulated operating subsidiary formula rates and/or disallow any of ITC s regulated operating subsidiaries inclusion of those aspects in their rates. It is anticipated that the TransCo Subs will operate under similar formula rates and will also be subject to such challenges. This could result in lowered rates and/or refunds of amounts collected after the date that a Section 206 challenge is filed.

The FERC s 2006 order approving ITC s acquisition of METC was conditioned upon ITCTransmission and METC not recovering merger-related costs in their rates, as described in the order, unless a separate informational filing is submitted to the FERC. The informational filing, which could be challenged by interested parties, would need to identify the costs sought to be recovered and show that such costs are exceeded by the savings of the acquisition. Determinations by ITCTransmission or METC that expenses included in their formula rate template for recovery are not acquisition related costs are also subject to challenge by interested parties at the FERC under Section 206 of the Federal Power Act. If challenged at the FERC and ITCTransmission or METC fail to show that costs included for recovery are not merger-related, this also could result in lowered rates and/or refunds of amounts collected. ITC has not sought recovery of merger-related costs at ITCTransmission or METC.

Under the FERC s 2007 order approving ITC Midwest s asset acquisition, ITC Midwest agreed to a hold harmless commitment in which no acquisition premium will be recovered in rates, nor will ITC Midwest recover through transmission rates any transaction-related costs that exceed demonstrated transaction related savings for a period of five years. If during the five year period ITC Midwest seeks to recover transaction-related costs through its formula rate, ITC Midwest must make an informational filing at the FERC that identifies the transaction-related costs sought to be recovered and demonstrates that those costs are exceeded by transaction-related savings. If challenged at the FERC and ITC Midwest fails to show that transaction-related costs included for recovery do not exceed transaction-related savings, ITC Midwest could be subject to lowered rates and/or refunds of amounts previously collected. Additionally, in Iowa and Minnesota, as part of the regulatory approval process, ITC Midwest committed not to recover the first $15.0 million in transaction-related costs under any circumstances. ITC has not sought recovery of transaction-related costs at ITC Midwest.

In the Minnesota regulatory proceeding to approve ITC Midwest s December 2007 acquisition of the transmission assets of IP&L, ITC Midwest also agreed to build two transmission projects intended to improve the reliability and efficiency of ITC s electric transmission system. Specifically, ITC Midwest made commitments to use commercially reasonable best efforts to complete these projects prior to December 31, 2009 and 2011, respectively. In the event ITC Midwest is found to have failed to meet these commitments, the allowed 12.38%

rate of return on the actual equity portion of ITC Midwest s capital structure would be reduced to 10.39% until such time as ITC Midwest completes these projects, and ITC Midwest would refund with interest any amounts collected since the closing date of the transaction that exceeded what would have been collected if the 10.39% return on equity had been used. The project that was required to be completed prior to December 31, 2009 was completed by that deadline. With respect to the second project, the 345 kV Salem-Hazelton line, certain regulatory approvals were needed from the IUB before construction of the project could commence, but due to the IUB s case schedule, these approvals were not received until the second quarter of 2011. As a result of the delay in the receipt of the necessary regulatory approvals, the project was not completed by December 31, 2011.

Any of the events described above could have a material adverse effect on the combined company s business, financial condition, results of operations and cash flows.

ITC s regulated operating subsidiaries and the TransCo Subs actual capital expenditures may be lower than planned, which would decrease expected rate base and therefore expected revenues and earnings. In addition, ITC expects to invest in strategic development opportunities to improve the efficiency and reliability of the transmission grid, but cannot assure you that it will be able to initiate or complete any of these investments.

Each of ITC s regulated operating subsidiaries and the TransCo Subs rate base, revenues and earnings are or will be determined in part by additions to property, plant and equipment when placed in service. The combined company expects to make significant capital investments over the next five years which include estimated transmission network upgrades for generator interconnections. The amounts for network upgrades could change significantly due to factors beyond the combined company s control, such as changes in the MISO queue for generation projects and whether the generator meets the various criteria of Attachment FF of the MISO Open Access Transmission, Energy, and Operating Reserve Markets Tariff for the project to qualify as a refundable network upgrade, among other factors. If ITC s regulated operating subsidiaries or the TransCo Subs capital expenditures and the resulting in-service property, plant and equipment are lower than anticipated for any reason, ITC s regulated operating subsidiaries and TransCo Subs will have a lower than anticipated rate base thus causing their revenue requirements and future earnings to be potentially lower than anticipated.

In addition, ITC is pursuing broader strategic development investment opportunities for transmission construction related to building regional transmission facilities, interconnections for generating resources, and other investment opportunities. The incumbent utilities or other entities with transmission development initiatives may compete with the combined company by deciding to pursue capital projects that it pursues. These estimates of potential investment opportunities are based primarily on foreseeable transmission needs and general transmission construction costs, not necessarily on particular project cost estimates.

Any capital investment at ITC s regulated operating subsidiaries or the TransCo Subs, or as a result of the combined company s broader strategic development initiatives, may be lower than expected due to, among other factors, the impact of actual loads, forecasted loads, regional economic conditions, weather conditions, union strikes, labor shortages, material and equipment prices and availability, the combined company s ability to obtain financing for such expenditures, if necessary, limitations on the amount of construction that can be undertaken on the combined company s system or transmission systems owned by others at any one time, regulatory approvals for reasons relating to rate construct, environmental, siting, regional planning, cost recovery or other issues or as a result of legal proceedings and variances between estimated and actual costs of construction contracts awarded. The combined company s ability to engage in construction projects resulting from pursuing these initiatives is subject to significant uncertainties, including the factors discussed above, and will depend on obtaining any necessary regulatory and other approvals for the project and for the combined company to initiate construction, the combined company s achieving status as the builder of the project in some circumstances and other factors. Therefore, ITC can provide no assurance as to the actual level of investment the combined company may achieve at ITC s regulated operating subsidiaries or TransCo Subs, or as a result of the broader strategic development initiatives.

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The regulations to which ITC is subject may limit the combined company s ability to raise capital and/or pursue acquisitions, development opportunities or other transactions or may subject the combined company to liabilities.

Each of ITC s regulated operating subsidiaries is, and each TransCo Sub is expected to be, a public utility under the FPA and, accordingly, is subject to regulation by the FERC. Approval of the FERC is required under Section 203 of the FPA for a disposition or acquisition of regulated public utility facilities, either directly or indirectly through a holding company. Such approval may also be required to acquire securities in a public utility. Section 203 of the FPA also provides the FERC with explicit authority over utility holding companies purchases or acquisitions of, and mergers or consolidations with, a public utility. Finally, each of ITC s regulated operating subsidiaries and TransCo Subs must also seek approval by the FERC under Section 204 of the FPA for issuances of its securities (including debt securities).

ITC is also pursuing strategic development opportunities for construction of transmission facilities and interconnections with generating resources. These projects may require approval by the FERC, applicable RTOs and state and local regulatory agencies. Failure to secure such regulatory approval for new strategic development projects could adversely affect the combined company s ability to grow its business and increase its revenues. If the combined company fails to obtain these approvals when necessary, it may incur liabilities for such failure.

Changes in federal energy laws, regulations or policies could impact cash flows and could reduce the dividends the combined company may be able to pay its shareholders.

The formula rate templates used by ITC s regulated operating subsidiaries and expected to be used by the TransCo Subs to calculate their respective annual revenue requirements will be used by ITC s regulated operating subsidiaries and TransCo Subs for that purpose until and unless the FERC determines that such formula rates are unjust and unreasonable and that another rate is just and reasonable. Such a determination could result from challenges initiated at the FERC by interested parties or by the FERC on its own initiative in a proceeding under Section 206 of the FPA. An existing formula rate also could be replaced by a successful application initiated by any of ITC s regulated operating subsidiaries or TransCo Subs under Section 205 of the FPA. End-use consumers and entities supplying electricity to end-use consumers may attempt to influence government and/or regulators to change the rate setting methodologies that apply to ITC s regulated operating subsidiaries and TransCo Subs, particularly if rates for delivered electricity increase substantially.

Each of ITC s regulated operating subsidiaries is, and each TransCo Sub will be, regulated by the FERC as a public utility under the FPA and is a transmission owner in MISO or SPP. ITC cannot predict whether the approved rate methodologies for any of ITC s regulated operating subsidiaries or expected rate methodologies for the TransCo Subs will be changed. In addition, the U.S. Congress periodically considers enacting energy legislation that could shift new responsibilities to the FERC, modify provisions of the FPA or provide the FERC or another entity with increased authority to regulate transmission matters. ITC cannot predict whether, and to what extent, the combined company may be affected by any such changes in federal energy laws, regulations or policies in the future.

If amounts billed for transmission service for ITC s regulated operating subsidiaries or TransCo Subs transmission systems are lower than expected, or expenses of ITC s regulated operating subsidiaries or the TransCo Subs are higher than expected, the timing of collection of the combined company s revenues would be delayed.

If amounts billed for transmission service are lower than expected, which could result from lower network load or point-to-point transmission service on ITC s regulated operating subsidiaries or TransCo Subs transmission systems due to, a weak economy, changes in the nature or composition of the transmission assets of ITC s regulated operating subsidiaries or TransCo Subs and surrounding areas, poor transmission quality of neighboring transmission systems, or for any other reason, the timing of the collection of ITC s regulated operating subsidiaries and TransCo Subs revenue requirements would likely be delayed until collections are

adjusted through the true-up mechanism in the formula rate templates. In addition, if expenses of ITC s regulated operating subsidiaries or the TransCo Subs are higher than expected due to the occurrence of hurricanes and other storms and disasters, or for any other reason, the timing of the collection of ITC s regulated operating subsidiaries and TransCo Subs revenue requirements would likely be delayed until such circumstances are reflected through the true-up mechanism in ITC s regulated operating subsidiaries , and TransCo Subs expected, formula rate templates. The effect of such under-collection would be to reduce the amount of the combined company s available cash resources from what it had expected, until such under-collection is corrected through the true-up mechanism in the formula rate template, which may require it to increase its outstanding indebtedness, reduce its available borrowing capacity, and may require it to pay interest at a rate that exceeds the interest to which it is entitled in connection with the operation of the true-up mechanism.

Each of ITCTransmission, METC and ITC Midwest depends, and each TransCo Sub will depend, on its primary customer for a substantial portion of its revenues, and any material failure by those primary customers to make payments for transmission services would adversely affect the combined company s revenues and ability to service its debt obligations and affect its ability to pay dividends.

ITCTransmission derives a substantial portion of its revenues from the transmission of electricity to Detroit Edison s local distribution facilities. Detroit Edison accounted for 78.5% of ITCTransmission s total operating revenues for the year ended December 31, 2011 and is expected to constitute the majority of ITCTransmission s revenues for the foreseeable future. Detroit Edison is rated BBB+/stable and Baa1/stable by Standard & Poor s Ratings Services (S&P) and Moody s Investors Services, Inc. (Moody s), respectively. Similarly, Consumers Energy accounted for 79.0% of METC s total operating revenues for the year ended December 31, 2011 and is expected to constitute the majority of METC s revenues for the foreseeable future. Consumers Energy is rated BBB-/stable and Baa2/stable by S&P and Moody s, respectively. Further, IP&L accounted for 78.9% of ITC Midwest s total operating revenues for the year ended December 31, 2011 and is expected to constitute the majority of ITC Midwest s revenues for the foreseeable future. IP&L is rated BBB+/stable and A3/negative by S&P and Moody s, respectively. These percentages of total operating revenues of Detroit Edison, Consumers Energy and IP&L include an estimate for the 2011 revenue accrual and deferrals that were included in ITC s 2011 operating revenues, but will not be billed to its customers until 2013. ITC has assumed that the revenues billed to these customers in 2013 would be in the same proportion of the respective percentages of network and regional cost sharing revenues billed to them in 2011. In addition, each TransCo Sub will derive a substantial portion of its revenues from the transmission of electricity to the local distribution facilities of Entergy s Utility Operating Companies and is expected to continue to do so for the foreseeable future.

Any material failure by Detroit Edison, Consumers Energy, IP&L or Entergy s Utility Operating Companies to make payments for transmission services could adversely affect the combined company s financial condition and results of operations and the combined company s ability to service its debt obligations, and could impact the amount of dividends it pays to its shareholders.

A significant amount of the land on which ITC s regulated operating subsidiaries assets are, and the TransCo Subs assets will be, located is subject to easements, mineral rights and other similar encumbrances. As a result, ITC s regulated operating subsidiaries and the TransCo Subs must comply with the provisions of various easements, mineral rights and other similar encumbrances, which may adversely impact their ability to complete construction projects in a timely manner.

METC does not own the majority of the land on which its electric transmission assets are located. Instead, under the provisions of an Easement Agreement with Consumers Energy, METC pays annual rent of $10.0 million to Consumers Energy in exchange for rights-of-way, leases, fee interests and licenses which allow METC to use the land on which its transmission lines are located. Under the terms of the Easement Agreement, METC s easement rights could be eliminated if METC fails to meet certain requirements, such as paying contractual rent to Consumers Energy in a timely manner. Additionally, a significant amount of the land on which ITCTransmission s, ITC Midwest s, ITC Great Plains and the TransCo Subs assets are or will be located is subject to easements, mineral

rights and other similar encumbrances. As a result, they must comply with the provisions of various easements, mineral rights and other similar encumbrances, which may adversely impact their ability to complete their construction projects in a timely manner.

ITC s regulated operating subsidiaries contract, and the TransCo Subs will contract, with third parties to provide services for certain aspects of their businesses. If any of these agreements are terminated, ITC s regulated operating subsidiaries and the TransCo Subs may face a shortage of labor or replacement contractors to provide the services formerly provided by these third parties.

ITC s regulated operating subsidiaries enter into, and the TransCo Subs will enter into, various agreements and arrangements with third parties to provide services for the operation of certain aspects of their businesses, which, if terminated could result in a shortage of a readily available workforce to provide these services. ITC Midwest and IP&L have entered into the Operations Services Agreement for 34.5 kV Transmission Facilities (the OSA), under which IP&L performs certain operations functions for ITC Midwest s 34.5 kV transmission system. The OSA s term is from January 1, 2011 until December 31, 2015, and by its terms will remain in full force and effect from year to year thereafter until terminated by either party upon not less than one year s prior written notice to the other party. If the OSA is terminated for any reason or at a time when ITC Midwest is unprepared for such termination, ITC Midwest may face difficulty finding a qualified replacement work force to provide such services, which could have a material adverse effect on its ability to carry on its business and on its results of operations.

The TransCo Subs and certain affiliates of Entergy will enter into two transition services agreements at the time of the merger. Under the transition services agreements, each party will provide the other party, on a cost basis, with specified services for a limited time following the completion of the merger, including the following: field support services, engineering support services, site access services and corporate support services. The initial term of each transition services agreement will be for a period of one year, unless earlier terminated pursuant to its terms. Each of the service recipients will have the option of extending the services two times for a period of up to six months (maximum one year extension). If either of these agreements were terminated or failed to be renewed for any reason at any time when the TransCo Subs are unprepared for such termination, the TransCo Subs may face difficulty finding a qualified replacement workforce to provide such services.

Hazards associated with high-voltage electricity transmission may result in suspension of ITC s regulated operating subsidiaries or the TransCo Subs operations or the imposition of civil or criminal penalties.

The operations of ITC s regulated operating subsidiaries are, and the TransCo Subs will be, subject to the usual hazards associated with high-voltage electricity transmission, including explosions, fires, inclement weather (including hurricanes and other storms), natural disasters, mechanical failure, unscheduled downtime, equipment interruptions, remediation, chemical spills, discharges or releases of toxic or hazardous substances or gases and other environmental risks. The hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of operations and the imposition of civil or criminal penalties. ITC s regulated operating subsidiaries maintain, and it is expected that the TransCo Subs will maintain, property and casualty insurance, but are not fully insured against all potential hazards incident to their business, such as damage to poles, towers and lines or losses caused by outages.

ITC s regulated operating subsidiaries are, and the TransCo Subs will be, subject to environmental regulations and to laws that can give rise to substantial liabilities from environmental contamination.

The operations of ITC s regulated operating subsidiaries are, and the TransCo Subs will be, subject to federal, state and local environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the management, treatment, storage, transportation and disposal of hazardous materials and of solid and hazardous wastes, and impose obligations to investigate and

remediate contamination in certain circumstances. Liabilities to investigate or remediate contamination, as well as other liabilities concerning hazardous materials or contamination such as claims for personal injury or property damage, may arise at many locations, including formerly owned or operated properties and sites where wastes have been treated or disposed of, as well as at properties currently owned or operated by ITC s regulated operating subsidiaries or to be owned or operated by the TransCo Subs. Such liabilities may arise even where the contamination does not result from noncompliance with applicable environmental laws. Under a number of environmental laws, such liabilities may also be joint and several, meaning that a party can be held responsible for more than its share of the liability involved, or even the entire share. Environmental requirements generally have become more stringent in recent years, and compliance with those requirements more expensive.

ITC s regulated operating subsidiaries have incurred expenses in connection with environmental compliance, and ITC anticipates that each such entity and the TransCo Subs will continue to do so in the future. Failure to comply with the extensive environmental laws and regulations applicable to each could result in significant civil or criminal penalties and remediation costs. ITC s regulated operating subsidiaries and the TransCo Subs assets and operations also involve the use of materials classified as hazardous, toxic, or otherwise dangerous. Some of ITC s regulated operating subsidiaries and TransCo Subs facilities and properties are located near environmentally sensitive areas such as wetlands and habitats of endangered or threatened species. In addition, certain properties in which ITC s regulated operating subsidiaries operate and the TransCo Subs will operate are, are suspected of being, or may be affected by environmental contamination. Compliance with these laws and regulations, and liabilities concerning contamination or hazardous materials, may adversely affect the combined company s costs and, therefore, its business, financial condition and results of operations.

In addition, claims have been made or threatened against electric utilities for bodily injury, disease or other damages allegedly related to exposure to electromagnetic fields associated with electric transmission and distribution lines. ITC cannot assure you that such claims will not be asserted against the combined company or that, if determined in a manner adverse to its interests, such claims would not have a material adverse effect on the combined company s business, financial condition and results of operations.

ITC s regulated operating subsidiaries are, and the TransCo Subs will be, subject to various regulatory requirements, including reliability standards; contract filing requirements; reporting, recordkeeping and accounting requirements; and transaction approval requirements. Violations of these requirements, whether intentional or unintentional, may result in penalties that, under some circumstances, could have a material adverse effect on the combined company s financial condition, results of operations and cash flows.

The various regulatory requirements to which ITC s regulated operating subsidiaries are, and the TransCo Subs will be, subject include reliability standards established by the NERC, which acts as the nation s Electric Reliability Organization approved by the FERC in accordance with Section 215 of the FPA. These standards address operation, planning and security of the bulk power system, including requirements with respect to real-time transmission operations, emergency operations, vegetation management, critical infrastructure protection and personnel training. Failure to comply with these requirements can result in monetary penalties as well as non-monetary sanctions. Monetary penalties vary based on an assigned risk factor for each potential violation, the severity of the violation and various other circumstances, such as whether the violation was intentional or concealed, whether there are repeated violations, the degree of the violator s cooperation in investigating and remediating the violation and the presence of a compliance program. Penalty amounts range from $1,000 to a maximum of $1.0 million per day, depending on the severity of the violation. Non-monetary sanctions include potential limitations on the violator s activities or operation and placing the violator on a watchlist for major violators. Despite best efforts to comply and the implementation of a compliance program intended to ensure reliability, there can be no assurance that violations will not occur that would result in material penalties or sanctions. If any of ITC s regulated operating subsidiaries or TransCo Subs were to violate the NERC reliability standards, even unintentionally, in any material way, any penalties or sanctions imposed against us could have a material adverse effect on the combined company s financial condition, results of operations and cash flows.

ITC s regulated operating subsidiaries are, and the TransCo Subs will be, subject to requirements under Sections 203 and 205 of the FPA for approval of transactions; reporting, recordkeeping and accounting requirements; and for filing contracts related to the provision of jurisdictional services. Under FERC policy, failure to file jurisdictional agreements on a timely basis may result in foregoing the time value of revenues collected under the agreement, but not to the point where a loss would be incurred. The failure to obtain timely approval of transactions subject to FPA Section 203, or to comply with applicable reporting, recordkeeping or accounting requirements under FPA Section 205, could subject us to penalties that could have a material adverse effect on the combined company s financial condition, results of operations and cash flows.

Acts of war, terrorist attacks and threats, including cyber attacks or threats, or the escalation of military activity in response to such attacks or otherwise may negatively affect the combined company s business, financial condition and cash flows.

Acts of war, terrorist attacks and threats, including cyber attacks or threats, or the escalation of military activity in response to such attacks or otherwise may negatively affect the combined company s business, financial condition and cash flows in unpredictable ways, such as increased security measures and disruptions of markets. Strategic targets, such as energy related assets, including, for example, ITC s regulated operating subsidiaries and the TransCo Subs transmission facilities and Detroit Edison s, Consumers Energy s, IP&L s and Entergy s Utility Operating Companies generation and distribution facilities, may be at risk of future terrorist attacks or threats, including cyber attacks or threats. In addition to the increased costs associated with heightened security requirements, such events may have an adverse effect on the economy in general. A lower level of economic activity could result in a decline in energy consumption, which may adversely affect the combined company s business, financial condition and cash flows.

The pro forma financial statements included in this proxy statement/prospectus are presented for illustrative purposes only and may not be an indication of our financial condition or results of operations following the transactions.

The pro forma financial statements included in this proxy statement/prospectus are presented for illustrative purposes only, are based on various adjustments, assumptions and preliminary estimates, and may not be an indication of our financial condition or results of operations following the merger for several reasons. See Unaudited Pro Forma Condensed Combined Consolidated Financial Statements. ITC s actual financial condition and results of operations following the merger may not be consistent with, or evident from, these pro forma financial statements. In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect our financial condition or results of operations following the merger. Any potential decline in our financial condition or results of operations may cause significant variations in ITC s stock price.

ITC is highly leveraged and will assume and incur substantial additional leverage in connection with the merger, which may have an adverse effect on ITC s business and the value of ITC common stock.

ITC is highly leveraged and its consolidated indebtedness currently consists of various outstanding debt securities and borrowings under various credit agreements. In addition, in connection with the merger, it is expected that $1.775 billion of debt will remain with TransCo and its subsidiaries and ITC will incur approximately $740 million of additional debt in support of the recapitalization it is expected to undertake in connection with the merger and to pay transaction-related costs. After giving effect to the merger and the incurrence of debt related thereto, ITC would have had total outstanding consolidated debt on its balance sheet of approximately $5.6 billion as of September 30, 2012. This substantial indebtedness can have several important consequences, including, but not limited to, the following:

If future cash flows are insufficient, ITC may not be able to make principal or interest payments on its debt obligations, which could result in the occurrence of an event of default under one or more of those debt instruments.

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If future cash flows are insufficient, ITC may need to incur further indebtedness in order to make the capital expenditures and other expenses or investments planned by it.

ITC s indebtedness has the general effect of reducing its flexibility to react to changing business and economic conditions insofar as they affect ITC s financial condition and, therefore, may pose substantial risk to ITC shareholders. A substantial portion of the dividends and payments in lieu of taxes ITC receives from its regulated operating subsidiaries will be dedicated to the payment of interest on its indebtedness, thereby reducing the funds available for working capital, capital expenditures and the payment of dividends on its common stock.

In the event that ITC is liquidated, its senior or subordinated creditors and the senior or subordinated creditors of its subsidiaries will be entitled to payment in full prior to any distributions to the holders of shares of its common stock.

ITC currently has debt instruments outstanding with relatively short remaining maturities and will be assuming and incurring substantial debt in connection with the merger. ITC s ability to secure additional financing prior to or after existing facilities mature, if needed, and in connection with the merger may be substantially restricted by the existing level of ITC s indebtedness and the restrictions contained in ITC s debt instruments. Additionally, the interest rates at which ITC might secure these financings may be higher than its currently outstanding debt instruments or higher than forecasted at any point in time, which could adversely affect its business, financial condition, cash flows and results of operations.

Market conditions could affect ITC s access to the capital markets, restrict its ability to secure financing to make the capital expenditures and other expenses or investments planned by it, including in connection with the merger, and could adversely affect its business, financial condition, cash flows and results of operations.

ITC s substantial indebtedness could place it at a competitive disadvantage and make it more vulnerable to general adverse economic conditions.

ITC may incur substantial indebtedness in the future. The incurrence of additional indebtedness would increase the leverage-related risks described above.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus (including information included or incorporated by reference herein) contains certain statements that describe ITC s management s beliefs concerning future business conditions and prospects, growth opportunities, the outlook for ITC s business and the electric transmission industry and the transactions described in this proxy statement/prospectus based upon information currently available. Such statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Wherever possible, ITC has identified these forward-looking statements by words such as will, may, anticipates, believes, intends, estimates, expects, proj similar phrases. Forward-looking statements included or incorporated by reference in this proxy statement/prospectus include, but are not limited to, statements set forth under Management s Discussion and Analysis of Financial Condition and Results of Operations in ITC s Annual Report on Form 10-K, as amended by the Annual Report on Form 10-K/A, for the year ended December 31, 2011 and in ITC s Quarterly Report on Form 10-Q for the quarters ended March 31, 2012, June 30, 2012 and September 30, 2012 (which are incorporated herein by reference) and any risks set forth in ITC s other filings with the SEC that are incorporated herein by reference. These forward-looking statements are based upon assumptions ITC s management believes are reasonable. Such forward-looking statements are subject to risks and uncertainties which could cause ITC s actual results, performance and achievements to differ materially from those expressed in, or implied by, these statements, including, among other things:

Certain elements of ITC s regulated operating subsidiaries cost recovery through rates can be challenged, which could result in lowered rates and/or refunds of amounts previously collected and thus have an adverse effect on ITC s business, financial condition, results of operations and cash flows;

ITC s regulated operating subsidiaries actual capital expenditures may be lower than planned, which would decrease expected rate base and therefore expected revenues and earnings. In addition, ITC expects to invest in strategic development opportunities to improve the efficiency and reliability of its transmission grid, but ITC cannot assure you that ITC will be able to initiate or complete any of these investments;

The regulations to which ITC is subject may limit ITC s ability to raise capital and/or pursue acquisitions, development opportunities or other transactions or may subject ITC to liabilities;

Changes in federal energy laws, regulations or policies could impact cash flows and could reduce the dividends ITC may be able to pay its shareholders;

If the amounts billed for transmission service for ITC s regulated operating subsidiaries transmission systems are lower than expected, the timing of collection of revenues would be delayed;

Each of ITC s regulated operating subsidiaries depends on its primary customer for a substantial portion of its revenues, and any material failure by those primary customers to make payments for transmission services would adversely affect ITC s revenues and ITC s ability to service its debt obligations and affect ITC s ability to pay dividends;

A significant amount of the land on which ITC s regulated operating subsidiaries assets are located is subject to easements, mineral rights and other similar encumbrances. As a result, ITC s regulated operating subsidiaries must comply with the provisions of various easements, mineral rights and other similar encumbrances, which may adversely impact their ability to complete construction projects in a timely manner;

ITC s regulated operating subsidiaries contract with third parties to provide services for certain aspects of their businesses. If any of these agreements are terminated, ITC s regulated operating subsidiaries may face a shortage of labor or replacement contractors to

provide the services formerly provided by these third parties;

Hazards associated with high-voltage electricity transmission may result in suspension of ITC s regulated operating subsidiaries operations or the imposition of civil or criminal penalties;

ITC s regulated operating subsidiaries are subject to environmental regulations and to laws that can give rise to substantial liabilities from environmental contamination;

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ITC s regulated operating subsidiaries are subject to various regulatory requirements, including reliability standards; contract filing requirements; reporting, record keeping and accounting requirements; and transaction approval requirements. Violations of these requirements, whether intentional or unintentional, may result in penalties that, under some circumstances, could have a material adverse effect on ITC s financial condition, results of operations and cash flows;

Acts of war, terrorist attacks and threats, including cyber attacks or threats, or the escalation of military activity in response to such attacks or otherwise may negatively affect ITC s business, financial condition and cash flows;

ITC is a holding company with no operations, and unless it receives dividends or other payments from its subsidiaries, it may be unable to pay dividends and fulfill its other cash obligations;

ITC is highly leveraged and ITC s dependence on debt may limit its ability to fulfill its debt obligations and/or to obtain additional financing;

Certain provisions in ITC s debt instruments limit ITC s financial flexibility;

Adverse changes in ITC s credit ratings may negatively affect ITC;

Provisions in ITC s articles of incorporation and bylaws, Michigan corporate law and ITC s debt agreements may impede efforts by ITC shareholders to change the direction or management of ITC;

Provisions in ITC s articles of incorporation restrict market participants from voting or owning 5% or more of the outstanding shares of ITC capital stock;

ITC may be unable to satisfy the conditions or obtain the approvals required to complete the merger or such approvals may contain material restrictions or conditions;

If completed, the merger may not be successful or achieve its anticipated benefits;

The merger agreement contains provisions that may discourage other companies from trying to acquire ITC;

Failure to complete the merger could adversely affect the market price of ITC common stock as well as ITC s business, financial condition and results of operations;

Investors holding shares of ITC common stock immediately prior to the completion of the merger will, in the aggregate, have a significantly reduced ownership and voting interest in ITC after the merger and will exercise less influence over ITC s management;

ITC is required to abide by potentially significant restrictions which could limit ITC s ability to undertake certain corporate actions (such as the issuance of ITC common stock or the undertaking of a merger or consolidation) that otherwise could be advantageous; and

Other risk factors discussed herein and listed from time to time in ITC s public filings with the SEC.
In addition, other factors besides those listed here could adversely affect ITC s business and results of operations.

Because ITC s forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond ITC s control or are subject to change, actual results could be materially different and any or all of ITC s forward-looking statements may turn out to be wrong. Forward-looking statements speak only as of the date made and can be affected by assumptions ITC might make or by known or unknown risks and uncertainties. Many factors mentioned in this proxy statement/prospectus and in ITC s annual and quarterly reports will be important in determining future results. Consequently, ITC cannot assure you that ITC s expectations or forecasts expressed in such forward-looking statements will be achieved. Actual future results may vary materially. Except as required by law, ITC undertakes no obligation to publicly update any of ITC s forward-looking or other statements, whether as a result of new information, future events, or otherwise.

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THE SPECIAL MEETING OF ITC SHAREHOLDERS

This proxy statement/prospectus is furnished in connection with the solicitation of proxies by the ITC board of directors for use at the special meeting of ITC s shareholders and any adjournments or postponements of the special meeting. When this proxy statement/prospectus refers to the special meeting, it is also referring to any adjournments or postponements of the special meeting. ITC intends to begin mailing this proxy statement/prospectus, the attached Notice of Special Meeting of Shareholders and the accompanying proxy card on or about February 28, 2013.

Date, Time and Place of the Special Meeting

The special meeting of ITC s shareholders will be held on April 16, 2013, at 9:00 a.m., local time, at ITC s corporate headquarters located at 27175 Energy Way, Novi, Michigan 48377.

Purpose of the Special Meeting

At the special meeting, ITC shareholders will be asked:

1. To consider and vote upon a proposal to approve the merger agreement.

2. To consider and vote upon a proposal to amend the amended and restated articles of incorporation of ITC to increase the number of authorized shares of ITC common stock from 100,000,000 to 300,000,000.

3. To consider and vote upon a proposal to approve the issuance of ITC common stock pursuant to the merger agreement. ITC currently expects, based on the number of outstanding shares of ITC common stock as of February 22, 2013 and assuming the ITC recapitalization takes the form of a one-time special dividend, that ITC will issue to Entergy shareholders approximately 52,953,261 shares of ITC common stock as a result of the transactions.

4. To consider and vote upon a proposal to approve, by non-binding advisory vote, certain compensation arrangements for ITC s named executive officers in connection with the merger contemplated by the merger agreement.

5. To consider and vote upon a proposal to adjourn the special meeting if necessary or appropriate to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve proposals (1), (2) and (3).

APPROVAL OF EACH OF THE PROPOSALS SET FORTH IN ITEMS 1, 2 AND 3 ABOVE IS REQUIRED FOR COMPLETION OF THE MERGER.

THE ITC BOARD OF DIRECTORS HAS APPROVED THE MERGER AGREEMENT, THE MERGER AND THE OTHER TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT AND RECOMMENDS THAT ITC SHAREHOLDERS VOTE FOR EACH PROPOSAL. SHAREHOLDER APPROVAL OF EACH MERGER PROPOSAL IS NECESSARY TO EFFECT THE MERGER. THE APPROVAL OF EACH MERGER PROPOSAL IS CONDITIONED UPON THE APPROVAL OF EACH OF THE OTHER MERGER PROPOSALS.

Record Date and Outstanding Shares

The ITC board of directors has fixed the close of business on February 26, 2013 (the record date) as the record date for the special meeting. Accordingly, only ITC shareholders of record on the record date are entitled to notice of and to vote at the special meeting or at any adjournment of the special meeting.

As of the close of business on the record date, there were approximately 52,272,984 shares of ITC common stock outstanding and entitled to vote at the special meeting.

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A list of ITC shareholders as of the record date will be available for review during the special meeting to any shareholder present at the special meeting.

Record holders of ITC common stock on the record date may vote their shares of ITC common stock in person at the special meeting or by proxy as described below under Voting by Proxy or in Person.

Quorum

The required quorum for the special meeting is a majority of the shares outstanding and entitled to vote as of the record date. There must be a quorum present for the meeting to be held. All shares represented at the special meeting in person or by proxy (including those voted by telephone or the Internet) will be counted toward the quorum.

Required Vote

Merger Agreement Proposal. The affirmative vote of a majority of the outstanding shares of ITC common stock entitled to vote at the special meeting is required to approve the merger agreement.

Amendment of Articles of Incorporation Proposal. The affirmative vote of a majority of the outstanding shares of ITC common stock entitled to vote at the special meeting is required to approve the proposal to amend the amended and restated articles of incorporation of ITC to increase the number of authorized shares of ITC common stock.

Stock Issuance Proposal. The affirmative vote of a majority of the votes cast, in person or by proxy, at the special meeting by holders of shares of ITC common stock is required to approve the proposal to issue shares of ITC common stock pursuant to the merger agreement.

Merger-Related Executive Compensation Proposal. In accordance with Section 14A of the Exchange Act, ITC is providing its shareholders with the opportunity to approve, by non-binding, advisory vote, certain compensation payments for ITC s named executive officers in connection with the merger, as reported in the section of this proxy statement/prospectus entitled Advisory Vote on Merger-Related Compensation for ITC s Named Executive Officers. The affirmative vote of a majority of the votes cast, in person or by proxy, at the special meeting by holders of shares of ITC common stock is required to approve this merger-related executive compensation proposal.

Adjournment Proposal. The affirmative vote of a majority of the votes cast, in person or by proxy, at the special meeting by holders of shares of ITC common stock is required to approve the proposal to permit adjournment of the special meeting.

The approval of each of the merger proposals (which are the proposal to approve the merger agreement, the amendment of articles of incorporation proposal and the stock issuance proposal) is conditioned upon the approval of each of the other merger proposals, and the merger will not occur unless all of the merger proposals are approved.

Because the required vote for the approval of the merger agreement and the amendment of articles of incorporation proposal is based on the number of outstanding shares of ITC common stock entitled to vote at the special meeting, rather than on the number of shares actually voted, the failure by the holder of any such shares to submit a proxy by mail, by telephone or over the Internet or to vote in person at the special meeting, including abstentions and broker non-votes, will have the same effect as a vote against such proposals. However, failure by the holder of such shares to respond with a vote or to instruct his or her broker or other nominee how to vote on the stock issuance proposal, merger-related executive compensation proposal and the adjournment proposal will have no effect on such proposals, assuming a quorum is present at the special meeting.

No vote of Entergy shareholders is required or being sought in connection with either the spin-off or the split-off exchange offer, the merger or the other transactions described in this proxy statement/prospectus.

Voting by Proxy or in Person

Giving a proxy means that an ITC shareholder authorizes the persons named in the enclosed proxy card to vote his or her shares at the special meeting in the manner such shareholder directs. An ITC shareholder may cause his or her shares to be voted by granting a proxy or by voting in person at the meeting. Follow the instructions on the enclosed proxy card to vote on the matters to be considered at the special meeting.

ITC shareholders may vote their shares as follows:

(1) ***Telephone,*** using the toll-free number 1-800-652-VOTE (8683), which is also listed on each proxy card. Please follow the instructions on your proxy card. If you vote using the telephone, do not mail in your proxy card.

(2) ***Internet,*** go to the voting site at www.investorvote.com and follow the instructions outlined on the secured website using certain information provided on the front of the proxy card. If you vote using the Internet, do not mail in your proxy card.

(3) ***Signing, dating and mailing*** the proxy card and returning it in the envelope provided.

(4) ***Attending the special meeting*** and voting in person if you are a shareholder of record or if you are a beneficial owner and have a legal proxy from the shareholder of record.

Submitting a proxy by Internet or by telephone provides the same authority to vote shares as if the shareholder had returned his or her proxy card by mail.

Each properly signed proxy received prior to the special meeting and not revoked before the vote at the special meeting will be voted at the special meeting according to the instructions indicated on the proxy or, **if no instructions are given on a properly signed proxy, the shares represented by such proxy will be voted FOR the merger proposal, FOR the amendment to the articles of incorporation proposal, FOR the stock issuance proposal, FOR the merger-related executive compensation proposal and FOR the proposal to adjourn the special meeting if necessary or appropriate to permit further solicitation of proxies for the approval of the merger proposals, if such a proposal is submitted to a vote of shareholders**.

ITC requests that ITC shareholders complete and sign the accompanying proxy card and return it to ITC in the enclosed postage-paid envelope or submit the proxy by telephone or the Internet as soon as possible.

If an ITC shareholder s shares are held in street name by a broker or other nominee, such shareholder must obtain a vote instruction form from the institution that holds such shares and follow the voting instructions given by that institution.

If an ITC shareholder plans to attend the special meeting and wishes to vote in person, such shareholder will be given a ballot at the special meeting. If an ITC shareholder s shares are held in street name (through a bank, broker or other nominee), such shareholder must obtain a proxy from the record holder to vote such shares in person at the special meeting. Whether or not an ITC shareholder plans to attend the special meeting, ITC requests that each ITC shareholder complete, sign, date and return the enclosed proxy card as soon as possible in the enclosed postage-paid envelope, or submit a proxy through the Internet or by telephone as described in the instructions accompanying this proxy statement/prospectus. This will not prevent any ITC shareholder from voting in person at the special meeting but will assure that the shareholder s vote is counted if such shareholder is unable to attend the special meeting.

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Revocability of Proxies and Changes to an ITC Shareholder s Vote

ITC shareholders may revoke their proxies and change their votes at any time prior to the time their shares are voted at the special meeting. An ITC shareholder can revoke his or her proxy or change his or her vote by:

(1) notifying ITC s Corporate Secretary in writing (at ITC s address set forth in this proxy statement/prospectus);

(2) voting again by telephone or Internet (prior to April 16, 2013 at 1:00 a.m. Eastern Daylight Time), since only the latest vote will be counted;

(3) signing and returning, prior to the special meeting, another proxy card that is dated after the date of the first proxy card; or

(4) voting in person at the special meeting (if such shareholder is a shareholder of record or has a legal proxy from a shareholder of record).

Attendance at the special meeting will not, by itself, revoke your proxy or change your vote. If your shares are held in street name, you must contact your broker or nominee to revoke your proxy.

Abstentions and Broker Non-Votes

Abstentions will have the effect of a vote against the merger proposal and the amendment to the articles of incorporation proposal. Under the rules applicable to broker-dealers, brokers, banks and other nominee record holders holding shares in street name have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, brokers, banks and other nominee record holders are precluded from exercising their voting discretion with respect to the approval of non-routine matters such as the merger proposals and the merger-related executive compensation proposal set forth in this proxy statement/prospectus. As a result, absent specific instructions from the beneficial owner, brokers, banks and other nominee record holders are not empowered to vote those street name shares in connection with the merger proposals.

Since the vote required for each of the merger proposal and the amendment to the articles of incorporation proposal is based on a percentage of the ITC shares of common stock outstanding, abstentions and broker non-votes will have the same effect as a vote against these proposals. However, abstentions and broker non-votes will have no effect on the outcome of the vote for the stock issuance proposal, the merger-related executive compensation proposal and the adjournment proposal because the vote required for approval of each of these proposals is based on the number of shares actually voted, whether in person or by proxy.

All beneficial owners of ITC common stock are urged to submit their proxy to indicate their votes or to contact the record holder of their shares to determine how to vote.

Solicitation of Proxies

This proxy statement/prospectus is being furnished in connection with the solicitation of proxies by the ITC board of directors. All costs of soliciting proxies, including reimbursement of fees of certain brokers, fiduciaries and nominees in obtaining voting instructions from beneficial owners and the preparation, assembly, printing and mailing of this proxy statement/prospectus and any additional materials furnished to ITC shareholders, will be borne by ITC, other than fees and expense of printers, which shall be shared equally by ITC and Entergy.

In addition, ITC has retained Georgeson Inc. to assist in the solicitation of proxies for a fee of approximately $20,000, plus reimbursement of expenses.

Proxies may be solicited by mail, telephone, facsimile and other forms of electronic transmission and may also be solicited by directors, officers and other employees of ITC without additional compensation. Copies of solicitation materials will be furnished to banks, brokerage houses and other agents holding shares in their names

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that are beneficially owned by others so that they may forward this solicitation material to these beneficial owners. In addition, if asked, ITC will reimburse these persons for their reasonable expenses in forwarding the solicitation material to the beneficial owners. ITC has requested banks, brokerage houses and other custodians, nominees and fiduciaries to forward all solicitation materials to the beneficial owners of the shares they hold of record.

Certain Ownership of ITC Common Stock

As of February 22, 2013, ITC s executive officers and directors beneficially owned 1,571,571 shares of ITC common stock, representing approximately 3.01% of the shares outstanding as of such date.

ITC currently expects that each of its directors and executive officers will vote their shares of ITC common stock **FOR** the merger proposal, **FOR** the amendment to the articles of incorporation proposal, **FOR** the stock issuance proposal, **FOR** the merger-related executive compensation proposal and **FOR** the adjournment proposal, although none of them has entered into an agreement requiring them to do so.

Other Matters

As of the date of this proxy statement/prospectus, the ITC board of directors knows of no other matters that will be presented for consideration at the special meeting other than as described in this proxy statement/prospectus.

This proxy statement/prospectus and the proxy card are first being sent to ITC shareholders on or about February 28, 2013.

The matters to be considered at the special meeting are of great importance to ITC shareholders. Accordingly, ITC shareholders are urged to read and carefully consider the information presented in this proxy statement/prospectus and the attachments hereto, and to complete, date, sign and promptly return the enclosed proxy in the enclosed postage-paid envelope.

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INFORMATION ON ITC

Description of ITC

ITC Holdings Corp. is incorporated under the laws of the state of Michigan. ITC s principal executive offices are located at 27175 Energy Way, Novi, Michigan 48377, and ITC s telephone number at that address is (248) 946-3000. ITC s website is located at www.itc-holdings.com. The information on ITC s website is not incorporated by reference into this proxy statement/prospectus nor should it otherwise be considered part of this proxy statement/prospectus.

ITC and its subsidiaries are engaged in the transmission of electricity in the United States. ITC s existing operating subsidiaries include International Transmission Company (ITCTransmission), Michigan Electric Transmission Company, LLC (METC), ITC Midwest LLC (ITC Midwest) and ITC Great Plains, LLC (ITC Great Plains). ITCTransmission, METC, ITC Midwest and ITC Great Plains are collectively referred to as ITC s regulated operating subsidiaries. Through ITC s regulated operating subsidiaries, ITC operates high-voltage systems in Michigan s Lower Peninsula and portions of Iowa, Minnesota, Illinois, Missouri, Oklahoma and Kansas that transmit electricity from generating stations to local distribution facilities connected to ITC s systems. ITC s business strategy is to operate, maintain and invest in transmission infrastructure in order to enhance system integrity and reliability, to reduce transmission constraints and to allow new generating resources to interconnect to ITC s transmission systems. ITC also is pursuing development projects not within ITC s existing systems, which are intended to improve overall grid reliability, lower electricity congestion and facilitate interconnections of new generating resources, as well as to enhance competitive wholesale electricity markets.

ITC s regulated operating subsidiaries are independent electric transmission utilities, with rates regulated by the FERC and established on a cost-of-service model. ITCTransmission s service area is located in southeastern Michigan and METC s service area covers approximately two-thirds of Michigan s Lower Peninsula and is contiguous with ITCTransmission s service area. ITC Midwest s service area is located in portions of Iowa, Minnesota, Illinois and Missouri and ITC Great Plains currently owns assets located in Kansas and Oklahoma. The Midwest Independent Transmission System Operator, Inc. (MISO) bills and collects revenues from ITCTransmission, METC, and ITC Midwest customers. The Southwest Power Pool, Inc. (SPP) bills and collects revenue from ITC Great Plains customers.

ITC s regulated operating subsidiaries primary operating responsibilities include maintaining, improving and expanding their transmission systems to meet their customers ongoing needs, scheduling outages on system elements to allow for maintenance and construction, maintaining appropriate system voltages and monitoring flows over transmission lines and other facilities to ensure physical limits are not exceeded. As transmission-only companies, ITC s regulated operating subsidiaries function as conduits, allowing for power from generators to be transmitted to local distribution systems either entirely through their own systems or in conjunction with neighboring transmission systems. Third parties then transmit power through these local distribution systems to end-use consumers. The transmission of electricity by ITC s regulated operating subsidiaries is a central function to the provision of electricity to residential, commercial and industrial end-use consumers.

ITC s regulated operating subsidiaries derive nearly all of their revenues from providing network transmission service, point-to-point transmission service and other related services over ITC s regulated operating subsidiaries transmission systems to investor owned utilities, such as The Detroit Edison Company (Detroit Edison), Consumers Energy and Interstate Power and Light Company (IP&L) and to other entities such as alternative electricity suppliers, power marketers and electric cooperatives that provide electricity to end-use consumers and from transaction-based capacity reservations on ITC s transmission systems.

ITC s regulated operating subsidiaries assets include transmission systems and related assets, that interconnect ITC s regulated operating subsidiaries transmission facilities or connect ITC s regulated operating subsidiaries facilities with third party generation and distribution facilities.

For a description of ITC s business, financial condition, results of operations and other important information, see ITC s filings with the SEC incorporated by reference herein. For instructions on how to find copies of those and ITC s other filings incorporated by reference herein, see the section entitled Where You Can Find More Information; Incorporation By Reference.

Directors and Executive Officers of ITC Before and After the Merger

Board of Directors

The directors of ITC immediately prior to the closing of the merger are expected to be the directors of ITC immediately following the closing of the merger, except that at the effective time of the merger, ITC has agreed that there will be at least two vacancies on the ITC board of directors (either through resignations of existing directors, by increasing the size of the board or a combination thereof) pursuant to the merger agreement, which vacancies will be filled immediately after the effective time of the merger with two independent directors nominated by ITC s nominating/corporate governance committee (after engaging an executive search firm to assist the nominating/corporate governance committee in identifying two candidates to fill such vacancies), as further described under the heading The Transactions Board of Directors and Management of ITC Following the Merger.

Listed below is the biographical information for each person who is currently a member of the ITC board of directors.

Christopher H. Franklin, 47. Mr. Franklin became a director of ITC in August 2011. Mr. Franklin currently serves as President and Chief Operating Officer, Regulated Operations at Aqua America, Inc., a water and wastewater utility holding company, a position he has held since December 2011. Prior to this appointment, Mr. Franklin served as Regional President, Midwest and Southern Operations and Senior Vice President of Corporate and Public Affairs from 2010 to 2011 and Regional President, Southern Operations and Senior Vice President of Customer Operations & Public Affairs from 2007 to 2010 and has served in a variety of other operations, customer service and public affairs positions since joining Aqua America, Inc. in 1993. Prior to joining Aqua America, Inc., Mr. Franklin served as Regional Civic and Economic Development Officer for Peco Energy (Exelon) from 1990 to 1992. He began his career in 1987 as Congressional Aide to U.S. Congressman Richard Schulze. Mr. Franklin currently sits on the Board of the Magee Rehabilitation Hospital and the Walnut Street Theatre. He also has served as a director on the Southeastern Pennsylvania Transportation Authority. The ITC board of directors selected Mr. Franklin to serve as a director due to his significant experience in the utility industry, as well as his knowledge of public policy matters.

Edward G. Jepsen, 69. Mr. Jepsen became a director of ITC in July 2005. Since December 2010, Mr. Jepsen has served as the Chairman and CEO of Coburn Technologies, Inc., a privately held manufacturer and servicer of ophthalmic lens processing equipment. Mr. Jepsen currently serves as a director and is chair of the audit committee and a member of the compensation committee of the board of directors of Amphenol Corporation, a publicly traded manufacturer of electrical, electronic and fiber optic connectors, interconnect systems and cable. In the past five years, but not currently, Mr. Jepsen served as a director and chairman of the audit and finance committee and member of the compensation committee of Gerber Scientific, Inc. Mr. Jepsen served as Executive Vice President and Chief Financial Officer of Amphenol Corporation from 1989 to 2004. Prior to joining Amphenol Corporation, Mr. Jepsen worked at Price Waterhouse LLP from 1969 to 1988, ultimately attaining the position of partner. The ITC board of directors selected Mr. Jepsen to serve as a director because of the expansive financial and accounting experience he obtained as a chief financial officer and Certified Public Accountant. Mr. Jepsen is an audit committee financial expert as defined in applicable SEC and NYSE rules.

William J. Museler, 72. Mr. Museler is an independent energy consultant. He became a director of ITC in November 2006. Previously, he served as President and CEO of the New York Independent System Operator from 1999 to 2005. Prior to his service at NYISO, Mr. Museler held senior positions at the Tennessee Valley Authority from 1991 to 1999, Long Island Lighting Company from 1973 to 1991 and Brookhaven National

Laboratory from 1967 to 1973. He has served as a federal representative for the North American Electric Reliability Council and as chairman of the Southeastern Electric Reliability Council. He was a member of the Secretary of Energy s Energy Advisory Board from 2001 to 2005 and is currently a director of the Independent Electric System Operator in Toronto, Ontario, Canada. The ITC board of directors selected Mr. Museler to serve as a director due to his lifelong career in the utility industry, as well as his invaluable experience with electric reliability matters.

Hazel R. O Leary, 75. Ms. O Leary became a director of ITC in July 2007. Since 2004, Ms. O Leary has served as the President of Fisk University in Nashville, Tennessee and she currently serves on the boards of directors of the Nashville Alliance for Public Education, Nashville Business Community for the Arts, World Wildlife Fund, Arms Control Association and CAMAC Energy Inc. Ms. O Leary served as an Assistant Attorney General and Assistant Prosecutor in the state of New Jersey and was appointed to the Federal Energy Administration under President Gerald Ford and to the United States Department of Energy under President Jimmy Carter. Ms. O Leary worked in the private sector as a principal at the independent public accounting firm of Coopers and Lybrand from 1977 to 1979. In 1981 she was named Vice President and General Counsel of O Leary and Associates, a company focused on international economics as related to energy issues. She served in that capacity until 1989 and then returned as President from 1997 to 2001. In 1989, she became Executive Vice President for Environmental and Public Affairs for the Minnesota Northern States Power Company and in 1992 she was promoted to President of the holding company s gas distribution subsidiary. Ms. O Leary served as the United States Secretary of Energy from 1993 to 1997 and as President and Chief Operating Officer for the investment banking firm Blaylock and Partners in New York from 2000 to 2002. Ms. O Leary also served on the board of directors of UAL Corporation from 1999 to 2005. The ITC board of directors selected Ms. O Leary to serve as a director due to her unique combination of experience in government and in the utility industry.

M. Michael Rounds, 58. Mr. Rounds became a director of ITC in August 2011. Mr. Rounds is the President and Chief Executive Officer of Fischer, Rounds & Associates, an insurance and real estate business in South Dakota. Mr. Rounds has served in that position since April 2011. Previously, Mr. Rounds served as Governor of South Dakota from 2003 to 2011. While Governor, he served as Chairman of the Western Governors Association, Chairman of the Midwest Governors Association, Vice-Chair of the National Governors Association Economic Development and Commerce Committee, member of the Executive Committee of the National Governors Association, and National President of the Council of State Governments. Mr. Rounds also served as a South Dakota state senator from 1991 through 2000, serving as Senate Majority Leader from 1995 through 2000. Mr. Rounds is currently active in the Bipartisan Policy Council; Washington D.C., where he is a charter member of the Governors Council made up of former governors, and also serves as a leader of the Health Project at the Bipartisan Policy Center. The ITC board of directors selected Mr. Rounds to serve as a director due to his experience in government and familiarity with the Midwestern and Great Plains states in which ITC operates and conducts business.

Thomas G. Stephens, 64. Mr. Stephens became a director of ITC in November 2012. Mr. Stephens retired in April 2011 from General Motors Company, a designer, manufacturer and marketer of vehicles and automobile parts, after 43 years with the company. Prior to his retirement, Mr. Stephens served as Vice Chairman and Chief Technology Officer from February to April 2011, Vice Chairman, Global Product Operations from 2009 to 2011, Vice Chairman, Global Product Development in 2009, Executive Vice President, Global Powertrain and Global Quality from 2008 to 2009, Group Vice President, Global Powertrain and Global Quality from 2007 to 2008, Group Vice President, General Motors Powertrain from 2001 to 2007 and has served in a variety of other engineering and operations positions. Mr. Stephens currently sits on the Board of Directors for FIRST (For Inspiration and Recognition of Science and Technology) and is Chairman of the Board of the Michigan Science Center. The Board selected Mr. Stephens to serve as a director because of his strong technical and engineering background as well as his experience and proven leadership capabilities assisting a large organization to achieve its business objectives.

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G. Bennett Stewart, III, 60. * Mr. Stewart became a director of ITC in July 2006. In 1982, he co-founded Stern Stewart & Co., a global management consulting firm, where he served as Senior Partner until March 2006. Since then, Mr. Stewart has served as Chief Executive Officer of EVA Dimensions, a firm that offers corporate financial benchmark data, software tools for corporate financial intelligence, performance management, valuation modeling and executive decision support, and equity research services. Mr. Stewart has written and lectured widely in his 30 year professional career on topics such as accounting for value and management incentive plans. The ITC board of directors selected Mr. Stewart to serve as a director because of his vast experience with executive compensation valuation and his unique insight into corporate governance matters.

Lee C. Stewart, 64. * Mr. Stewart, an independent financial consultant, became a director of ITC in August 2005. Mr. Stewart currently serves as a director, chair of the nominating/corporate governance committee and member of the compensation and finance committees of P.H. Glatfelter Company and as a director, chair of the compensation committee and member of the audit committee of AEP Industries, Inc. Mr. Stewart also served as director, chair of the human resources and compensation committee and member of the audit committee of Marsulex, Inc. from 2000 to 2011. Previously, Mr. Stewart was Executive Vice President and Chief Financial Officer of Foamex International, Inc., a publicly traded manufacturer of flexible polyurethane and advanced polymer foam products, in 2001 and was Vice President responsible for all areas of Treasury at Union Carbide Corp., a chemicals and polymers company, from 1996 to 2001. Prior to that, Mr. Stewart was an investment banker for over 25 years. The ITC board of directors selected Mr. Stewart to serve as a director due to his extensive knowledge of finance and capital raising through his experience as a treasury officer and an investment banker, which are critical elements in the execution of ITC s business strategy. Mr. Stewart is also an audit committee financial expert as defined in applicable SEC and NYSE rules.

J.C. Watts, Jr., 55. Mr. Watts became a director of ITC in August 2011. Mr. Watts is Chairman and Founder of the J.C. Watts Companies, a multi-industry company headquartered in Washington, D.C. with operations in Texas and Oklahoma. Through J.C. Watts Companies, he has built a diverse business organization that includes Mustang Equipment, the first African-American owned John Deere dealership in America, J.C. Watts Holdings, a private investment firm, and Watts Partners, which provides consulting and advocacy services for government and public affairs. Mr. Watts has held this position since 2003. Mr. Watts served in the U.S. House of Representatives from 1995 through 2002 representing the 4th congressional district in central and southwest Oklahoma. He was elected chairman of the Republican Conference in the U.S. House of Representatives in 1998, served for eight years on the House Armed Services Committee, and authored legislation to create the House Select Committee on Homeland Security, on which he later served. Mr. Watts also served on the House Transportation and Infrastructure Committee and House Banking Committee. From 1987 through 1994, Mr. Watts served as youth minister at Sunnylane Baptist Church in Del City, Oklahoma, where he then became Associate Pastor. In 1990 he was elected to the Oklahoma State Corporation Commission and became chairman before running for Congress in 1994. Mr. Watts currently serves as director of Dillard s Departments Stores and CSX Corporation and also serves on the board of the Boys Scouts of America. The ITC board of directors selected Mr. Watts to serve as director due to his extensive understanding and knowledge of government and policy issues and his familiarity with the South Central states in which ITC operates and conducts business.

Joseph L. Welch, 64. Mr. Welch has been a director and the President and Chief Executive Officer of ITC since it began operations in 2003 and served as its Treasurer until April 2009. Mr. Welch has also served as Chairman of the ITC board of directors since May 2008. As the founder of ITCTransmission, Mr. Welch has had overall responsibility for ITC s vision, foundation and transformation into the first independently owned and operated electricity transmission company in the United States. Mr. Welch worked for Detroit Edison Company, or Detroit Edison, and subsidiaries of DTE Energy Company, from 1971 to 2003. During that time, he held positions of increasing responsibility in the electricity transmission, distribution, rates, load research, marketing and pricing areas, as well as regulatory affairs that included the development and implementation of regulatory strategies. The ITC board of directors selected Mr. Welch to serve as a director because he is ITC s President and Chief Executive Officer and he possesses unparalleled expertise in the electric transmission business.

* G. Bennett Stewart, III and Lee C. Stewart are not related.

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Executive Officers

The executive officers of ITC immediately prior to the closing of the merger are expected to be the executive officers of ITC immediately following the closing of the merger.

Listed below is the biographical information for each person who is currently an executive officer of ITC.

Joseph L. Welch. Mr. Welch s background is described above under the heading Directors and Executive Officers of ITC Before and After the Merger Board of Directors.

Cameron M. Bready. Mr. Bready has served as ITC s Chief Financial Officer since April 2009 and was Senior Vice President from April 2009 until being named Executive Vice President in January 2011 and also served as Treasurer from April 2009 until February 2012. Mr. Bready is responsible for ITC s accounting, finance, treasury, and other related financial functions as well as ITC s development efforts. Prior to joining ITC, Mr. Bready served for one and a half years as vice president of finance at Northeast Utilities in Hartford, Connecticut, where he was responsible for the financial assessment and structuring of the company s FERC regulated transmission and state regulated distribution infrastructure investments in the Northeast. He also oversaw financial policy matters, including cost of capital and capital structure requirements and dividend policy, as well as all corporate financial planning and analysis functions. Prior to this post, Mr. Bready served for seven and a half years in various senior management positions at Mirant Corporation, a publicly traded wholesale electricity generator based in Atlanta, Georgia, and prior to Mirant, he worked for six years as a senior manager in the Transaction Advisory practice at Ernst & Young and as an audit manager for Arthur Andersen. Mr. Bready serves as a member of the Board of Trustees of Oglethorpe University and the Board of Trustees of the Judson Center.

Linda H. Blair. Ms. Blair has served as Executive Vice President and Chief Business Officer of ITC since June 2007. Ms. Blair is responsible for managing each of ITC s regulated operating companies and the necessary business support functions, including regulatory strategy, federal and state legislative affairs, community government affairs, human resources, and marketing and communications. Prior to this appointment, Ms. Blair served as ITC s Senior Vice President Business Strategy and was responsible for managing regulatory affairs, policy development, internal and external communications, community affairs and human resource functions. Ms. Blair was Vice President Business Strategy from March 2003 until she was named Senior Vice President in February 2006. Prior to joining ITC, Ms. Blair was the Manager of Transmission Policy and Business Planning at ITCTransmission when it was a subsidiary of DTE Energy and supervised Detroit Edison s regulatory affairs department.

Jon E. Jipping. Jon E. Jipping has served as ITC s Executive Vice President and Chief Operating Officer since June 2007. In this position, Mr. Jipping is responsible for transmission system planning, system operations, engineering, supply chain, field construction and maintenance, and information technology and facilities. Prior to this appointment, Mr. Jipping served as ITC s Senior Vice President Engineering and was responsible for transmission system design, project engineering and asset management. Mr. Jipping joined ITC as Director of Engineering in March 2003, was appointed Vice President Engineering in 2005 and was named Senior Vice President in February 2006. Prior to joining ITC, Mr. Jipping was Manager of Business Systems & Applications in DTE Energy s Service Center Organization, responsible for implementation and management of business applications across the distribution business unit, and held various other positions in DTE Energy s Transmission Operations and Transmission Planning department.

Daniel J. Oginsky. Mr. Oginsky has served as ITC s Vice President and General Counsel since November 2004 and was named Senior Vice President and General Counsel in May 2009. In this position, Mr. Oginsky is responsible for the legal affairs of ITC and oversees the legal department, which includes the legal, corporate secretary, real estate, contract administration and corporate compliance functions. Mr. Oginsky also served as ITC s Secretary from November 2004 until June 2007. Prior to joining ITC, Mr. Oginsky was an attorney in private practice for five years with various firms, where his practice focused primarily on representing

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ITCTransmission and other energy clients on regulatory, administrative litigation, transactional, property tax and legislative matters. Mr. Oginsky currently serves as a member of the Providence Health Foundation Board of Trustees, and a member of the Board of Visitors for James Madison College at Michigan State University.

Compensation of ITC s Directors and Executive Officers

Information on the compensation of ITC s directors and officers is described on pages 17 through 46 of ITC s definitive proxy statement with respect to the 2012 annual meeting of shareholders, which ITC filed on Schedule 14A with the SEC on April 12, 2012, which information is incorporated into this document by reference. For more information regarding how to obtain a copy of such documents, see Where You Can Find More Information; Incorporation By Reference.

Certain Relationships and Related Party Transactions

Code of Business Conduct and Ethics

ITC has adopted a Code of Business Conduct and Ethics that applies to all of ITC s employees, executive officers and directors, including ITC s chief executive officer, chief financial officer and principal accounting officer. The Code of Business Conduct and Ethics, as currently in effect (together with any amendments that may be adopted from time to time), is available on ITC s website at www.itc-holdings.com through the Corporate Governance link on the Investors page. In the future, to the extent any waiver is granted or amendment is made with respect to the Code of Business Conduct and Ethics that requires disclosure under applicable SEC rules, ITC intends to post information regarding such waiver or amendment on the Corporate Governance page of its website.

Related Person Transactions

Pursuant to its charter, ITC s nominating/corporate governance committee is charged with monitoring and reviewing issues involving independence and potential conflicts of interest with respect to ITC s directors and executive officers. As required by applicable NYSE rules, ITC s nominating/corporate governance committee also determines whether or not a particular relationship serves the best interest of ITC and its shareholders and whether the relationship should be continued or eliminated. In addition, ITC s Code of Business Conduct and Ethics generally forbids conflicts of interest unless approved by the ITC board of directors or a designated committee.

Although ITC does not have a written policy with regard to the approval of transactions between ITC and its executive officers and directors, each director and officer must annually submit a form to ITC s General Counsel disclosing his or her conflicts or potential conflicts of interest or certifying that no such conflicts of interest exist. Throughout the year, if any transaction constituting a conflict of interest arises or circumstances otherwise change that would cause a director s or officer s annual conflict certification to become incorrect, such director or officer must inform ITC s General Counsel of such circumstances. ITC s nominating/corporate governance committee reviews existing conflicts as well as potential conflicts of interest and determines whether any further action is necessary, such as recommending to the ITC board of directors whether a director or officer should be requested to offer his or her resignation. Where the ITC board of directors makes a determination regarding a potential conflict of interest, a majority of the ITC board of directors (excluding any interested member or members) shall decide upon an appropriate course of action. Additionally, any director or officer who has a question about whether a conflict exists must bring it to the attention of ITC s General Counsel or chairperson of ITC s nominating/corporate governance committee.

With the approval of ITC s nominating/corporate governance committee, Clayton Welch, Jennifer Welch, Jessica Uher and Katie Welch (each of whom is a son, daughter or daughter-in-law of Joseph L. Welch, ITC s chief executive officer) were employed by ITC as a Senior Engineer, Fleet Manager, Manager of Warehouse and Logistics, and Senior Accountant, respectively, during 2011 and continue to be employed by ITC. These

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individuals are employed on an at will basis and compensated on the same basis as ITC s other employees of similar function, seniority and responsibility without regard to their relationship with Mr. Welch. These four individuals, none of whom resides with or is supported financially by Mr. Welch, received aggregate salary, bonus and taxable perquisites for services rendered in the above capacities totaling $420,877 during 2011.

Material Transactions Between ITC and Entergy

METC is party to a Generator Interconnection Agreement effective on January 19, 2011 with Entergy Nuclear Palisades, LLC (Entergy Palisades) and the MISO (the Palisades Generator Interconnection Agreement). This three-party agreement governs the direct electricity interconnection of Entergy Palisades electricity generating asset to the METC transmission system for the purposes of transmitting electric power from electricity generating facilities. The term of the Palisades Generator Interconnection Agreement is thirty years unless otherwise terminated by one of the parties to the agreement as specified in the agreement (subject to notice and approval of the FERC).

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INFORMATION ON ENTERGY

Entergy, a Delaware corporation, is an integrated energy company engaged primarily in the electric power production and retail distribution operations. Entergy, through its subsidiaries, owns and operates power plants with approximately 30,000 megawatts of electric generating capacity, including more than 10,000 megawatts of nuclear power, making it one of the nation s leading nuclear generators. Entergy delivers electricity to 2.8 million utility customers in Arkansas, Louisiana, Mississippi and Texas. Entergy has annual revenues of more than $11 billion and approximately 15,000 employees. Entergy operates its business in two segments: the utility business segment and the Entergy wholesale commodities businesses segment.

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INFORMATION ON ENTERGY S TRANSMISSION BUSINESS

Description of Entergy s Transmission Business

Overview

The Entergy transmission business, referred to as Entergy s Transmission Business, consists of the Entergy transmission system, which is comprised of approximately 15,400 circuit miles of transmission lines operated at 69kV to 500kV and approximately 1,400 substations, as well as the employees and assets used to plan, operate and maintain that system. The Entergy transmission system spans portions of Arkansas, Louisiana, Mississippi, Missouri and Texas, covers 114,000 square miles and is regulated by the FERC and retail regulators including the Arkansas Public Service Commission (APSC), the Louisiana Public Service Commission (LPSC), the Mississippi Public Service Commission (MPSC), the City Council for the City of New Orleans (the City Council) and the Public Utility Commission of Texas (PUCT). Entergy has not historically presented Entergy s Transmission Business as a separate reportable segment.

The Utility Operating Companies own the transmission system assets that are located in their respective service areas. Entergy Services, Inc. (ESI), a service company that provides services to the Utility Operating Companies, also owns certain assets related to the operation of Entergy s Transmission Business. The personnel that plan, operate and maintain the Entergy transmission system are generally employed by ESI. Additionally, personnel that provide grid support services are generally employed by the individual Utility Operating Companies. Entergy s Transmission Business is currently headquartered in Jackson, Mississippi.

The Entergy transmission system is part of the Eastern Interconnection, the network of interconnected transmission systems that move bulk power throughout the eastern half of the United States and eastern Canada.

The Entergy transmission system moves high voltage bulk electric power from generating plants of the Utility Operating Companies and other third parties across an interconnected system of transmission lines and substations to distribution points for delivery to wholesale customers such as municipalities and cooperatives, as well as to the approximately 2.8 million retail customers of the Utility Operating Companies. As of September 30, 2012, the Entergy transmission system was interconnected to 22 adjacent balancing authority areas. As of September 30, 2012, approximately 100 generating facilities, with an approximate total capacity of 47,100 MW, were connected to the Entergy transmission system. These generators include network resources of the Utility Operating Companies and other network customers, merchant generation, and cogenerators/qualified facilities.

The provision of bundled retail transmission service to the retail customers of the Utility Operating Companies is regulated by the retail regulators of those companies. The provision of transmission service to wholesale customers of the Utility Operating Companies is regulated by the FERC. Entergy provides wholesale transmission service pursuant to FERC-jurisdictional transmission agreements and tariffs, including the Entergy Open Access Transmission Tariff (the Entergy OATT) filed in accordance with FERC s Order No. 888. In addition to wholesale transmission service, FERC also regulates the reliability of the bulk electric system, including Entergy s transmission system, pursuant to the Energy Policy Act of 2005.

The Utility Operating Companies have historically engaged in coordinated planning, construction, and operation of their transmission facilities under the terms of the Entergy System Agreement, which is a rate schedule subject to the jurisdiction of the FERC. The System Agreement remains in effect today, although Entergy Arkansas and Entergy Mississippi have provided notice that they will terminate their participation in the System Agreement effective as of December 18, 2013 and November 7, 2015, respectively.

In November 2006, the Utility Operating Companies installed Southwest Power Pool (SPP), as the independent coordinator of transmission (ICT) for the Entergy transmission system. Acting as the ICT, SPP independently administers the Entergy OATT, grants and denies transmission service requests, and performs

certain reliability and planning functions. These matters are further described under the section Federal Regulation, below. The Entergy Regional State Committee (E-RSC), comprised of representatives from all of the Utility Operating Companies retail regulators, also provides oversight over the planning and operation of the Entergy transmission system. The E-RSC has authority to require the filing of proposed modifications to the cost allocation methodology for new transmission projects and to add transmission projects to the construction plan of the Utility Operating Companies.

On April 25, 2011, Entergy announced its plans for the Utility Operating Companies to join the MISO, an RTO that operates a Day 2 market, on or before December 2013. The Utility Operating Companies have obtained from all of the retail regulators the public interest findings sought by the Utility Operating Companies in order to move forward with their plan to join MISO. These matters are further described under the section Federal Regulation, below.

On December 5, 2011, Entergy and ITC announced a plan to spin off Entergy s Transmission Business and merge Entergy s Transmission Business into ITC. For more information, see The Transactions.

Business Segments

Entergy s Transmission Business is comprised of a single segment.

Transmission Business Functions

Entergy s Transmission Business is responsible for transmission planning, asset and configuration management, transmission operations, transmission policy, regulatory compliance, transmission design engineering, transmission project management and construction, and safety.

Transmission Business Organization

Entergy s Transmission Business is organized into six divisions: Asset Management, Project Management and Construction, Transmission Engineering, Transmission and Distribution Planning, Transmission Regulatory Compliance, and Operations.

Asset Management is responsible for maintenance management, maintenance support, right of way management and configuration management. Asset Management maintains an active maintenance program utilizing a substation work management system and line work management system to track preventative maintenance requirements of certain components of the Entergy transmission system. Asset Management employs third party contractors to perform some of its responsibilities including vegetation management, environmental services, transmission line maintenance and substation maintenance. Asset Management retains the technical expertise to effectively oversee and manage its third party contractors.

Project Management and Construction is responsible for project management, capital construction management and controls, right of way procurement, and storm tracking, reporting and system emergency planning and restoration coordination. Project Management and Construction employs third party contractors for the construction of certain projects and to support some of its responsibilities including environmental and surveying services. Project Management and Construction retains the technical expertise to effectively oversee and manage its third party contractors.

Transmission Engineering is responsible for transmission line design, substation design, system protection and control design, design engineering services, design basis, standards development and new technology application. Transmission Engineering employs third party contractors to perform some of its engineering and design work. Transmission Engineering retains the technical expertise to effectively oversee and manage its third party contractors.

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Transmission and Distribution Planning is responsible for transmission system planning and distribution asset planning which includes the development of the five year transmission construction plan and a horizon plan for projects in years 6 through 10. The group also develops a five year distribution load forecast and integrates capacity/load growth needs of distribution and substations.

Transmission Regulatory Compliance implements programs, procedures and controls to ensure the planning and operation of the Entergy transmission system satisfies regulatory requirements (including requirements of FERC, The Sarbanes-Oxley Act of 2002, records retention requirements, and electric reliability organization requirements and standards), is responsible for transmission regulatory policy development in support of the Entergy OATT, quality control, wholesale customer coordination and contracts, and administers the weekly procurement process.

Transmission Operations is responsible for transmission system security and regional reliability coordination, monitors and controls the Entergy transmission system, provides transmission billing and settlement and coordinates transmission outages and switching. Transmission Operations oversees the scheduling, dispatching, operational planning and secure and reliable real-time operation of the Entergy transmission system. Transmission Operations assures safe power dispatching practices, coordinates transmission facility outages, supervises transmission circuit loading and operating voltage levels, directs the development of switching and tagging procedures and assures proper training of dispatching personnel. Transmission Operations is also responsible for certain process controls and aspects of the administration of the Entergy OATT and operation of Entergy s OASIS node.

Operation of the Transmission System

The Entergy transmission system comprises approximately 15,400 circuit miles of 69kV to 500kV transmission lines and approximately 1,400 substations located in Arkansas, Louisiana, Mississippi, Missouri and Texas. The system operations center (SOC) located in Pine Bluff, Arkansas has overall responsibility for operating the Entergy transmission system in real time. Certain responsibilities are shared with or delegated to five transmission operations centers (each a TOC) for the Utility Operating Companies. The five TOCs are located in Beaumont, Texas; Gretna, Louisiana; Jackson, Mississippi; Little Rock, Arkansas; and Monroe, Louisiana.

The primary operational functions performed at the SOC include balancing authority functions and transmission operation functions.

Balancing Authority functions performed by operations personnel at the SOC include: monitoring frequency within acceptable limits during normal and emergency operating conditions, performing time error correction, calculating and monitoring area control errors and directing actions to maintain area control errors, coordinating with the reliability coordinator and neighboring balancing authorities for continued operation during normal and emergency conditions.

Transmission Operations functions performed at the SOC include: coordinating and directing actions to ensure reliability of the Entergy transmission system based on system conditions and contingency analysis results, coordinating generator and transmission outages with neighboring balancing authorities, transmission operators and the reliability coordinator, monitoring and directing actions to maintain transmission system within voltage and line loading limits, coordinate with the reliability coordinator to mitigate system operating limit and interconnected reliability operating limit violations.

Certain Transmission Operations planning activities including maintaining the off-line model, performing studies and coordinating transmission outages are also performed at the SOC.

The TOCs perform local monitoring and control of transmission system parameters such as voltage, equipment status and line flows, as well as working with the field personnel to perform equipment switching and operate transmission equipment.

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Entergy performs the following North American Electric Reliability Corporation (NERC) registered functions: Balancing Authority (BA), Distribution Provider (DP), Generator Owner (GO), Generator Operator (GOP), Interchange Authority (IA), Load Serving Entities (LSE), Planning Authority (PA), Purchasing Selling Entity (PSE), Resource Planner (RP), Transmission Owner (TO), Transmission Operator (TOP), and Transmission Service Provider (TSP). In operating the Entergy transmission system, Entergy s Transmission Business performs a subset of these NERC registered functions, including PA, BA, IA, TO, TOP and TSP.

Transmission Business Customers

The transmission system moves bulk power from generating plants to distribution points for delivery to wholesale customers and cooperatives as well as to the approximately 2.8 million retail customers of the Utility Operating Companies. Entergy s transmission system also delivers power directly to large commercial and industrial retail customers of the Utility Operating Companies. These customers include refineries, chemical plants, oil and gas processing facilities, pumping stations, and large manufacturing sites vital to the region and nation.

Transmission Rates and Ratemaking

The Utility Operating Companies are rate-regulated public utilities whose rates (i) are approved by a body empowered to set rates that bind customers (its regulator); (ii) are cost-based; and (iii) can be charged to and collected from customers. The Utility Operating Companies earn revenues and recover the cost of operating and maintaining the transmission system by charging retail and wholesale customers transmission rates based on ratemaking processes subject to the jurisdiction of the FERC and the retail regulators of the Utility Operating Companies.

Approximately 75% of Entergy s Transmission Business revenues earned by the Utility Operating Companies are derived from providing transmission services to the retail customers of those companies. Retail rates of the Utility Operating Companies are set on a bundled basis (including generation, transmission and distribution assets and associated operations and maintenance (O&M) and administrative and general (A&G) costs) and as a result, the Utility Operating Companies, do not have separately stated transmission rates. Retail rates are set utilizing the same transmission assets, O&M, and A&G costs of each Utility Operating Company that are used collectively to develop the Entergy Open Access Transmission Tariff (OATT) rate, but reflect each Utility Operating Company s authorized retail return on equity and capital structure.

The remaining approximately 25% of Entergy s Transmission Business revenues earned by the Utility Operating Companies are derived from providing transmission services to third party wholesale customers. No one third party wholesale customer accounted for more than ten percent of Entergy s Transmission Business s revenues. The Utility Operating Companies derive charges for service on Entergy s bulk transmission facilities through a formula rate contained in the Entergy OATT. In accordance with the Entergy OATT, the Utility Operating Companies submit an annual informational filing to the FERC that updates the charges that will apply for OATT service for the upcoming June 1 through May 31 period (a Rate Year) using actual data from the immediately prior calendar year (Annual Rate Update). Specifically, the Annual Rate Update calculates charges for the upcoming Rate Year using historical, actual costs, loads and other inputs (e.g., revenue credits) as recorded for the year immediately prior to the Rate Year (e.g., 2010 actual costs as inputs for the 2011 Rate Year) in accordance with Appendix A to Schedule 7 (Firm Point-to-Point Transmission Service) and Attachment H (Network Service) to the Entergy OATT. The cost of constructing certain types of upgrades is recovered directly from the requesting customer pursuant to Attachment T to the Entergy OATT, not through the Annual Rate Update.

In addition to the OATT formula rate, the Utility Operating Companies also provide transmission service under other grandfathered agreements that pre-date FERC s Order No. 888. These agreements contain either a stated rate for transmission service or, in the case of one customer, a formula rate that is updated every year using actual data from the immediately prior calendar year.

Entergy s Transmission Business collects revenues based on these wholesale rates by billing wholesale transmission customers for the use of the Entergy transmission system pursuant to the transmission service rates

set forth in the applicable grandfathered agreement or Entergy OATT. The revenue from the billings to wholesale customers under the OATT formula rate is distributed among the Utility Operating Companies based on responsibility ratio. Revenue from the billings to wholesale customers under grandfathered agreements is distributed to the Utility Operating Company that entered into that agreement.

After Entergy s Transmission Business becomes a member of MISO and the merger occurs, the Utility Operating Companies will no longer be responsible for providing transmission service or billing wholesale customers. ITC will own and operate the former Entergy transmission system and will recover costs associated with those assets pursuant to the MISO OATT. Under this arrangement, MISO will be responsible for billing customers, including the Utility Operating Companies, pursuant to the formula rate in the MISO OATT and revenues will passed on to the transmission business operated by ITC.

Transmission Business Franchises

Entergy Arkansas holds exclusive franchises to provide electric service including the transmission of electricity in approximately 307 incorporated cities and towns in Arkansas. These franchises are unlimited in duration and continue unless the municipalities purchase the utility property. In Arkansas, franchises are considered to be contracts and, therefore, are terminable pursuant to the terms of the franchise agreement and applicable statutes.

Entergy Gulf States Louisiana holds non-exclusive franchises to provide electric service including the transmission of electricity in approximately 56 incorporated municipalities and the unincorporated areas of approximately 18 parishes. Most of Entergy Gulf States Louisiana s franchises have a term of 60 years. Entergy Gulf States Louisiana s current electric franchises expire during 2015-2046.

Entergy Louisiana holds non-exclusive franchises to provide electric service including the transmission of electricity in approximately 116 incorporated Louisiana municipalities. Most of these franchises have 25-year terms. Entergy Louisiana also supplies electric service including the transmission of electricity in approximately 45 Louisiana parishes in which it holds non-exclusive franchises. Entergy Louisiana s electric franchises expire during 2015-2036.

Entergy Mississippi has received from the MPSC certificates of public convenience and necessity to provide electric service including the transmission of electricity to areas within 45 counties, including a number of municipalities, in western Mississippi. Under Mississippi statutory law, such certificates are exclusive. Entergy Mississippi may continue to serve in such municipalities upon payment of a statutory franchise fee, regardless of whether an original municipal franchise is still in existence.

Entergy New Orleans provides electric service including the transmission of electricity in the City of New Orleans pursuant to an indeterminate permit set forth in a city ordinance (except electric service in Algiers, which is provided by Entergy Louisiana). This ordinance contains a continuing option for the City of New Orleans to purchase Entergy New Orleans s electric properties.

Entergy Texas holds a certificate of convenience and necessity from the PUCT to provide electric service including the transmission of electricity to areas within approximately 27 counties in eastern Texas, and holds non-exclusive franchises to provide electric service including the transmission of electricity in approximately 68 incorporated municipalities. Entergy Texas was typically granted 50-year franchises, but recently has been receiving 25-year franchises. Entergy Texas s electric franchises expire during 2013-2058.

Transmission Business Planning

Entergy s Transmission Business annually conducts both local planning and regional planning related to the Entergy transmission system.

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The primary goals of the local planning process are to ensure the continued reliable operation of the Entergy transmission system and to meet all firm load requirements, including serving the loads of the retail customers of the Utility Operating Companies. The local planning process takes into account the expected load growth and long-term firm transmission service using the Entergy transmission system. Entergy s Transmission Business also seeks input from stakeholders, state regulators, and the ICT. Potential projects are identified against Entergy s transmission planning criteria which include the NERC Reliability Standards, the SERC Reliability Corporation Supplements to the NERC Reliability Standards, and the Entergy Transmission Local Planning Criteria. The results of the annual local planning process are reflected in a Transmission Construction Plan and Horizon Plan, which encompass proposed, conceptual and approved transmission projects.

A Transmission Planning Summit is held annually at which Entergy s Transmission Business presents options for expanding and upgrading the Entergy transmission system.

In order to comply with regional coordination requirements of FERC Order No. 890, the Entergy s Transmission Business conducts regional planning by participating in the Entergy SPP Regional Planning Process (ESRPP) and the Southeast Inter-Regional Participation Process (SIRPP). These processes evaluate potential transmission projects to enhance transfer capabilities between the Entergy transmission system and neighboring systems within the SPP and SERC regions.

ESRPP was created to identify system enhancements that may relieve regional congestion between Entergy and the SPP. The process shares system plans to ensure that they are simultaneously feasible and otherwise use consistent assumptions and data.

The Regional Planning Parties (Entergy and SPP RTO) utilize the ESRPP to perform studies and coordinate regional stakeholder communication. Each party assesses the simultaneous feasibility of the expansion plans and the consistency of data and assumptions and reports any inconsistencies or incompatibilities to the coordinating party. The Regional Planning Parties conduct stakeholder requested studies intended to identify system enhancements that may relieve regional congestion. The main objectives of the ESRPP are to improve regional transfer capability, improve regional optimization, and relieve constraining flowgates. These objectives are combined in order to provide a more robust transmission system capable of more economic delivery of power across a regional transmission system.

SIRPP is an inter-regional planning process with participants from the various Southeastern interconnected transmission owners including the Utility Operating Companies. SIRPP relies on the existing planning processes of its participants. Using the plans developed from existing processes, participants in the SIRPP collectively conduct inter-regional reliability transmission assessments, which include the sharing of the individual transmission system plans of the participants, providing information on the assumptions and data inputs used in the development of those plans and assessing whether the plans are simultaneously feasible. The inter-regional planning process is performed annually.

The E-RSC also has authority to require the filing of proposed modifications to the cost allocation methodology for new transmission projects and to add transmission projects to the Transmission Construction Plan of the Utility Operating Companies.

Additional changes to the regional and interregional planning processes are contemplated in order to comply with FERC Order No. 1000. Entergy is currently in discussions with MISO and neighboring systems as compliance with Order 1000 will be affected by the Utility Operating Companies proposal to join MISO.

Capital Improvement Projects

Capital improvement projects include upgrades to transmission facilities for reliability, economic transmission upgrades, upgrades necessary to grant firm transmission service, generation interconnection facilities, and new points of delivery. Related to capital improvement projects are planning, design, engineering,

right-of-way acquisition, and project management. Capital improvement projects are identified and evaluated through a project planning process. Approved projects are designed and constructed pursuant to a project execution process.

Also related to capital improvements are projects necessary to restore the transmission system following major storm events (e.g., ice storms, hurricanes, tornadoes). Restoration activities include pole, transformer, and line replacements, substation repairs, debris removal, and, coordinating mutual assistance aid from other utilities. Safety programs include training of personnel in the proper techniques and use of mechanical and personal safety equipment.

Capital Investments

Entergy s Transmission Business s capital investment over the past three years was $1,061.7 million. Entergy s Transmission Business s capital investment and O&M expenses over the past three years was $1,679.4 million.

(in millions)	2009	2010	2011	Subtotal
Total Capital Expenditures	$ 268.3	$ 377.8	$ 415.6	$ 1,061.7
Total O&M	$ 186.7	$ 212.1	$ 218.9	$ 617.7
Total	$ 455.0	$ 589.9	$ 634.5	$ 1,679.4

Operation and Maintenance Expenses

Typical operating and maintenance expenses of Entergy s Transmission Business include preventive and corrective maintenance programs, vegetation management, equipment replacement and repair, equipment testing, and system operations.

Seasonality

Entergy s Transmission Business s revenues are seasonal, in that revenues are typically higher in the winter and summer months when peak load is greater. The seasonal influences are mitigated from year to year because the rate test year is based on actual historical data of the immediate preceding rate year.

Competition

The business of transmitting electricity has historically been recognized as a natural monopoly. Accordingly, vertically integrated utilities that own transmission facilities operate in a highly regulated environment. At the state or local level, these utilities typically have an obligation to provide electric service to their customers in return for an exclusive franchise within their service territory with an opportunity to earn a regulated rate of return. At the federal level, the FERC regulates the rates, terms and conditions of wholesale transmission service and requires the provision of non-discriminatory, open access transmission service to eligible transmission customers. Entergy s Transmission Business, as part of the Utility Operating Companies, operates in a similar environment in which it is the only provider of transmission services within its service territories in Arkansas, Louisiana, Mississippi and Texas. Entergy s Transmission Business provides open access, non-discriminatory wholesale transmission service pursuant to FERC regulated tariffs and is regulated at the state/local level by retail regulators.

Federal Regulation

Independent Coordinator of Transmission

In 2000, the FERC issued an order encouraging utilities to voluntarily place their transmission facilities under the control of independent RTOs. Delays in implementing the FERC RTO order occurred due to a variety of reasons, including the fact that utilities, other stakeholders, and federal and state regulators have had to work to resolve various issues related to the establishment of such RTOs. In November 2006, the Utility Operating

Companies installed SPP as the ICT for the Entergy transmission system. The ICT structure approved by FERC is not an RTO under FERC Order No. 2000 and installation of the ICT did not transfer control of the Entergy transmission system to the ICT. Instead, the ICT performs some, but not all, of the functions performed by a typical RTO, as well as certain functions unique to the Entergy transmission system. In particular, the ICT was vested with responsibility for:

granting or denying transmission service on the Entergy transmission system;

administering the Utility Operating Companies OASIS node for purposes of processing and evaluating transmission service requests;

developing a base plan for Entergy s Transmission Business and deciding whether costs of transmission upgrades should be rolled into the Utility Operating Companies transmission rates or directly assigned to an individual;

serving as the reliability coordinator for the Entergy transmission system;

overseeing the operation of the weekly procurement process (WPP); and

evaluating interconnection-related investments already made on the Entergy transmission system for certain cost allocation purposes.

The FERC, in conjunction with the retail regulators of the Utility Operating Companies, hosted a conference on June 24, 2009, to discuss the ICT arrangement and transmission access on the Entergy transmission system. During the conference, several issues were raised by regulators and market participants, including the adequacy of the Utility Operating Companies capital investment in the transmission system, the Utility Operating Companies compliance with the existing NERC reliability planning standards, the availability of transmission service across the Entergy transmission system, and whether the Utility Operating Companies could have purchased lower cost power from merchant generators located on the Entergy transmission system rather than running their older generating facilities. On July 20, 2009, the Utility Operating Companies filed comments with the FERC responding to the issues raised during the conference. The comments explained that: 1) the Utility Operating Companies believe that the ICT arrangement has fulfilled its objectives; 2) the Utility Operating Companies transmission planning practices comply with laws and regulations regarding the planning and operation of the Entergy transmission system; and 3) these planning practices have resulted in a transmission system that meets applicable reliability standards and is sufficiently robust to allow the Utility Operating Companies both to substantially increase the amount of transmission service available to third parties and to make significant amounts of economic purchases from the wholesale market for the benefit of the Utility Operating Companies retail customers. The Utility Operating Companies also explained that, as with other transmission systems, there are certain times during which congestion occurs on the Entergy transmission system that limits the ability of the Utility Operating Companies as well as other parties to fully utilize the generating resources that have been granted transmission service. Additionally, the Utility Operating Companies committed in their response to exploring and working on potential reforms or alternatives for the ICT arrangement that could take effect following the initial term. The Utility Operating Companies comments also recognized that NERC was in the process of amending certain of its transmission reliability planning standards and that the amended standards, if approved by the FERC, would result in more stringent transmission planning criteria being applicable in the future. The FERC may also make other changes to transmission reliability standards. These changes to the reliability standards would result in increased capital expenditures by the Utility Operating Companies.

In 2009, the E-RSC, which is comprised of representatives from all of the Utility Operating Companies retail regulators, was formed to consider issues related to the ICT and the Entergy transmission system. Among other things, the E-RSC in concert with the FERC conducted a cost/benefit analysis comparing the ICT arrangement to other transmission proposals, including participation in an RTO.

In November 2010, the FERC issued an order accepting the Utility Operating Companies proposal to extend the ICT arrangement with SPP until November 2012. In addition, in December 2010 the FERC issued an order that granted the E-RSC additional authority over transmission upgrades and cost allocation. On July 10, 2012, the LPSC approved, subject to conditions, Entergy Gulf States Louisiana s and Entergy Louisiana s

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request to extend the ICT arrangement and to transition to MISO as the provider of ICT services effective as of November 2012 (with the actual transition expected to occur December 1, 2012) and continuing until the Utility Operating Companies join the MISO RTO, or December 31, 2013, whichever occurs first. No other retail regulatory filings with respect to the extension of the ICT arrangement and the transition from SPP to MISO as ICT services provider are expected. On August 2, 2012, the Utility Operating Companies filed an application with FERC, seeking (a) an interim extension of the ICT arrangement through and until the earlier of December 31, 2014 or the date the proposed transfer of functional control of the Operating Companies transmission assets to the MISO RTO is completed and (b) the transfer from SPP to MISO as the provider of ICT services, effective December 1, 2012. The FERC issued an order accepting the proposal in October 2012. On November 1, 2012, the Utility Operating Companies filed further revisions to their OATT, including a Monitoring Plan and Retention Agreement, to establish Potomac Economics Ltd., MISO s current market monitor, as an independent Transmission Service Monitor for the Entergy transmission system, effective as of December 1, 2012. The Transition Service Monitor will monitor actions of Entergy and transmission customers within the Entergy region as related to systems operations, reliability coordination, transmission planning, and transmission reservations and scheduling. On December 31, 2012, the FERC issued an order accepting the filing, subject to limited modifications and a subsequent compliance filing.

Entergy s Proposal to Join MISO

On April 25, 2011, Entergy announced that each of the Utility Operating Companies propose joining MISO, which is expected to provide long-term benefits for the customers of each of the Utility Operating Companies. MISO is an RTO that operates in eleven U.S. states (Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Montana, North Dakota, South Dakota, and Wisconsin) and also in Canada. Each of the Utility Operating Companies filed an application with its retail regulator concerning the proposal to join MISO and transfer control of each company s transmission assets to MISO. The applications to join MISO sought a finding that membership in MISO is in the public interest. Becoming a member of MISO will not affect the ownership by the Utility Operating Companies of their transmission facilities or the responsibility for maintaining those facilities. Once the Utility Operating Companies are fully integrated as members, however, MISO will assume control of transmission planning and congestion management and, through its Day 2 market, MISO will provide instructions for the commitment and dispatch of generation that is bid into MISO s markets.

The LPSC voted to grant Entergy Gulf States Louisiana s and Entergy Louisiana s application for transfer of control to MISO, subject to conditions, on May 23, 2012, and issued its order on June 28, 2012.

On October 26, 2012, the APSC authorized Entergy Arkansas to sign the MISO Transmission Owners Agreement, which Entergy Arkansas has now done, and move forward with the MISO integration process. The APSC stated in its order that it would give conditional approval of Entergy Arkansas s application upon MISO s filing with the APSC proof of approval by the appropriate MISO entities of certain governance enhancements. On October 31, 2012, MISO filed with the APSC proof of approval of the governance enhancements and requested a finding of compliance and approval of Entergy Arkansas's application. On November 21, 2012, the APSC issued an order requiring that MISO file a higher level of proof that the MISO Transmission Owners have officially approved and adopted one of the proposed governance enhancements in the form of sworn compliance testimony, or a sworn affidavit, from the chairman of the MISO Transmission Owners Committee. On January 7, 2013, MISO filed its Motion for Finding of Compliance with the Requirements of Order No. 74, including the Compliance Testimony of Clair J. Moeller. Also appended to the filing was a copy of the testimony of Dennis Kramer, Chairman of the MISO Transmission Owners Committee, in support of a filing at FERC made January 4, 2013 in Docket No. ER13-708, on behalf of MISO and a majority of its transmission owners, jointly submitting changes to Appendix K of the MISO Transmission Owner Agreement (TOA) to implement the governance enhancements. MISO stated that the evidence submitted to the APSC showed that a majority of the MISO Transmission Owners have adopted and approved the MISO governance enhancements and the joint filing submitted to FERC on January 4, 2013, and asked that the APSC find MISO in compliance with the conditions of the APSC s October 26, 2012 order, and that the APSC expeditiously enter an order approving Entergy Arkansas s application to join MISO.

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On September 17, 2012, Entergy Mississippi and the Mississippi Public Utilities Staff filed a joint stipulation indicating that they agree that Entergy Mississippi s proposed transfer of functional control of its transmission facilities to MISO is in the public interest, subject to certain contingencies and conditions. On November 15, 2012, the MPSC issued an order concerning the application of Entergy Mississippi. In the order of the MPSC, the MPSC approved a joint stipulation filed by Entergy Mississippi and the Mississippi Public Utilities Staff, concluding that Entergy Mississippi s proposed transfer of functional control of its transmission facilities is in the public interest, subject to certain conditions.

On November 15, 2012, the City Council issued a resolution concerning the application of Entergy New Orleans. In the resolution issued by the City Council, the City Council approved a settlement agreement agreed to by Entergy New Orleans, Entergy Louisiana, MISO, and the advisors to the City Council related to joining MISO and found that it is in the public interest for Entergy New Orleans and Entergy Louisiana to join MISO, subject to certain conditions.

Entergy Texas submitted its change of control filing on April 30, 2012. On August 6, 2012, parties in the PUCT proceeding, with the exception of Southwest Power Pool, filed a non-unanimous settlement. The substance of the settlement is that it is in the public interest for Entergy Texas to transfer operational control of its transmission facilities to MISO under certain conditions. On October 26, 2012, the PUCT issued an order approving the transfer as in the public interest, subject to the terms and conditions in the settlement, with several additional terms and conditions requested by the PUCT and agreed to by the settling parties.

With these actions on the applications, the Utility Operating Companies have obtained from all of the retail regulators the public interest findings sought by the Utility Operating Companies in order to move forward with their plan to join MISO. Each of the retail regulators orders includes conditions, some of which entail compliance prospectively.

On January 23, 2013, Entergy Arkansas filed a Motion to Discontinue Activities Necessary to Operate as a True Stand-Alone Electric Utility and the Supplemental Direct Testimonies of Hugh T. McDonald, Kurtis W. Castleberry, and Tom D. Reagan. Given the status of activities associated with Entergy Arkansas s integration into MISO, which are proceeding on schedule, and other considerations described in Entergy Arkansas s filing, Entergy Arkansas requested an Order from the Commission authorizing it to drop the stand alone option by March 1, 2013.

The target implementation date for joining MISO is December 2013. Entergy believes that the decision to join MISO should be evaluated separately from and independent of the decision regarding the ownership of the Entergy transmission system, and Entergy plans to continue to pursue the MISO proposal and the planned spin-off or split-off exchange offer and merger of the Entergy s Transmission Business on parallel regulatory paths.

In June 2011, MISO filed with the FERC a request for a transitional waiver of provisions of its open access transmission, energy, and operating reserve markets tariff regarding allocation of transmission network upgrade costs, in order to establish a transition for the integration of the Utility Operating Companies. In September 2011 the FERC issued an order denying on procedural grounds MISO s request, further advising MISO that submitting modified tariff sheets is the appropriate method for implementing the transition that MISO seeks for the Utility Operating Companies. The FERC did not address the merits of any transition arrangements that may be appropriate to integrate the Utility Operating Companies into MISO. MISO worked with its stakeholders to prepare the appropriate changes to its tariff and filed the proposed tariff changes with the FERC in November 2011. On April 19, 2012, the FERC conditionally accepted MISO s proposal related to the allocation of transmission upgrade costs in connection with the transition and integration of the Utility Operating Companies into MISO. On May 21, 2012, MISO filed a compliance filing in accordance with the provisions of the FERC s April 19, 2012 Order. Westar Energy, Inc. and Arkansas Electric Cooperative Corporation filed requests for rehearing of the FERC s April 19, 2012 Order. On June 11, 2012, the FERC issued a tolling order granting the pending rehearing requests for purposes of further consideration. On November 15, 2012, FERC issued an order denying the requests for rehearing of the April 19, 2012 Order, and conditionally accepting the May 21, 2012

compliance filing, subject to a further compliance filing due within 30 days of the date of the November 15, 2012 Order. On December 17, 2012, MISO and the MISO Transmission Owners submitted to the FERC proposed revisions to the MISO Tariff in compliance with FERC s November 15, 2012 Order, with respect to the cost allocation of Network Upgrades in connection with a transition period for the integration of the Utility Operating Companies.

On February 15, 2013, ESI, on behalf of the Utility Operating Companies, made a filing with FERC requesting to adopt the Attachment O formula rate template used by transmission owners to establish transmission rates within MISO. The filing proposes four transmission pricing zones for the Utility Operating Companies, one for Entergy Arkansas, one for Entergy Mississippi, one for Entergy Texas, and one for Entergy Louisiana, Entergy Gulf States Louisiana, and Entergy New Orleans. The filing requests a ruling from FERC by April 30, 2013. Also on February 15, 2013, MISO and Entergy Arkansas and Entergy Mississippi filed with FERC proposed revisions to Attachment P of MISO s Tariff, to list the existing transmission and related agreements between each of Entergy Arkansas and Entergy Mississippi and each of their counterparties as Grandfathered Agreements.

In addition, the Utility Operating Companies have proposed giving authority to the E-RSC, upon unanimous vote and within the first five years after the Utility Operating Companies join the MISO RTO, (i) to require the Utility Operating Companies to file with the FERC a proposed allocation of certain transmission upgrade costs among the Utility operating companies transmission pricing zones that would differ from the allocation that would occur under the MISO OATT and (ii) to direct the Utility Operating Companies as transmission owners to add projects to MISO s transmission expansion plan.

Environmental Matters

Entergy s Transmission Business must comply with environmental laws and regulations applicable to the handling and disposal of hazardous substances, such as the Comprehensive Environmental Remediation, Compensation, and Liability Act (CERCLA). Under these various laws and regulations, Entergy s Transmission Business could incur substantial costs to restore properties consistent with the various standards. Entergy s Transmission Business management conducts studies to determine the extent of any required remediation and has recorded reserves based upon its evaluation of the likelihood of loss and expected dollar amount for each issue. Additional sites could be identified which require environmental remediation for which Entergy s Transmission Business could be liable. The amounts of environmental reserves recorded can be significantly affected by the following external events or conditions:

- Changes to existing state or federal regulation by governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters.
- The identification of additional sites or the filing of other complaints in which Entergy may be asserted to be a potentially responsible party.
- The resolution or progression of existing matters through the court system or resolution by the EPA or the applicable state.

Entergy s Transmission Business operates in some areas that are classified as wetlands or other waters of the United States subject to Section 404 of the federal Clean Water Act and the U.S. Corps of Engineers permitting program promulgated thereunder. Operations in these areas are subject to stringent environmental controls and permitting requirements regarding discharges, filling, and dredging. New projects, maintenance projects, and storm restoration projects in these areas often face enhanced administrative processes in relation to permitting, increased operational costs due to required environmental protection measures, and increased costs due to requirements for wetland mitigation.

Entergy s Transmission Business includes assets that, from time to time, cause bird and other animal mortalities. In some situations, these mortalities can constitute a violation of the Migratory Bird Treaty Act, the

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Endangered Species Act, the Bald and Golden Eagle Protection Act, and similar federal and state laws. Entergy s Transmission Business has developed an Avian Protection Plan (APP) concerning operations in sensitive habitat areas, retrofits to avian protective standards in areas of interaction, and standards for new construction. Failure to comply with the APP or the take of species protected by these laws could subject Entergy s Transmission Business to federal or state enforcement.

Entergy s Transmission Business includes assets which contain and use greenhouse gases, primarily in the form of sulfur hexafluoride (SF6) (a gaseous dielectric medium used in certain electrical equipment) and fleet vehicle emissions. The regulation of greenhouse gases continues to develop and Entergy s Transmission Business may be required to reduce its use or emissions of SF6 or other greenhouse gases or to purchase allowances for its emissions.

Entergy s Transmission Business includes assets which may contain and use dielectric fluid containing or contaminated with polychlorinated biphenyls (PCB), a highly-regulated substance that is controlled by the Toxic Substances Control Act (TSCA). Currently, the continued use of existing equipment containing PCBs is allowed under TSCA; however, efforts are being made to require the near-term removal and disposal of all such equipment. The change in the regulation of PCBs and PCB-containing equipment would require substantial capital and operational expenditures by Entergy s Transmission Business.

Entergy s Transmission Business includes assets classified as oil-filled operating equipment which may contain and use mineral oil dielectric fluids. Such fluids are classified by EPA as oils and, consequently, are subject to laws prohibiting and preventing their discharge to waters of the US, including the Oil Pollution Prevention Act.

Entergy s Transmission Business conducts operations from time to time that fall within the regulation of federal and state Clean Water Act programs governing storm water runoff management. Proposed EPA regulations could increase the stringency of these regulations and the cost of compliance.

Employees

As of September 2012, Entergy s Transmission Business utilized approximately 500 employees among (i) the six divisions of Entergy s Transmission Business: Asset Management, Project Management and Construction, Transmission Engineering, Transmission and Distribution Planning, Transmission Regulatory Compliance, and Operations and (ii) the Entergy employees who provided services and support functions to Entergy s Transmission Business. In both cases, these employees were primarily employed by ESI. The services and support functions provided to Entergy s Transmission Business include accounting, finance, investor relations, planning, legal, communications, governmental and regulatory affairs, and human resources, as well as information technology services and other shared services such as corporate security, facilities management, office support services and purchasing and logistics. As of September 2012, Entergy s Transmission Business was further supported by approximately 250 transmission grid employees that were employed by one of the several Utility Operating Companies. Certain hourly employees of Entergy s transmission business, including all of the craft employees (other than those craft employees employed by Entergy Louisiana and Entergy New Orleans) are bargaining unit employees represented by the International Brotherhood of Electrical Workers. The current management team of Entergy s Transmission Business believes that its relations with employees and their representative organizations are good.

Properties

The Entergy transmission system comprises approximately 15,400 circuit miles of 69kV to 500kV transmission lines and approximately 1,400 substations located in Arkansas, Louisiana, Mississippi, Missouri and Texas. Approximately 102 miles of transmission lines are leased from third parties and Entergy Arkansas leases approximately 15 miles of transmission lines to a third party. The SOC is located in Pine Bluff, Arkansas and the five TOCs are located in Beaumont, Texas, Gretna, Louisiana, Jackson, Mississippi, Little Rock, Arkansas, and Monroe, Louisiana. The SOC and the TOCs located in Little Rock, Arkansas, Gretna, Louisiana and Monroe,

Louisiana are leased. Entergy s Transmission Business operates from service centers and offices dedicated to transmission functions and from offices, warehouses and other facilities shared with other business functions within Entergy. Entergy s Transmission Business is currently headquartered in Jackson, Mississippi.

The transmission assets owned by the Utility Operating Companies are subject to mortgage liens, which will be released in connection with the merger. The transmission assets owned by Entergy New Orleans are subject to a continuing option for the City of New Orleans to purchase Entergy New Orleans s electric properties.

L egal Proceedings

Entergy is regularly named as a defendant in a number of lawsuits regarding Entergy s Transmission Business involving employment, customers, and injuries and damages issues, among other matters. Entergy periodically reviews the cases involving Entergy s Transmission Business in which Entergy has been named as defendant and assesses the likelihood of loss in each case as probable, reasonably estimable, or remote and records reserves for cases which have a probable likelihood of loss and can be estimated. Given the environment in which Entergy s Transmission Business operates, and the unpredictable nature of many of the cases involving Entergy s Transmission Business in which Entergy is named as a defendant, the ultimate outcome of the litigation to which Entergy is exposed has the potential to materially affect the results of operations of Entergy s Transmission Business. Entergy uses legal and appropriate means to contest litigation threatened or filed against it regarding Entergy s Transmission Business. However, certain states in which Entergy s Transmission Business operates have proven to be unusually litigious environments and verdicts against defendants in personal injury, property damage and business tort cases have resulted in large damages, including punitive damages. The litigation environment in these states poses a significant business risk to Entergy s Transmission Business.

U.S. Department of Justice Investigation

In September 2010, Entergy was notified that the U.S. Department of Justice had commenced a civil investigation of competitive issues concerning certain generation procurement, dispatch, and transmission system practices and policies of the Utility Operating Companies. On November 14, 2012, the U.S. Department of Justice issued a press release in which the U.S. Department of Justice stated, among other things, that the civil investigation concerning certain generation procurement, dispatch, and transmission system practices and policies of the Utility Operating Companies would remain open. However, the release noted the intention of each of the Utility Operating Companies to join MISO and Entergy s agreement with ITC to undertake the transactions. The release stated that if Entergy follows through on these matters, the U.S. Department of Justice s concerns will be resolved. The release further stated that the U.S. Department of Justice will monitor developments, and in the event that Entergy does not make meaningful progress, the U.S. Department of Justice can and will take appropriate enforcement action, if warranted.

Notice to SERC Reliability Corporation Regarding Reliability Standards and FERC Investigation

Entergy has notified the SERC Reliability Corporation (SERC) of potential violations of certain NERC reliability standards, including certain Critical Infrastructure Protection, Facilities Design, Connection and Maintenance, and System Protection and Control standards. Entergy is working with the SERC to provide information concerning these potential violations. In addition, FERC s Division of Investigations is conducting an investigation of certain issues relating to the Entergy Utility operating companies compliance with certain reliability standards related to protective system maintenance, facility ratings and modeling, training, and communications. The Energy Policy Act of 2005 provides authority to impose civil penalties for violations of the FPA and FERC regulations.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

No event with respect to changes in or disagreements with accountants on accounting or financial disclosure that would be required to be described in this section of the proxy statement/prospectus has occurred with respect to Entergy s Transmission Business.

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BUSINESS OF THE COMBINED COMPANY

The combination of ITC and Entergy s Transmission Business is intended to strengthen ITC s leading independent transmission platform in the United States. The addition of Entergy s Transmission Business expands ITC s geographic reach from the Midwest to the Gulf Coast region and will add sizable new markets to ITC s current operating and development business both enhancing and diversifying ITC s growth prospects. Once the merger has been completed, ITC will become one of the largest electric transmission companies in the United States based on net property, plant and equipment and peak load served.

The combination of ITC and Entergy s Transmission Business furthers the objectives of the independent transmission model and ITC s business strategy by enhancing system integrity and reliability, reducing transmission congestion and allowing greater access to competitive generation sources to interconnect to the transmission systems in an RTO environment.

While ITC will retain the current Entergy s Transmission Business headquarters in Jackson, Mississippi as a regional headquarters for at least three years after the effective time of the merger, certain functions of Entergy s Transmission Business, which have been performed by Entergy s corporate headquarters, will be transitioned to ITC s corporate headquarters in Novi, Michigan. In order to manage an orderly transition in the operation of the Entergy s Transmission Business, ITC and Entergy will enter into transition services agreements as described in this proxy statement/prospectus.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR ENTERGY S TRANSMISSION BUSINESS

Introduction

The following discussion and analysis is intended to provide investors with an understanding of the historical performance of Entergy s Transmission Business and its financial condition. This discussion and analysis presents the factors that had a material effect on the results of operations of Entergy s Transmission Business during the years ended December 31, 2011, 2010, and 2009, and during the nine months ended September 30, 2012 and 2011.

The financial statements of Entergy s Transmission Business have been derived from Entergy s historical accounting records and reflect significant allocations of revenues and expenses. All of the allocations and estimates in these financial statements are based on assumptions that management of Entergy s Transmission Business believes are reasonable. The financial statements do not necessarily represent, however, the results of operations or financial position of Entergy s Transmission Business had it been operated as a separate independent entity.

You should read this discussion in conjunction with the historical combined financial statements of Entergy s Transmission Business and the notes to those statements, the unaudited historical condensed combined financial statements of Entergy s Transmission Business and the notes to those statements and the unaudited pro forma condensed combined financial data and the notes to the pro forma condensed combined financial data of ITC included elsewhere in this document.

The following discussion and analysis contains forward-looking statements. See Cautionary Statement Concerning Forward-Looking Statements for a discussion of the uncertainties, risks and assumptions associated with these statements.

Overview

In December 2011, Entergy announced that its board of directors approved a plan to spin off Entergy s Transmission Business and merge it with a newly formed subsidiary of ITC Holdings Corp. (ITC). Entergy s Transmission Business is not currently a separate stand-alone legal entity and has not historically been presented as a separate reportable segment. Entergy s Transmission Business consists of the Entergy transmission system, which is comprised of approximately 15,400 circuit miles of transmission lines operated at 69kV to 500kV and approximately 1,400 substations, as well as the employees and assets used to plan, operate and maintain that system, which make up the electric transmission operations of the following companies (collectively referred to as the Utility Operating Companies):

- Entergy Arkansas, Inc.,
- Entergy Gulf States Louisiana, L.L.C.,
- Entergy Louisiana, LLC,
- Entergy Mississippi, Inc.,
- Entergy New Orleans, Inc., and
- Entergy Texas, Inc.

The Utility Operating Companies electric utility businesses consist of integrated generation, transmission, distribution, and electric power sales operations.

Entergy plans to contribute Entergy s Transmission Business to Mid South TransCo LLC (TransCo), a wholly owned subsidiary of Entergy, to spin-off TransCo to Entergy shareholders, and then to merge TransCo

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with the newly formed ITC subsidiary in a tax-free, all-stock transaction, which will result in Entergy s shareholders holding approximately 50.1% of ITC s common stock on a fully diluted basis. In no event will Entergy shareholders (and, if applicable, the exchange trust) hold less than 50.1% of the outstanding common stock of ITC immediately after the merger. The plan also includes TransCo and its subsidiaries consummating certain financing transactions totaling approximately $1.775 billion pursuant to which (i) TransCo s subsidiaries will borrow through a 366-day bridge facility (the TransCo Subs Financing) and (ii) TransCo will issue senior securities of TransCo to Entergy (the TransCo debt securities). Neither Entergy nor the Utility Operating Companies will guarantee or otherwise be liable for the payment of the TransCo debt securities. Entergy will issue debt or enter into agreements under which certain unrelated creditors will agree to purchase existing corporate debt of Entergy, which will be exchangeable into the TransCo debt securities at closing. In addition, prior to the closing, TransCo may obtain a working capital revolving credit facility in a principal amount agreed to by Entergy and ITC.

The transaction is expected to be completed in 2013 subject to the satisfaction of certain closing conditions, including obtaining the necessary approvals of Entergy s state regulators, FERC, and ITC shareholders.

Basis of Presentation

Entergy did not account for Entergy s Transmission Business, and the business was not operated, as a stand-alone company for the periods presented. The accompanying combined financial statements have been prepared in accordance with U.S. GAAP from the accounting records of Entergy using the historical results of operations and cost basis of the assets and liabilities of Entergy that comprise Entergy s Transmission Business. Entergy s Transmission Business s financial statements present the historical financial position, results of operations, and cash flows of the transmission-related business of Entergy s Utility operating segment as it has been historically operated and regulated, and are not indicative of the financial position, results of operations, or net cash flows that would have existed had Entergy s Transmission Business operated as an independent stand-alone company for any of the periods presented.

The accompanying combined financial statements include assets and liabilities that are specifically attributable to Entergy s Transmission Business, and revenues and costs directly related to the operations and maintenance of Entergy s Transmission Business. Revenues were either specifically identified with Entergy s Transmission Business for customers who were charged transmission-specific rates or were allocated to Entergy s Transmission Business for customers that were not charged transmission-specific rates. This revenue allocation was done by unbundling the revenue related to Entergy s Transmission Business from total Utility Operating Companies revenue based on the underlying transmission-specific proportion of the Utility Operating Companies cost of service. Regarding cost allocations, Entergy s Transmission Business receives services and support functions from Entergy. Entergy s Transmission Business s operations are dependent on Entergy s ability to perform these services and support functions, which include accounting, finance, investor relations, planning, legal, communications, governmental and regulatory affairs, and human resources, as well as information technology services and other shared services such as corporate security, facilities management, office support services, and purchasing and logistics. Specific identification of transmission-related costs and various allocation methodologies were used to disaggregate service and support functions between Entergy s Transmission Business and Entergy s non-transmission operations. Costs were primarily allocated based on either Entergy s Transmission Business s share of revenue, net plant-in-service, or payroll expense, depending on the nature of the costs.

Entergy has provided the necessary capital to finance Entergy s Transmission Business s operations. Net parent investment on the combined balance sheet represents the amount of capital investments made by Entergy in its transmission-related operations, Entergy s Transmission Business s accumulated net earnings after taxes, and the net effect of transactions with and allocations from Entergy. All Entergy funding to Entergy s Transmission Business since inception has been accounted for as contributions from Entergy and all cash remittances from Entergy s Transmission Business to Entergy have been accounted for as distributions to Entergy. None of Entergy s outstanding indebtedness can be specifically identified with Entergy s Transmission Business, but interest expense was allocated based on Entergy s Transmission Business s share of net plant.

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Results of Operations

Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011

Net income for the nine months ended September 30, 2012 decreased $16.9 million, or 15.3%, as compared to the nine months ended September 30, 2011, primarily due to the reasons described below.

Operating Revenues

Operating revenues decreased by $6.8 million, or 1.3%, for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 as a $12.3 million decline in retail revenues and a $6.2 million regulatory charge were partially offset by a $11.7 million increase in wholesale revenues. Retail revenues decreased primarily due to the effect of milder weather on residential and commercial sales. The regulatory charge is discussed in Note 8 to the unaudited condensed combined financial statements of Entergy s Transmission Business. Wholesale revenues increased primarily due to an increase in the OATT rate.

Other Income Statement Items

Operation expenses increased $6.5 million, or 5.2%, for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 primarily due to an increase in compensation and benefits costs primarily due to decreasing discount rates and changes in certain actuarial assumptions resulting from a recent experience study. The increase was partially offset by the deferral, as approved by the FERC, and the LPSC for the Louisiana jurisdictions, of costs incurred through September 2012 related to the transition and implementation of joining the MISO RTO.

Maintenance expenses increased $1.0 million, or 2.9%, for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

Taxes other than income taxes primarily consist of ad valorem taxes and increased $3.5 million, or 10.3%, for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

Depreciation and amortization increased by $10.3 million, or 10.5%, for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 primarily due to an increase in plant in service.

Other income decreased by $0.4 million, or 4.6%, for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 primarily due to a decrease in tax gross-up income from prepaid construction projects.

Total interest expense increased by $13.0 million, or 27.6%, for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 primarily due to a credit to interest expense in 2011 caused by the FERC s acceptance of a change in the treatment of funds received from independent power producers for transmission interconnection projects.

The effective income tax rates for the nine months ended September 30, 2012 and 2011 were 30% and 37%, respectively. The decrease resulted primarily from the settlement with the IRS discussed in Note 8 to the unaudited condensed combined financial statements of Entergy s Transmission Business.

Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

Net income for the year ended December 31, 2011 increased $24.3 million, or 22%, as compared to the year ended December 31, 2010, primarily due to the reasons described below.

Operating Revenues

Operating revenues increased by $21.1 million, or 3%, for the year ended December 31, 2011 compared to the year ended December 31, 2010 due to increases in both wholesale and retail revenues. Wholesale revenues

increased primarily due to an increase in the OATT rate. Retail revenues increased primarily due to rate increases at Entergy Arkansas, Entergy Louisiana, and Entergy Texas.

Other Income Statement Items

Operation expenses increased $8.3 million, or 5%, for the year ended December 31, 2011 compared to the year ended December 31, 2010 primarily due to an increase in costs for the transition and implementation of joining the MISO RTO.

Maintenance expenses decreased $1.4 million, or 3%, for the year ended December 31, 2011 compared to the year ended December 31, 2010.

Taxes other than income taxes primarily consist of ad valorem taxes, and increased $3.7 million, or 9%, for the year ended December 31, 2011 compared to the year ended December 31, 2010.

Depreciation and amortization increased by $4.6 million, or 4%, for the year ended December 31, 2011 compared to the year ended December 31, 2010 primarily due to an increase in plant in service.

Other income increased by $9.8 million, or 141.3%, for the year ended December 31, 2011 compared to the year ended December 31, 2010 primarily due to an increase in the allowance for equity funds used during construction resulting from an increase in construction activity throughout the year.

Total interest expense decreased by $15.8 million, or 20.0%, for the year ended December 31, 2011 compared to the year ended December 31, 2010. The decrease primarily resulted from a credit to interest expense caused by the FERC s acceptance of a change in the treatment of funds received from independent power producers for transmission interconnection projects. An increase in the allowance for borrowed funds used during construction resulting from an increase in construction activity also reduced interest expense.

The effective income tax rates for the years ended December 31, 2011 and 2010 were 35.6% and 37.8%, respectively. See Note 6 to the audited combined financial statements of Entergy s Transmission Business for a reconciliation of the federal statutory rate of 35.0% to the effective income tax rates, and for additional discussion regarding income taxes.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Net income for the year ended December 31, 2010 increased $0.1 million, or less than 1%, as compared to the year ended December 31, 2009, and was affected by the activity described below.

Operating Revenues

Operating revenues increased by $48.9 million, or 8%, for the year ended December 31, 2010 compared to the year ended December 31, 2009 due to increases in both wholesale and retail revenues. Wholesale revenues increased primarily due to an increase in the OATT rate. Retail revenues increased primarily due to the effect of favorable weather and rate increases at Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas.

Other Income Statement Items

Operation expenses increased $19.5 million, or 14%, for the year ended December 31, 2010 compared to the year ended December 31, 2009 primarily due to an increase in compensation and benefits costs resulting from decreasing discount rates, the amortization of benefit trust asset losses, and an increase in the accrual for incentive-based compensation, along with increased costs incurred to validate the ratings of transmission facilities, provide additional critical infrastructure protection, and perform additional cyber security assessments.

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Maintenance expenses decreased $5.9 million, or 14%, for the year ended December 31, 2010 compared to the year ended December 31, 2009 due to increased vegetation management work.

Taxes other than income taxes primarily consist of ad valorem taxes, and increased $3.7 million, or 10%, for the year ended December 31, 2010 compared to the year ended December 31, 2009.

Depreciation and amortization increased by $17.4 million, or 16%, for the year ended December 31, 2010 compared to the year ended December 31, 2009 primarily due to an increase in plant in service.

Other income decreased by $4.0 million, or 36.4%, for the year ended December 31, 2010 compared to the year ended December 31, 2009 primarily due to a decline in miscellaneous nonoperating income, partially offset by an increase in the allowance for equity funds used during construction resulting from an increase in construction activity.

Total interest expense decreased by $0.7 million, or 1%, for the year ended December 31, 2010 compared to the year ended December 31, 2009.

The effective income tax rates for the years ended December 31, 2010 and 2009 were 37.8% and 38.2%, respectively. See Note 6 to the audited combined financial statements of Entergy s Transmission Business for a reconciliation of the federal statutory rate of 35.0% to the effective income tax rates, and for additional discussion regarding income taxes.

Liquidity and Capital Resources

Historically, Entergy s Transmission Business has participated in Entergy s centralized cash management system. Cash receipts were remitted to Entergy on a regular basis and are reflected within net parent investment in the combined balance sheets. Similarly, Entergy s Transmission Business s cash disbursements were funded through Entergy s cash accounts. Entergy has provided the necessary capital to finance Entergy s Transmission Business s operations. Net parent investment on the combined balance sheet represents the amount of capital investments made by Entergy in its transmission-related operations, Entergy s Transmission Business s accumulated net earnings after taxes, and the net effect of transactions with and allocations from Entergy. All Entergy funding to Entergy s Transmission Business since inception has been accounted for as contributions from Entergy and all cash remittances from Entergy s Transmission Business to Entergy have been accounted for as distributions to Entergy. None of Entergy s outstanding indebtedness can be specifically identified with Entergy s Transmission Business, but interest expense was allocated based on Entergy s Transmission Business s share of Entergy s total utility plant assets. For all periods presented, Entergy s Transmission Business had net positive operating cash flow, which has been accounted for as distributions to Entergy.

Cash Flow Activity

As shown in the statements of cash flows, cash flows for the years ended December 31, 2011, 2010 and 2009 and the nine months ended September 30, 2012 and 2011 were as follows:

	Nine months ended September 30,		Year ended December 31,		
	2012	2011	2011	2010	2009
			(in millions)		
Cash and cash equivalents at beginning of period	$ 1	$ 1	$ 1	$ 1	$ 1
Cash flow provided by (used in):					
Operating activities	273	133	238	279	289
Investing activities	(304)	(312)	(415)	(378)	(268)
Financing activities	31	179	177	99	(21)
Net increase (decrease) in cash and cash equivalents					
Cash and cash equivalents at end of period	$ 1	$ 1	$ 1	$ 1	$ 1

Operating Activities

Cash flow provided by operating activities increased by $140 million for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 primarily due to income tax activity and reduced cash used in prepaid construction projects.

Cash flow provided by operating activities decreased by $41 million for the year ended December 31, 2011 compared to the year ended December 31, 2010 primarily due to higher working capital demands, partially offset by an increase in net income.

Cash flow provided by operating activities decreased by $10 million, less than 4%, for the year ended December 31, 2010 compared to the year ended December 31, 2009.

Investing Activities

Cash flow used in investing activities decreased by $8 million for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 due to lower capital expenditures. Entergy s Transmission Business s capital expenditure plans for 2012 through 2014 are described in Capital Expenditure Plans and Other Uses of Capital below.

Cash flow used in investing activities increased by $37 million for the year ended December 31, 2011 compared to the year ended December 31, 2010 and increased by $110 million for the year ended December 31, 2010 compared to the year ended December 31, 2009 primarily due to higher capital expenditures for transmission improvements and upgrades designed to provide greater transmission flexibility and spending to comply with current and anticipated North American Electric Reliability Corporation transmission planning requirements.

Financing Activities

Cash flow provided by financing activities decreased by $148 million for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011, increased by $78 million for the year ended December 31, 2011 compared to the year ended December 31, 2010, and increased by $120 million for the year ended December 31, 2010 compared to the year ended December 31, 2009 due to fluctuations in Entergy s parent investment.

Capital Expenditure Plans and Other Uses of Capital

Following are the amounts of Entergy s Transmission Business s planned construction and other capital investments for 2012 through 2015:

Planned construction and capital investments	**2012**	**2013**	**2014**	**2015**
		(In Millions)		
Maintenance Capital	$ 282	$ 253	$ 229	$ 202
Capital Commitments	170	162	240	303
Total	$ 452	$ 415	$ 469	$ 505

Maintenance Capital refers to planned spending on routine capital projects that are necessary to support reliability of service, equipment, or systems and to support normal customer growth.

Capital Commitments refers to non-routine capital investments for which the business has Board approval or otherwise expects to make to satisfy regulatory or legal requirements. Amounts reflected in this category include transmission upgrades, spending to support Entergy s plan to join the MISO RTO by December 2013, and spending to comply with current and anticipated North American Electric Reliability Corporation transmission planning requirements.

Summary of Contractual Obligations

Contractual obligations specifically identifiable with Entergy s Transmission Business are as follows as of December 31, 2011:

Contractual Obligations	2012	2013-2014	2015-2016 (In Millions)	after 2016	Total
Long-term debt (1)	$	$	$	$	$
Operating leases (2)	$ 4	$ 7	$ 5	$ 2	$ 18
Purchase obligations (3)	$	$	$	$	$

(1) Entergy has provided the necessary capital to finance Entergy s Transmission Business s operations, and all Entergy funding to Entergy s Transmission Business since inception has been accounted for as contributions from Entergy and all cash remittances from Entergy s Transmission Business to Entergy have been accounted for as distributions to Entergy. None of Entergy s outstanding indebtedness can be specifically identified with Entergy s Transmission Business. As part of the plan to spin-off Entergy s Transmission Business to Entergy shareholders and then merge it with Merger Sub, a subsidiary of ITC, TransCo and its subsidiaries will consummate certain financing transactions totaling approximately $1.775 billion pursuant to which (i) TransCo s subsidiaries will borrow through a 366-day bridge facility and (ii) TransCo will issue senior securities of TransCo to Entergy.

(2) Lease obligations are discussed in Note 9 to the audited combined financial statements of Entergy s Transmission Business.

(3) Purchase obligations represent minimum purchase obligations or cancellation charges for contractual obligations to purchase goods or services. Purchasing for Entergy s Transmission Business is performed under Entergy s centralized purchasing function and the amount of purchase obligations specifically identifiable with Entergy s Transmission Business is de minimis.

In addition to the contractual obligations, in 2012 Entergy s Transmission Business expects its contribution to pension plans to be approximately $4.4 million and to other postretirement plans to be approximately $0.7 million. Also in addition to the contractual obligations, Entergy s Transmission Business has $5.6 million of unrecognized tax benefits for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 6 to the audited combined financial statements of Entergy s Transmission Business for additional information regarding unrecognized tax benefits.

Entergy s Transmission Business does not have any off-balance sheet arrangements.

Regulatory Rate Proceedings

Entergy s Transmission Business is a component of the Utility business of Entergy, and the revenues specifically identified with or allocated to Entergy s Transmission Business in the accompanying financial statements are affected by the regulatory proceedings that affect Entergy s Utility Operating Companies rates and resulting revenues. The Utility business of Entergy s rate proceedings and cost recoveries include Entergy s Transmission Business as a part of Entergy s integrated Utility operations.

Open Access Transmission Tariff (OATT)

The OATT determines the service charges for Point-to-Point Transmission and Network Integration Transmission Service for the use of Entergy s transmission facilities. These rates are updated and filed annually with the FERC in May of each year based on actual data for the immediately preceding calendar year.

In May 2012, Entergy submitted the 2012 annual rate update under the Entergy OATT, which reflected an estimated increase in revenues of approximately $5.2 million. The update adjusts the charges applicable for OATT service from June 2012 through May 2013 based on historical 2011 cost data and other actual historical inputs. In September 2012, five parties filed a complaint challenging the rates and charges proposed by Entergy on various grounds. In October 2012, Entergy filed an answer to the complaint responding to the complainants allegations and asking that the complaint be dismissed.

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In May 2011, Entergy submitted the 2011 annual rate update under the Entergy OATT, which reflected an estimated increase in revenues of approximately $16.6 million. The update adjusts the charges applicable for OATT service for June 2011 through May 2012 based on historical 2010 cost data and other actual historical inputs. In September 2011, five parties filed a complaint challenging the rates and charges proposed by Entergy on various grounds. In October 2011, Entergy filed an answer to the complaint responding to the complainants allegations and asking that the complaint be dismissed. In January 2012, the FERC issued an order setting the rates for hearing and establishing settlement judge proceedings. A hearing has not been scheduled, the case is still in settlement judge proceedings, and on October 22, 2012, the settlement judge recommended that settlement judge proceedings continue.

In May 2010, Entergy submitted the 2010 annual rate update under the Entergy OATT, which reflected an estimated increase in revenues of approximately $9.5 million. Prior to FERC action on the filing, the parties conducted settlement discussions and, in October 2010, the parties reached a settlement in principle on the rate as filed. The FERC approved the settlement in March 2011.

Retail Rate Proceedings

The following chart summarizes Entergy s Utility Operating Companies retail base rates effective as of December 31, 2011:

Company	Authorized Return on Common Equity	
Entergy Arkansas	10.2%	- Retail base rates implemented in the July 2010 billing cycle pursuant to a settlement approved by the APSC.
Entergy Gulf States Louisiana	9.9%-11.4%	- Retail base rates based on Entergy Gulf States Louisiana s 2010 test year formula rate plan filing approved by the LPSC.
Entergy Louisiana	9.45%-11.05%	- Retail base rates based on Entergy Louisiana s 2010 test year formula rate plan filing approved by the LPSC.
Entergy Mississippi	10.54%-12.72%	- Retail base rates reflect Entergy Mississippi s 2010 test year formula rate plan filing and a stipulation approved by the MPSC.
Entergy New Orleans	10.7%-11.5%	- Retail base rates reflect Entergy New Orleans s 2010 test year formula rate plan filing and a settlement approved by the City Council.
Entergy Texas	10.125%	- Retail base rates reflect Entergy Texas s 2009 base rate case filing and a settlement approved by the PUCT.

For a discussion of the currently ongoing rate proceedings regarding the Utility operating companies retail base rates see Note 2 to the unaudited condensed combined financial statements of Entergy s Transmission Business.

Federal Regulation

Independent Coordinator of Transmission

In 2000, the FERC issued an order encouraging utilities to voluntarily place their transmission facilities under the control of independent RTOs. Delays in implementing the FERC RTO order occurred due to a variety of reasons, including the fact that utilities, other stakeholders, and federal and state regulators have had to work to resolve various issues related to the establishment of such RTOs. In November 2006, the Utility Operating Companies installed SPP as the ICT for the Entergy transmission system. The ICT structure approved by FERC is not an RTO under FERC Order No. 2000 and installation of the ICT did not transfer control of the Entergy transmission system to the ICT. Instead, the ICT performs some, but not all, of the functions performed by a typical RTO, as well as certain functions unique to the Entergy transmission system. In particular, the ICT was vested with responsibility for:

granting or denying transmission service on the Entergy transmission system;

administering the Utility Operating Companies OASIS node for purposes of processing and evaluating transmission service requests;

developing a base plan for Entergy s Transmission Business and deciding whether costs of transmission upgrades should be rolled into the Utility Operating Companies transmission rates or directly assigned to an individual;

serving as the reliability coordinator for the Entergy transmission system;

overseeing the operation of the weekly procurement process (WPP); and

evaluating interconnection-related investments already made on the Entergy transmission system for certain cost allocation purposes.
The FERC, in conjunction with the retail regulators of the Utility Operating Companies, hosted a conference on June 24, 2009, to discuss the ICT arrangement and transmission access on the Entergy transmission system. During the conference, several issues were raised by regulators and market participants, including the adequacy of the Utility Operating Companies capital investment in the transmission system, the Utility Operating Companies compliance with the existing NERC reliability planning standards, the availability of transmission service across the Entergy transmission system, and whether the Utility Operating Companies could have purchased lower cost power from merchant generators located on the Entergy transmission system rather than running their older generating facilities. On July 20, 2009, the Utility Operating Companies filed comments with the FERC responding to the issues raised during the conference. The comments explained that: 1) the Utility Operating Companies believe that the ICT arrangement has fulfilled its objectives; 2) the Utility Operating Companies transmission planning practices comply with laws and regulations regarding the planning and operation of the Entergy transmission system; and 3) these planning practices have resulted in a transmission system that meets applicable reliability standards and is sufficiently robust to allow the Utility Operating Companies both to substantially increase the amount of transmission service available to third parties and to make significant amounts of economic purchases from the wholesale market for the benefit of the Utility Operating Companies retail customers. The Utility Operating Companies also explained that, as with other transmission systems, there are certain times during which congestion occurs on the Entergy transmission system that limits the ability of the Utility Operating Companies as well as other parties to fully utilize the generating resources that have been granted transmission service. Additionally, the Utility Operating Companies committed in their response to exploring and working on potential reforms or alternatives for the ICT arrangement that could take effect following the initial term. The Utility Operating Companies comments also recognized that NERC was in the process of amending certain of its transmission reliability planning standards and that the amended standards, if approved by the FERC, would result in more stringent transmission planning criteria being applicable in the future. The FERC may also make other changes to transmission reliability standards. These changes to the reliability standards would result in increased capital expenditures by the Utility Operating Companies.

In 2009, the E-RSC, which is comprised of representatives from all of the Utility Operating Companies retail regulators, was formed to consider issues related to the ICT and the Entergy transmission system. Among other things, the E-RSC in concert with the FERC conducted a cost/benefit analysis comparing the ICT arrangement to other transmission proposals, including participation in an RTO.

In November 2010, the FERC issued an order accepting the Utility Operating Companies proposal to extend the ICT arrangement with SPP until November 2012. In addition, in December 2010 the FERC issued an order that granted the E-RSC additional authority over transmission upgrades and cost allocation. On July 10, 2012, the LPSC approved, subject to conditions, Entergy Gulf States Louisiana s and Entergy Louisiana s request to extend the ICT arrangement and to transition to MISO as the provider of ICT services effective as of November 2012 (with the actual transition expected to occur December 1, 2012) and continuing until the Utility Operating Companies join the MISO RTO, or December 31, 2013, whichever occurs first. No other retail regulatory filings with respect to the extension of the ICT arrangement and the transition from SPP to MISO as

ICT services provider are expected. On August 2, 2012, the Utility Operating Companies filed an application with FERC, seeking (a) an interim extension of the ICT arrangement through and until the earlier of December 31, 2014 or the date the proposed transfer of functional control of the Operating Companies transmission assets to the MISO RTO is completed and (b) the transfer from SPP to MISO as the provider of ICT services, effective December 1, 2012. The FERC issued an order accepting the proposal in October 2012. On November 1, 2012, the Utility Operating Companies filed further revisions to their OATT, including a Monitoring Plan and Retention Agreement, to establish Potomac Economics Ltd., MISO s current market monitor, as an independent Transmission Service Monitor for the Entergy transmission system, effective as of December 1, 2012. The Transition Service Monitor will monitor actions of Entergy and transmission customers within the Entergy region as related to systems operations, reliability coordination, transmission planning, and transmission reservations and scheduling. On December 31, 2012, the FERC issued an order accepting the filing, subject to limited modifications and a subsequent compliance filing.

Entergy s Proposal to Join MISO

On April 25, 2011, Entergy announced that each of the Utility Operating Companies propose joining MISO, which is expected to provide long-term benefits for the customers of each of the Utility Operating Companies. MISO is an RTO that operates in eleven U.S. states (Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Montana, North Dakota, South Dakota, and Wisconsin) and also in Canada. Each of the Utility Operating Companies filed an application with its retail regulator concerning the proposal to join MISO and transfer control of each company s transmission assets to MISO. The applications to join MISO sought a finding that membership in MISO is in the public interest. Becoming a member of MISO will not affect the ownership by the Utility Operating Companies of their transmission facilities or the responsibility for maintaining those facilities. Once the Utility Operating Companies are fully integrated as members, however, MISO will assume control of transmission planning and congestion management and, through its Day 2 market, MISO will provide instructions for the commitment and dispatch of generation that is bid into MISO s markets.

The LPSC voted to grant Entergy Gulf States Louisiana s and Entergy Louisiana s application for transfer of control to MISO, subject to conditions, on May 23, 2012, and issued its order on June 28, 2012.

On October 26, 2012, the APSC authorized Entergy Arkansas to sign the MISO Transmission Owners Agreement, which Entergy Arkansas has now done, and move forward with the MISO integration process. The APSC stated in its order that it would give conditional approval of Entergy Arkansas s application upon MISO s filing with the APSC of proof of approval by the appropriate MISO entities of certain governance enhancements. On October 31, 2012, MISO filed with the APSC proof of approval of the governance enhancements and requested a finding of compliance and approval of Entergy Arkansas's application. On November 21, 2012, the APSC issued an order requiring that MISO file a higher level of proof that the MISO Transmission Owners have officially approved and adopted one of the proposed governance enhancements in the form of sworn compliance testimony, or a sworn affidavit, from the chairman of the MISO Transmission Owners Committee. On January 7, 2013, MISO filed its Motion for Finding of Compliance with the Requirements of Order No. 74, including the Compliance Testimony of Clair J. Moeller. Also appended to the filing was a copy of the testimony of Dennis Kramer, Chairman of the MISO Transmission Owners Committee, in support of a filing at the FERC made January 4, 2013, in Docket No. ER13-708 on behalf of MISO and a majority of its transmission owners, jointly submitting changes to Appendix K of the MISO Transmission Owner Agreement (TOA) to implement the governance enhancements. MISO stated that the evidence submitted to the APSC showed that a majority of the MISO Transmission Owners have adopted and approved the MISO governance enhancements and the joint filing submitted to the FERC on January 4, 2013, and asked that the APSC find MISO in compliance with the conditions of the APSC s October 26, 2012 order, and that the APSC expeditiously enter an order approving Entergy Arkansas s application to join MISO.

On September 17, 2012, Entergy Mississippi and the Mississippi Public Utilities Staff filed a joint stipulation indicating that they agree that Entergy Mississippi s proposed transfer of functional control of its transmission facilities to MISO is in the public interest, subject to certain contingencies and conditions. On

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November 15, 2012, the MPSC issued an order concerning the application of Entergy Mississippi. In the order of the MPSC, the MPSC approved a joint stipulation filed by Entergy Mississippi and the Mississippi Public Utilities Staff, concluding that Entergy Mississippi s proposed transfer of functional control of its transmission facilities is in the public interest, subject to certain conditions.

On November 15, 2012, the City Council issued a resolution concerning the application of Entergy New Orleans. In the resolution issued by the City Council, the City Council approved a settlement agreement agreed to by Entergy New Orleans, Entergy Louisiana, MISO, and the advisors to the City Council related to joining MISO and found that it is in the public interest for Entergy New Orleans and Entergy Louisiana to join MISO, subject to certain conditions.

Entergy Texas submitted its change of control filing on April 30, 2012. On August 6, 2012, parties in the PUCT proceeding, with the exception of the Southwest Power Pool, filed a non-unanimous settlement. The substance of the settlement is that it is in the public interest for Entergy Texas to transfer operational control of its transmission facilities to MISO under certain conditions. On October 26, 2012, the PUCT issued an order approving the transfer as in the public interest, subject to the terms and conditions in the settlement, with several additional terms and conditions requested by the PUCT and agreed to by the settling parties.

With these actions on the applications, the Utility Operating Companies have obtained from all of the retail regulators the public interest findings sought by the Utility Operating Companies in order to move forward with their plan to join MISO. Each of the retail regulators orders includes conditions, some of which entail compliance prospectively.

On January 23, 2013, Entergy Arkansas filed a Motion to Discontinue Activities Necessary to Operate as a True Stand-Alone Electric Utility and the Supplemental Direct Testimonies of Hugh T. McDonald, Kurtis W. Castleberry, and Tom D. Reagan. Given the status of activities associated with Entergy Arkansas s integration into MISO, which are proceeding on schedule, and other considerations described in Entergy Arkansas s filing, Entergy Arkansas requested an Order from the Commission authorizing it to drop the stand alone option by March 1, 2013.

The target implementation date for joining MISO is December 2013. Entergy believes that the decision to join MISO should be evaluated separately from and independent of the decision regarding the ownership of the Entergy transmission system, and Entergy plans to continue to pursue the MISO proposal and the planned spin-off and merger of Entergy s Transmission Business on parallel regulatory paths.

In June 2011, MISO filed with the FERC a request for a transitional waiver of provisions of its open access transmission, energy, and operating reserve markets tariff regarding allocation of transmission network upgrade costs, in order to establish a transition for the integration of the Utility Operating Companies. In September 2011 the FERC issued an order denying on procedural grounds MISO s request, further advising MISO that submitting modified tariff sheets is the appropriate method for implementing the transition that MISO seeks for the Utility Operating Companies. The FERC did not address the merits of any transition arrangements that may be appropriate to integrate the Utility Operating Companies into MISO. MISO worked with its stakeholders to prepare the appropriate changes to its tariff and filed the proposed tariff changes with the FERC in November 2011. On April 19, 2012, the FERC conditionally accepted MISO s proposal related to the allocation of transmission upgrade costs in connection with the transition and integration of the Utility Operating Companies into MISO. On May 21, 2012, MISO filed a compliance filing in accordance with the provisions of the FERC s April 19, 2012 Order. Westar Energy, Inc. and Arkansas Electric Cooperative Corporation filed requests for rehearing of the FERC s April 19, 2012 Order. On June 11, 2012, FERC issued a tolling order granting the pending rehearing requests for purposes of further consideration. On November 15, 2012, FERC issued an order denying the requests for rehearing of the April 19, 2012 Order, and conditionally accepting the May 21, 2012 compliance filing, subject to a further compliance filing due within 30 days of the date of the November 15, 2012 Order. On December 17, 2012, MISO and the MISO Transmission Owners submitted to the FERC proposed revisions to the MISO Tariff in compliance with the FERC s November 15, 2012 Order, with respect to the cost allocation of Network Upgrades in connection with a transition period for the integration of the Utility Operating Companies.

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On February 15, 2013, ESI, on behalf of the Utility Operating Companies, made a filing with FERC requesting to adopt the Attachment O formula rate template used by transmission owners to establish transmission rates within MISO. The filing proposes four transmission pricing zones for the Utility Operating Companies, one for Entergy Arkansas, one for Entergy Mississippi, one for Entergy Texas, and one for Entergy Louisiana, Entergy Gulf States Louisiana, and Entergy New Orleans. The filing requests a ruling from FERC by April 30, 2013. Also on February 15, 2013, MISO and Entergy Arkansas and Entergy Mississippi filed with FERC proposed revisions to Attachment P of MISO s Tariff, to list the existing transmission and related agreements between each of Entergy Arkansas and Entergy Mississippi and each of their counterparties as Grandfathered Agreements.

In addition, the Utility Operating Companies have proposed giving authority to the E-RSC, upon unanimous vote and within the first five years after the Utility Operating Companies join the MISO RTO, (i) to require the Utility Operating Companies to file with the FERC a proposed allocation of certain transmission upgrade costs among the Utility operating companies transmission pricing zones that would differ from the allocation that would occur under the MISO OATT and (ii) to direct the Utility Operating Companies as transmission owners to add projects to MISO s transmission expansion plan.

Notice to SERC Reliability Corporation Regarding Reliability Standards and FERC Investigation

Entergy has notified the SERC Reliability Corporation (SERC) of potential violations of certain NERC reliability standards, including certain Critical Infrastructure Protection, Facilities Design, Connection and Maintenance, and System Protection and Control standards. Entergy is working with the SERC to provide information concerning these potential violations. In addition, FERC s Division of Investigations is conducting an investigation of certain issues relating to the Utility Operating Companies compliance with certain reliability standards related to protective system maintenance, facility ratings and modeling, training, and communications. The Energy Policy Act of 2005 provides authority to impose civil penalties for violations of the FPA and FERC regulations.

U.S. Department of Justice Investigation

In September 2010, Entergy was notified that the U.S. Department of Justice had commenced a civil investigation of competitive issues concerning certain generation procurement, dispatch, and transmission system practices and policies of the Utility Operating Companies. On November 14, 2012, the U.S. Department of Justice issued a press release in which the U.S. Department of Justice stated, among other things, that the civil investigation concerning certain generation procurement, dispatch, and transmission system practices and policies of the Utility Operating Companies would remain open. However, the release noted the intention of each of the Utility Operating Companies to join MISO and Entergy s agreement with ITC to undertake the transactions. The release stated that if Entergy follows through on these matters, the U.S. Department of Justice s concerns will be resolved. The release further stated that the U.S. Department of Justice will monitor developments, and in the event that Entergy does not make meaningful progress, the U.S. Department of Justice can and will take appropriate enforcement action, if warranted.

Market Risk Sensitive Instruments

Entergy s Transmission Business has limited exposure to the effects of market risk because it operates primarily under cost-based rate regulation.

Critical Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to apply appropriate accounting policies and to make estimates and judgments that can have a significant effect on reported financial position, results of operations, and cash flows. Management has identified the following accounting policies and estimates as critical because they are based on assumptions and measurements that involve a high degree of uncertainty, and the potential for future changes in the assumptions and measurements that could produce estimates that would have a material effect on the presentation of financial position or results of operations.

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Rate Regulation

Entergy s Transmission Business is subject to regulation by the FERC and state and local regulators. As a result, it applies accounting standards applicable to the effects of certain types of regulation. Use of this accounting guidance results in differences in the application of U.S. GAAP between regulated and non-regulated businesses and requires the recording of regulatory assets and liabilities for certain transactions that would have been treated as expense or revenue in non-regulated businesses. Future regulatory changes, changes in the competitive environment, or other business changes could affect the future application of the guidance for accounting for the effects of certain types of regulations.

Qualified Pension and Other Postretirement Benefits

Entergy s Transmission Business participates in Entergy-sponsored qualified, defined benefit pension plans which cover substantially all employees. Additionally, Entergy currently provides postretirement health care and life insurance benefits for substantially all employees who reach retirement age while still working for Entergy. The reported costs of providing these benefits are affected by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. Key actuarial assumptions utilized in determining these costs include: the discount rates used in determining the future benefit obligations; projected health care cost trend rates; the expected long-term rate of return on plan assets; and the rate of increase in future compensation levels. In selecting an assumed discount rate to calculate benefit obligations, market yields on high-quality corporate debt are reviewed and matched with the projected stream of benefit payments. Actual recent cost trends and projected future trends are reviewed in establishing health care cost trend rates. In determining the expected long-term rate of return on plan assets, past long-term performance, asset allocations, and long-term inflation assumptions are reviewed. These assumptions are reviewed annually and adjusted as necessary. For additional discussion of the accounting for and costs associated with qualified pension and other postretirement benefits, see Note 7 to the audited combined financial statements of Entergy s Transmission Business and Note 4 to the unaudited condensed combined financial statements of Entergy s Transmission Business.

Contingent Obligations

Entergy s Transmission Business is subject to a number of federal and state laws and regulations, as well as other factors and conditions, which potentially subject it to environmental, litigation, income tax and other risks. Exposure to such risks is evaluated periodically and reserves are recorded for those matters when a loss is considered probable and reasonably estimable in accordance with U.S. GAAP. The adequacy of reserves can be significantly affected by external events or conditions that can be unpredictable; thus, the ultimate outcome of such matters could materially affect the financial statements. These events or conditions include, without limitation, the following:

- Changes in existing state or federal regulation by governmental authorities having jurisdiction over air quality, water quality, control of toxic substances, hazardous and solid wastes, and other environmental matters.
- Changes in existing federal income tax laws or Internal Revenue Service regulations.
- Identification and evaluation of potential lawsuits or complaints in which the business may be or has been named as a defendant.
- Resolution or progression of existing matters through the legislative process, the courts, the Internal Revenue Service, or the Environmental Protection Agency.

New Accounting Pronouncements

The accounting standard-setting process, including projects between the FASB and the International Accounting Standards Board (IASB) to converge U.S. GAAP and International Financial Reporting Standards (IFRSs), is ongoing and the FASB and the IASB are each currently working on several projects that have not yet resulted in final pronouncements. Final pronouncements that result from these projects could have a material effect on Entergy s Transmission Business s future net income, financial position, or cash flows.

THE TRANSACTIONS

Overview

On December 4, 2011, ITC and Entergy agreed to enter into transactions to effect the transfer of Entergy s Transmission Business to ITC. These transactions provide for the separation and distribution of Entergy s Transmission Business and the subsequent merger of Merger Sub with and into TransCo, with TransCo surviving as a wholly-owned subsidiary of ITC. In order to effect the separation, distribution and merger, ITC, Merger Sub, Entergy and TransCo entered into the merger agreement; Entergy, ITC, TransCo, each of Entergy s Utility Operating Companies and ESI entered into the separation agreement and Entergy, ITC and TransCo entered into the employee matters agreement. In addition, ITC, Entergy, TransCo or their respective affiliates will also enter into a series of ancillary agreements in connection with the transactions. These agreements, which are described in greater detail in this proxy statement/prospectus, govern the relationship among ITC, Entergy, TransCo and their respective affiliates after the separation. Entergy s transmission assets and liabilities are currently owned by Entergy s Utility Operating Companies and ESI. Each Utility Operating Company will transfer its specified transmission assets and liabilities to a newly formed subsidiary of such Utility Operating Company as follows: Entergy Arkansas to Transmission Company Arkansas, LLC, Entergy Gulf States Louisiana to Transmission Company Louisiana I, LLC, Entergy Louisiana to Transmission Company Louisiana II, LLC, Entergy Mississippi to Transmission Company Mississippi, LLC, Entergy New Orleans to Transmission Company New Orleans, LLC, and Entergy Texas to Transmission Company Texas, LLC, such subsidiaries are referred to as the TransCo Subs. Each of Entergy s Utility Operating Companies will distribute its respective TransCo Sub to Entergy, and Entergy will contribute the TransCo Subs to TransCo. ESI will transfer its specified transmission assets to one or more TransCo Subs. As partial consideration for the contribution of the TransCo Subs to TransCo, TransCo will issue additional TransCo common units to Entergy, which will be distributed to the distribution agent for the benefit of Entergy s shareholders in the distribution, and TransCo debt securities. The agreements also provide for Entergy s distribution of all of the TransCo common units to a third-party exchange agent to be held collectively for the benefit of Entergy shareholders, the merger of Merger Sub with and into TransCo, with TransCo continuing as the combined company and a wholly-owned subsidiary of ITC, and the conversion of the TransCo common units into shares of ITC common stock and the payment of cash in lieu of fractional shares. Under the terms of the merger agreement, Entergy may elect to retain a number of TransCo common units that would convert in the merger to up to 4.9999% of the total number of shares of ITC common stock outstanding immediately following the consummation of the merger and contribute such TransCo common units to an irrevocable trust and such TransCo common units will not be distributed to Entergy shareholders in the distribution. See Exchange Trust.

Transaction Timeline

Below is a step-by-step list illustrating the material events relating to the separation, distribution and merger. Each of these events is discussed in more detail elsewhere in this proxy statement/prospectus. ITC and Entergy anticipate that the steps will generally occur in the following order, although the exact order of any particular steps may vary:

Step #1 *Entergy Exchangeable Debt*. At least fourteen days prior to the debt exchange, Entergy will issue or unrelated creditors will purchase Entergy exchangeable debt (as more fully described in The Financings Entergy Exchangeable Debt). The amount of Entergy exchangeable debt to be issued or purchased is expected to be $575 million, but in any case will be of equal aggregate principal amount as the TransCo debt securities.

Step #2 *ITC Financing, ITC Special Dividend and/or Share Repurchase*. Prior to the merger, ITC may, in its sole discretion, elect to (i) declare a one-time special dividend payable to pre-merger ITC shareholders, (ii) effect a share repurchase of ITC common stock, or (iii) undertake a combination of a one-time special dividend and share repurchase of ITC common stock. The aggregate amount payable to ITC shareholders in connection with a one-time special dividend or share repurchase or a combination of both will not exceed $700 million. Prior to the merger, ITC expects to enter into debt financings to fund any such transactions.

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Step #3 *Entergy Corporate Reorganization*. On or prior to the separation date, Entergy, the Utility Operating Companies and other Entergy affiliates will effectuate a series of restructuring transactions. Such restructuring transactions will include (i) each Utility Operating Company redeeming its outstanding preferred equity interests, if any, and (ii) each Utility Operating Company merging with and into a newly formed, directly or indirectly, wholly owned limited liability company of Entergy with such limited liability company surviving.

Step #4 *TransCo Subs Financing; Utility Operating Companies Contribution of Transmission Assets*. Each of the TransCo Subs will effectuate the TransCo Subs Financing (as more fully described in The Financings TransCo Subs Financing). The aggregate amount of all TransCo Subs Financing is expected to be $1.2 billion. Simultaneously with or immediately after the TransCo Subs Financing, each Utility Operating Company (now in limited liability company form) will transfer its respective specified transmission assets and liabilities to its respective TransCo Sub and, as part of the consideration for such transfer, each Utility Operating Company will receive the net proceeds of the respective TransCo Sub Financing.

Step #5 *Distribution of TransCo Subs to Entergy*. All of the equity interests in each respective TransCo Sub will be distributed to Entergy.

Step #6 *Entergy Contribution*. Entergy will contribute to TransCo all of the equity interests of each TransCo Sub and cash in exchange for (i) the number of TransCo common units determined pursuant to the merger agreement and (ii) the TransCo debt securities (as more fully described below and in The Financings Issuance of TransCo Debt Securities).

Step #7 *Transfer of ESI Assets to TransCo or One or More TransCo Subs*. Using the cash received in Step #6 TransCo or one or more TransCo Subs will purchase certain assets owned by ESI.

Step #8 *The Distribution*. Entergy will effect the distribution of the TransCo common units to the Entergy shareholders through a spin-off, split-off exchange offer or a combination of a spin-off and split-off exchange offer. At the closing of the distribution, the TransCo common units will be delivered to the distribution agent, who will hold such shares for the benefit of Entergy shareholders. In the event Entergy makes the exchange trust election, Entergy will contribute the TransCo common units to be held by the exchange trust at or prior to the distribution.

Step #9 *The Debt Exchange*. At the time of the separation, it is expected that Entergy will effect an exchange of the TransCo debt securities for the Entergy exchangeable debt.

Step #10 *The Merger*. Merger Sub will be merged with and into TransCo with TransCo surviving the merger as a wholly owned subsidiary of ITC. In the merger, the TransCo common units held by the distribution agent will be converted into the number of shares of ITC common stock such that immediately after the merger, Entergy shareholders (and, if applicable, the exchange trust) will collectively own approximately 50.1% of ITC common stock on a fully diluted basis, and existing ITC shareholders will collectively own approximately 49.9% of ITC common stock on a fully diluted basis (subject to adjustment in limited circumstances as provided in the merger agreement and excluding any ITC equity awards issued to employees of Entergy s Transmission Business who become employees of TransCo). In no event will Entergy shareholders (and, if applicable, the exchange trust) hold less than 50.1% of the outstanding common stock of ITC immediately after the merger.

Step #11 *Distribution of ITC Common Stock to Entergy Shareholders*. The distribution agent will distribute shares of ITC common stock and cash in lieu of fractional share interests to Entergy shareholders on a *pro rata* (with certain limited exceptions) basis in accordance with the terms of the merger agreement (assuming Entergy elects to effectuate the distribution through a spin-off).

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Set forth below are diagrams that graphically illustrate, in simplified form, the existing corporate structure, the corporate structure immediately following the distribution but before the merger, and the corporate structure immediately following the consummation of the transactions.

Set forth below are diagrams that graphically illustrate, in simplified form, the existing corporate structure, the corporate structure immediately following the distribution but before the merger, and the corporate structure immediately following the consummation of the transactions, in the event that Entergy elects to transfer TransCo common units to the exchange trust pursuant to an exchange trust election. If Entergy makes the exchange trust election, Entergy will transfer to the exchange trust the number of TransCo common units that would convert in the merger up to 4.9999% of the total number of shares of ITC common stock outstanding following consummation of the merger that would otherwise have been distributed in the distribution. In such event, the number of such transferred TransCo common units would be approximately 9.9% of the total number of TransCo common units outstanding at the time of the distribution. For more information on the exchange trust and the exchange trust election, see Exchange Trust.

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The Separation and Distribution

The Separation

Prior to the merger of ITC s wholly owned subsidiary, Merger Sub, with and into TransCo, Entergy will undergo an internal restructuring to separate and consolidate Entergy s Transmission Business under TransCo pursuant to the terms of the separation agreement.

On or prior to the separation date, Entergy, the Utility Operating Companies and other Entergy affiliates will effectuate a series of restructuring transactions. Such restructuring transactions will include (i) each Utility Operating Company redeeming its outstanding preferred equity interests, if any, and (ii) each Utility Operating Company merging with and into a newly formed, directly or indirectly wholly-owned limited liability company of Entergy with such limited liability company surviving.

Simultaneously with or immediately after the TransCo Subs Financing, each Utility Operating Company will transfer its respective specified transmission assets and liabilities to its respective TransCo Sub, referred to as the Utility Operating Companies contributions. In consideration of the Utility Operating Companies

contributions, each Utility Operating Company will receive the net proceeds of the respective TransCo Sub Financing. See The Separation Agreement The Separation Transfer of Assets, The Separation Agreement The Separation Assumption of Liabilities and The Financings TransCo Subs Financing.

Immediately thereafter, the Utility Operating Companies and certain other intermediate holding companies of Entergy will distribute the equity interests of the TransCo Subs so that Entergy will be the direct holder of the equity interests of each TransCo Sub.

Immediately thereafter, Entergy will contribute all the equity interests in each TransCo Sub to TransCo and cash in exchange for (i) a number of common units representing limited liability company interests in TransCo, referred to as the TransCo common units, such number not to be less than the number which will be necessary for the Entergy shareholders (and, if applicable, the exchange trust) immediately prior to the merger to constitute the holders of at least 50.1% of the outstanding ITC common stock on a fully diluted basis immediately following the merger and (ii) TransCo debt securities. Immediately thereafter, TransCo will purchase certain assets owned by ESI.

The Distribution

Pursuant to the merger agreement and prior to the merger, Entergy will distribute 100% of the TransCo common units (excluding any TransCo common units to be contributed to the exchange trust in the event Entergy makes the exchange trust election) to Entergy s shareholders through a spin-off, a split-off exchange offer or a combination of the two, referred to as the distribution.

If the distribution includes a spin-off, each record holder of Entergy common stock (other than restricted Entergy common stock) will be entitled to receive its *pro rata* share of TransCo common units subject to the spin-off.

If the distribution includes a split-off exchange offer of TransCo common units for currently outstanding shares of Entergy common stock, in the event that there are unsubscribed TransCo common units resulting from such split-off exchange offer, Entergy will distribute them to Entergy shareholders, a transaction referred to as the clean-up spin-off. In a clean-up spin-off, each record holder of Entergy common stock (other than Entergy restricted common stock) will be entitled to receive its *pro rata* share of TransCo common units subject to the clean-up spin-off.

The Merger

In accordance with the merger agreement and Delaware law, immediately following the distribution, Merger Sub will merge with and into TransCo. As a result of the merger, the separate corporate existence of Merger Sub will cease and TransCo will continue as the surviving entity and will become a wholly-owned direct subsidiary of ITC. Following the merger, ITC will continue the combined business operations of TransCo and ITC.

Entergy shareholders (who following the distribution will have become unit holders of TransCo) will be entitled to receive a number of shares of ITC common stock to be determined based on the calculation set forth below under Calculation of the Merger Consideration. Holders of Entergy common stock (who following the distribution will have become holders of TransCo common units) will not be required to pay for the shares of ITC common stock they receive and will also retain all of their Entergy common stock. Existing shares of ITC common stock will remain outstanding.

Calculation of the Merger Consideration

The merger agreement provides that each TransCo common unit issued and outstanding immediately before the effective time of the merger (which calculation is described below) will automatically convert at the effective

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time of the merger into the right to receive one fully paid and nonassessable share of ITC common stock. However, each TransCo common unit that is owned, directly or indirectly, by ITC or Merger Sub or held by TransCo, immediately prior to the effective time of the merger, will be automatically cancelled at the effective time of the merger.

No fractional shares of ITC common stock will be issued in the merger to holders of fractional TransCo common units. Instead, within 30 business days following the effective time of the merger, the exchange agent will aggregate all fractional shares of ITC common stock and sell them on behalf of those Entergy shareholders who otherwise would be entitled to receive a fractional share of ITC common stock. Those Entergy shareholders will then receive a cash payment in an amount equal to their *pro rata* share of the total net proceeds of those sales.

As further described above under The Separation and Distribution and under The Merger Agreement, in the separation, TransCo will issue to Entergy a number of TransCo common units equal to the sum of:

- the number obtained by multiplying (i) 1.00400801603206 by (ii) the number of ITC shares of common stock on a fully diluted basis (calculated as detailed in the merger agreement and as summarized below), as estimated by ITC and Entergy on the estimation date (as defined below) less the number of common units of TransCo outstanding immediately prior to such calculation (which are estimated to be approximately 1,000); plus

- the number obtained by dividing the aggregate disqualified share number (as defined below) by 49.9% (provided that such number will not exceed an amount that would reduce, as calculated in the merger agreement, the transaction maximum principal amount of indebtedness of $1.775 billion to be incurred by TransCo by the issuance of TransCo debt securities and the TransCo Subs in the TransCo Subs Financing by more than $100 million).

The term fully diluted basis means Entergy and ITC s estimate of the number of shares of ITC common stock that will be outstanding on the closing date of the merger, together with the estimated amount of shares of ITC common stock that will be issuable on the closing date of the merger upon the exercise of any options, rights or units based on the treasury stock method (other than the shares of ITC common stock issued or to be issued in the merger, including pursuant to the employee matters agreement) as further detailed in the merger agreement.

The estimation date will be the nearest reasonably practicable date prior to the last trading day that ends at least 20 trading days prior to the date the distribution will be expected to occur, as mutually agreed by Entergy and ITC.

The aggregate disqualified share number means ITC s and Entergy s best estimate of the number of shares of ITC common stock issuable upon the conversion of Entergy stock options and restricted shares to ITC stock options and restricted shares that are reasonably likely to be treated as being issued as part of a plan or series of related events for U.S. federal income tax purposes that would cause the distribution to be treated as a taxable event.

In the event ITC decides to effectuate the $700 million recapitalization through a repurchase of ITC shares of common stock or a combination of a repurchase of ITC shares of common stock and a one-time special dividend, the number of ITC shares of common stock outstanding for purposes of the formula described above will decrease by the number of shares repurchased by ITC (or the estimated number of shares anticipated to be repurchased if the repurchase is to occur after the estimation date).

The merger agreement also provides that the number of TransCo common units to be issued to Entergy will in no event be less than that number which will be necessary for the Entergy shareholders (and, if applicable, the exchange trust) immediately prior to the merger to constitute the holders of at least 50.1% of the outstanding ITC common stock immediately following the merger, as determined under U.S. federal income tax rules to ensure

that the spin-off or split-off exchange offer is not taxable to Entergy. Except as otherwise described in the second bullet above, in the event that the application of the previous sentence shall require an increase in the number of TransCo common units to be issued to Entergy, Entergy and ITC shall in good faith mutually agree to such other modifications to the financial terms of the merger agreement, including the amount of the ITC recapitalization and or the transaction maximum principal amount of debt to be incurred by TransCo and the TransCo Subs.

The following illustration sets forth the manner in which the number of TransCo common units issued to Entergy will be calculated. For purposes of this calculation only, we make the following assumptions:

- the effective time of the separation, distribution and merger occurred on February 22, 2013;
- the record date for the separation, distribution and merger is February 22, 2013;
- the number of ITC shares on a fully diluted basis as estimated by ITC and Entergy on the estimation date in accordance with the separation agreement is equal to the number of fully diluted shares of ITC common stock outstanding as of February 22, 2013, and that as of February 22, 2013, there were 52,272,168 shares of ITC common stock outstanding and 52,741,871 shares of ITC common stock outstanding on a fully diluted basis;
- the number of TransCo common units outstanding immediately prior to the calculation is 1,000; and
- the aggregate disqualified share number is zero.

To determine the number of TransCo common units TransCo will issue to Entergy in the separation, first (i) 1.00400801603206 must be multiplied by (ii) 52,741,871 (the estimated number of fully-diluted shares of ITC common stock) less 1,000 (the number of TransCo common units outstanding immediately prior to the calculation), which equals approximately 52,952,261. Then, add to this result the figure obtained by (i) dividing the aggregate disqualified share number (in our illustration zero) by (ii) 49.9%, which equals zero. Therefore, for purposes of this illustration, the number of common units TransCo issued to Entergy is estimated to be 52,952,261 each of which, together with the 1,000 TransCo common units outstanding and held by Entergy immediately prior to the merger, will automatically convert at the effective time of the merger into the right to receive one fully paid and nonassessable share of ITC common stock.

As further described above under The Separation and Distribution and under The Merger Agreement , in the distribution, Entergy will distribute 100% of the TransCo common units (excluding any TransCo common units to be contributed to the exchange trust in the event Entergy makes the exchange trust election) to Entergy s shareholders. Assuming the distribution includes a spin-off, each record holder of Entergy common stock (other than holders of restricted Entergy common stock) will be entitled to receive its *pro rata* share of TransCo common units subject to the spin-off. The merger agreement provides that each TransCo common unit issued and outstanding immediately before the effective time of the merger will automatically convert at the effective time of the merger into the right to receive one fully paid and nonassessable share of ITC common stock. Thus, for purposes of this illustration, the aggregate number of shares of ITC common stock Entergy shareholders are estimated to receive in the merger is 52,953,261 (the number of TransCo common units issued and outstanding immediately prior to the merger), which represents approximately 50.1% of the outstanding shares of ITC common stock on a fully diluted basis following the merger.

In addition, as further described in more detail in the section entitled Effects of the Distribution and the Merger on Entergy Equity Awards/Plan employees of Entergy s Transmission Business that will become TransCo employees will have their Entergy restricted stock, Entergy stock options, and Entergy units converted into a number of similarly restricted shares of ITC common stock, ITC stock options and ITC stock units based on the Equity Exchange Ratio described in such section. The maximum number of shares of ITC common stock that could be converted or issued from such ITC restricted stock, ITC stock options and ITC stock units issued to such TransCo employees is estimated as of February 22, 2013 to be 128,521 shares (based on estimated number of Entergy restricted stock, Entergy stock options, and Entergy stock units held by the expected employees of Entergy s Transmission Business that will become TransCo employees, in each case as of September 30, 2012) and

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assuming an Equity Exchange Ratio of .903 (as calculated in the employee matters agreement and, for purposes of this illustration only, using valuations as of February 22, 2013). The issuance of such ITC restricted stock, ITC stock options, and ITC stock units is not part of the merger consideration; however, in the event the issuance of such ITC restricted stock and ITC stock options were reasonably likely to be treated as being issued as part of a plan or series of related events for U.S. federal income tax purposes that would cause the distribution to be treated as a taxable event, it is estimated that TransCo would issue an additional 257,557 TransCo common units to Entergy pursuant to the second bullet above (as calculated in the merger agreement and, assuming for this illustration only, using valuations as of February 22, 2013) and each such additional TransCo common unit would convert into a share of ITC common stock in the merger. As a result of the issuance of such additional TransCo common units in the preceding sentence, the transaction maximum principal amount of indebtedness of $1.775 billion to be incurred by TransCo by the issuance of TransCo debt securities and the TransCo Subs in the TransCo Subs Financing would be expected to be reduced by $35.5 million (as calculated in the merger agreement and, assuming for this illustration only, using valuations as of February 22, 2013). In such event, and based on the assumptions specified above, the ITC shareholders immediately prior to the merger would be expected to own approximately 49.8% of ITC common stock on a fully diluted basis immediately after the merger.

The number of shares of ITC common stock that Entergy shareholders are entitled to receive will be finally determined at the times specified in the merger agreement at or immediately prior to the distribution and merger. Because the actual number of ITC common stock outstanding on a fully diluted basis as of the effective time of the merger will likely be different from the number of fully diluted shares outstanding as of February 22, 2013 (as set forth in the above illustration), the actual number of shares of ITC common stock that Entergy shareholders are entitled to receive will change. In any event, the merger agreement provides that the number of TransCo common units to be issued to Entergy will not be less than that number which will be necessary for the Entergy shareholders (and, if applicable, the exchange trust) immediately prior to the merger to constitute the holders of at least 50.1% of the outstanding ITC common stock immediately following the merger, as determined under U.S. federal income tax rules to ensure that the spin-off or split-off exchange offer is not taxable to Entergy.

In addition, the number of ITC restricted stock, stock options, and stock units to be issued to employees who will become TransCo employees will be finally determined at the times specified in the employee matters agreement at or immediately prior the time of the distribution and merger and will likely be different than as illustrated above. In addition, the calculation of the aggregate amount of disqualified shares, if any, and the corresponding reduction, if any, of the transaction maximum principal amount to be incurred by TransCo and TransCo Subs will also be finally determined at the times specified in the merger agreement at or immediately prior to the distribution and merger and will likely be different than as illustrated above.

Please read carefully the merger agreement, the separation agreement and the employee matters agreement, each of which is incorporated herein by reference.

Trading Markets

Entergy Common Stock

Entergy common stock is currently listed on the NYSE and CHX under the ticker symbol ETR. In the event the distribution is effectuated as a spin-off, it is currently expected that beginning not earlier than two (2) business days before the record date to be established for the distribution, and continuing through the closing date of the merger, there will be two markets in Entergy common stock on the NYSE and CHX: a regular way market and an ex-distribution market.

If an Entergy shareholder sells shares of Entergy common stock in the regular way market under the symbol ETR during this time period, that Entergy shareholder will be selling both his or her shares of Entergy common stock and the right (represented by a due-bill) to receive TransCo common units that will be converted into shares of ITC common stock, and cash in lieu of fractional shares (if any), at the closing of the merger. Entergy shareholders should consult their brokers before selling their shares

of Entergy common stock in the regular way market during this time period to be sure they understand the effect of the NYSE and CHX due-bill procedures. The due-bill process is not managed, operated or controlled by Entergy.

If an Entergy shareholder sells shares of Entergy common stock in the ex-distribution market during this time period, that Entergy shareholder will be selling only his or her shares of Entergy common stock, and will retain the right to receive TransCo common units that will be converted into shares of ITC common stock, and cash in lieu of fractional shares (if any), at the closing of the merger. It is currently expected that ex-distribution trades of Entergy common stock will settle within three (3) business days after the closing date of the merger and that if the merger is not completed all trades in this ex-distribution market will be cancelled. After the closing date of the merger, shares of Entergy common stock will no longer trade in the ex-distribution market, and shares of Entergy common stock that are sold in the regular way market will no longer reflect the right to receive TransCo common units that will be converted into shares of ITC common stock, and cash in lieu of fractional shares (if any), at the closing of the merger.

TransCo Common Units

There currently is no trading market for TransCo common units, and no such trading market will be established in the future.

ITC Common Stock

ITC common stock is currently listed on the NYSE under the ticker symbol ITC. In the merger agreement, ITC agreed to use its reasonable best efforts to cause the shares of ITC common stock to be issued in the merger to be listed on the NYSE as of the effective time of the merger. After the merger, shares of ITC common stock, as the combined company, will continue to trade on the NYSE under the same symbol ITC.

Exchange Trust

Pursuant to the terms of the merger agreement, Entergy may elect, at least thirty (30) business days prior to the closing of the merger to retain up to the number of TransCo common units that would convert in the merger to up to 4.9999% of the total number of shares of ITC common stock outstanding immediately following the consummation of the merger that otherwise would have been distributed in the distribution, such election is referred to as the exchange trust election. If Entergy makes an exchange trust election, and subject to the conditions in the merger agreement, Entergy, TransCo, ITC and a trustee will enter into a trust agreement, referred to as the exchange trust agreement. Under the terms of the exchange trust agreement, at the time of the distribution, Entergy will transfer such TransCo common units to an irrevocable Delaware trust, referred to as the exchange trust. The TransCo common units transferred to the exchange trust will not be distributed to Entergy shareholders in the distribution and, at the closing of the merger, will subsequently be converted into ITC common stock in the merger. The trustee of the trust will own and hold legal title to the TransCo common units or ITC common stock. Pursuant to the exchange trust agreement, the exchange trust will hold the shares for the benefit of Entergy and Entergy shareholders; provided, however, in no event will the ITC common stock held by the exchange trust be transferred back to Entergy. Upon delivery of notice by Entergy, the exchange trustee will conduct an exchange offer whereby Entergy shareholders may exchange Entergy common stock for the ITC common stock held by the exchange trust pursuant to irrevocable terms contained in the trust agreement at the time it is entered into, referred to as the exchange trust exchange offer. Pursuant to the exchange trust agreement, any ITC common stock remaining in the exchange trust six months following the completion of the merger will be distributed to Entergy shareholders *pro rata*, referred to as a mandatory trust distribution. If Entergy makes an exchange trust election, Entergy, ITC and the trustee of the exchange trust will also enter into a registration rights agreement whereby ITC will provide the trustee and Entergy certain registration rights with respect to shares of

ITC common stock that are held in the exchange trust. See Additional Material Agreements Agreements Related to the Exchange Trust and Exchange Offer Exchange Trust Agreement and Additional Material Agreements Agreements Related to the Exchange Trust and Exchange Offer Registration Rights Agreement.

Background of the Merger

In the ordinary course of business, ITC periodically reviews and evaluates industry developments and strategic alternatives to enhance shareholder value, including assessing transmission systems that would be potential acquisition candidates and considering various transaction partners that would be able to provide ITC with an ability to expand ITC s transmission business. Entergy s board of directors and management frequently review Entergy s portfolio of assets to evaluate its current structure and composition to determine whether changes might be advisable, and to look for attractive ways to add value for its shareholders. ITC determined to pursue this transaction with Entergy to expand its transmission business, rather than other available transactions or no transaction, for a variety of reasons, including the expectation that such transaction will be value accretive to ITC s financial results (after giving effect to the ITC recapitalization), increase ITC s revenues and earnings and enhance cash flow generation, the enhanced growth prospects available through ITC s increased size and geographic reach, the expectation that such transaction will enhance ITC s overall credit quality and significantly enhance ITC s balance sheet, the structure of such transaction as a tax-free reorganization for federal income tax purposes and for other reasons described below under ITC s Reasons for the Merger; Recommendation of ITC s Board of Directors.

On June 6, 2011, Mr. Eddie Peebles, Vice President of Corporate Development for Entergy, initiated a call with Dr. Terry Harvill, Vice President of Grid Development for ITC. During this call Mr. Peebles inquired about ITC s interest in submitting a proposal related to Entergy s Transmission Business.

After ITC expressed interest in submitting a proposal, on June 10, 2011, ITC and ESI executed a non-disclosure agreement.

Following the execution of the non-disclosure agreement, Entergy provided ITC with preliminary non-public information regarding Entergy s Transmission Business. Such information included (i) a summary of Entergy s Transmission Business, (ii) information on the historical rate base and deferred taxes of Entergy s Transmission Business and (iii) projections for capital expenditures. Also included with such information were instructions for submitting a non-binding indication of interest.

From June 13, 2011 through June 17, 2011, Dr. Harvill and Mr. Peebles had several calls to discuss matters regarding Entergy s request for a non-binding indication of interest for Entergy s Transmission Business and the preliminary non-public information previously provided to ITC.

On June 21, 2011, Mr. Peebles provided Dr. Harvill with updated non-public information regarding Entergy s Transmission Business projections for capital expenditures.

On July 1, 2011, at Entergy s request, ITC submitted to Entergy a confidential and non-binding indication of interest letter for the acquisition of Entergy s Transmission Business. The letter proposed an acquisition of Entergy s Transmission Business for all-cash consideration, but in its letter ITC also indicated that it would be willing to explore various alternative structures to facilitate a potential transaction, including a pre-paid lease, a leveraged partnership and the Reverse Morris Trust structure described below that was ultimately adopted for the transaction. ITC s proposal also included its preliminary indication of the enterprise value of Entergy s Transmission Business between $6.75 billion and $7.25 billion. This preliminary valuation reflected a taxable asset acquisition for all-cash consideration and was based on transmission rate base values and capital investment forecasts provided by Entergy, among other assumptions. In particular, consistent with Entergy s instructions, the preliminary valuation assumed a January 1, 2014 valuation date, utilized a projected 2014 rate base, did not estimate any potential effects of accelerated federal tax bonus depreciation, and, due to the taxable nature of an

all-cash consideration transaction, assumed that there would be a resetting of tax basis of the assets acquired and a corresponding remeasurement of accumulated deferred income taxes on the assets acquired. These assumptions implied significantly higher rate base and earnings power (and a correspondingly higher value) for Entergy s Transmission Business relative to those implied by the Reverse Morris Trust transaction structure ultimately agreed upon by the parties. In addition, during the course of negotiating the transaction with Entergy, certain other assumptions for Entergy s Transmission Business were refined by Entergy, including transmission rate base values, capital investment projections and the applicability of accelerated federal tax bonus depreciation, which had a material impact on the valuation of Entergy s Transmission Business relative to what ITC presented in July 1, 2011 non-binding indication of interest.

On July 6, 2011, representatives from Entergy and ITC met at Entergy s New Orleans, Louisiana headquarters to discuss ITC s preliminary indication of interest to acquire Entergy s Transmission Business. Participants from ITC included Mr. Cameron Bready, Executive Vice President and Chief Financial Officer, and Dr. Harvill, and participants from Entergy included Mr. Leo Denault, Chief Financial Officer, and Mr. Peebles. The group discussed various preliminary issues and concerns, including structuring alternatives and the potential benefits to ITC and Entergy of a transaction involving Entergy s Transmission Business, ITC s ability to successfully integrate and operate the larger business that would result from the acquisition and the regulatory approvals that would be required to consummate the transaction. At the conclusion of the meeting, the parties agreed that they would continue to evaluate the feasibility of a potential transaction. Mr. Denault informed Mr. Bready that he would contact Mr. Bready with the plan for next steps, if any, after Mr. Denault had briefed the Entergy board of directors at its regular July meeting.

On July 29, 2011, at a regularly scheduled meeting of Entergy s board of directors, Mr. Denault presented Entergy s board of directors with information on a potential transaction involving Entergy s Transmission Business. The presentation included information on (i) a summary of the actions taken to date, (ii) the internal valuation of Entergy s Transmission Business, (iii) a potential transaction structure for consideration and (iv) a potential transaction timeline if the proposed transaction were to proceed. The Entergy board of directors instructed management to proceed with further discussions with ITC to determine whether a transaction could be achieved.

On August 17, 2011, the ITC board of directors held its regularly scheduled quarterly board meeting during which Mr. Bready provided a brief overview of the potential opportunity with Entergy.

On August 23, 2011, Mr. Denault called Mr. Bready to discuss the possibility of advancing discussions to determine if ITC and Entergy could reach a mutually agreeable transaction. Mr. Denault and Mr. Bready agreed to establish a process to exchange non-public information, perform due diligence and enter into further discussions regarding a potential transaction.

On August 26, 2011, ITC retained Simpson Thacher & Bartlett LLP, referred to as Simpson Thacher, as outside legal counsel.

On August 31, 2011, Entergy and ITC entered into a mutual non-disclosure agreement which superseded the non-disclosure agreement entered into between ESI and ITC on June 10, 2011. Also on August 31, 2011, Entergy retained Skadden, Arps, Slate, Meagher & Flom LLP, referred to as Skadden, Arps, as outside legal counsel.

On September 2, 2011, Entergy and ITC exchanged, through their respective financial advisors, additional financial information regarding Entergy s Transmission Business and ITC, respectively.

On September 7, 2011, at the Chicago, Illinois offices of Goldman Sachs & Co., referred to as Goldman Sachs, senior management from ITC and Entergy and other representatives for Entergy and ITC held a transaction kick-off meeting. Attendees at this meeting from ITC included Mr. Bready, Dr. Harvill, and Mr. Jon Jipping, Executive Vice President and Chief Operating Officer, representatives from Deloitte & Touche, tax

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advisors to ITC, referred to as Deloitte; representatives from J.P. Morgan, financial advisor to ITC, referred to as J.P. Morgan; and representatives from Simpson Thacher, ITC s legal counsel. Attendees at this meeting from Entergy included Mr. Denault, Mr. Peebles, and Mr. Mark Savoff, Executive Vice President and Chief Operating Officer; representatives from Skadden, Arps and representatives from Goldman Sachs. At the meeting, Entergy and ITC representatives discussed the potential terms and structure of a transaction involving Entergy s Transmission Business. Representatives of ITC and Entergy also presented information about their respective transmission businesses and financial forecasts and assumptions.

At this meeting, Entergy proposed that the transaction be structured as a Reverse Morris Trust transaction. A Reverse Morris Trust transaction is a business combination involving the spin- or split-off of a business (here, Entergy s Transmission Business), by a company (here, Entergy), and its subsequent merger with another company (here, ITC). Entergy s proposal would be structured on a tax free basis where shareholders of the company effecting the spin- or split-off (here, the Entergy shareholders) receive more of the equity in the combined company than the shareholders of the other company (here, the ITC shareholders). In addition to facilitating a tax-free transaction for Entergy shareholders, the Reverse Morris Trust structure also results in a lower rate base for Entergy s Transmission Business under ITC ownership relative to that which would result from a taxable, all-cash transaction, which results in lower expected transmission rates for ITC s new customers upon closing the transaction relative to what they would have experienced in a taxable, all-cash transaction. The Reverse Morris Trust structure was ultimately selected by the parties for the foregoing reasons and for the other reasons described below under ITC s Reasons for the Merger; Recommendation of ITC s Board of Directors and Entergy s Reasons for the Separation, Distribution and the Merger . The attendees also discussed the due diligence protocol and the due diligence process.

On September 8, 2011, there was a conference call among representatives of ITC, Entergy, J.P. Morgan and Goldman Sachs to discuss the details of ITC s and Entergy s financial forecasts.

From September 8, 2011 through October 18, 2011, Mr. Bready, Dr. Harvill and representatives of J.P. Morgan had preliminary communications with representatives of Entergy, including Mr. Peebles, and Goldman Sachs regarding a working framework for the valuation terms of the potential transaction, including the pro forma ownership of ITC between Entergy and ITC shareholders after the merger, the amount of indebtedness Entergy s Transmission Business could incur, and the value that ITC would distribute to its pre-merger shareholders in the form of a one-time special dividend, share repurchase or combination thereof, referred to as the ITC recapitalization.

On September 13, 2011, Entergy formally engaged Goldman Sachs as its financial advisor in connection with the proposed transaction.

Beginning on September 16, 2011, weekly calls between Mr. Denault and Mr. Bready were implemented in order to discuss issues related to the proposed transaction.

From September 14, 2011 to September 23, 2011, representatives from ITC and Entergy and their respective advisors held numerous calls to discuss (i) outstanding issues regarding the potential transaction, including the transaction structure, (ii) what assets and operations would constitute Entergy s Transmission Business, (iii) due diligence issues of primary concern related to environmental, information technology, transmission operations, treasury, federal regulatory, accounting, real estate, state/local regulatory, human resource/employee, tax and legal and (iv) the progress of the proposed transaction.

On September 26, 2011, each of Entergy and ITC provided to the other party and their respective legal and financial advisors access to electronic data rooms containing non-public information related to ITC and Entergy s Transmission Business in order to continue to conduct due diligence. Due diligence continued until shortly before the merger agreement, the separation agreement and the employee matters agreement were executed.

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From September 27, 2011 until shortly before the execution of the merger agreement, the separation agreement and the employee matters agreement, representatives of Entergy and ITC and their respective advisors had regular meetings and ongoing discussions related to regulatory strategy matters regarding the proposed transaction.

On September 30, 2011, representatives from ITC, Entergy, J.P. Morgan and Goldman Sachs participated in a conference call to discuss Entergy s Transmission Business s and ITC s capital expenditures forecasts, respectively. Also on September 30, 2011, Dr. Harvill and Mr. Peebles had a call to discuss outstanding valuation and other transaction matters and a general update of the progress of the proposed transaction.

On October 3, 2011, Entergy through Goldman Sachs also provided ITC with updated financial forecasts to supplement the information provided to ITC on September 2, 2011.

On October 11, 2011, there was a conference call among Mr. Bready, Dr. Harvill and other representatives of ITC, Mr. Peebles and other representatives from Entergy, and representatives from Deloitte, J.P. Morgan, Goldman Sachs, Simpson Thacher and Skadden, Arps to discuss transaction structuring matters. Also on October 11, 2011, Dr. Harvill and Mr. Peebles had a call to discuss outstanding issues related to valuation and other transaction terms, including a general update on the progress of the proposed transaction.

On October 11, 2011, Mr. Joseph Welch, Chairman, President and Chief Executive Officer of ITC, and Mr. Bready met in Atlanta, Georgia with Mr. J. Wayne Leonard, Chairman and Chief Executive Officer of Entergy, and Mr. Denault to discuss certain aspects of a potential transaction, including the strategic rationale for the transaction for both parties, the regulatory considerations to effectuate the transaction and certain operational matters for Entergy s Transmission Business. At the meeting, each party s representatives expressed their mutual desire to proceed and further negotiate a proposed transaction.

On October 13, 2011, Entergy provided ITC with an updated capital expenditure forecast and financial model, supplementing the information provided on October 3, 2011.

On October 14, 2011, representatives from ITC, including Dr. Harvill, representatives from Entergy, including Mr. Rick Riley, Vice President of Energy Delivery, and Mr. Peebles, and representatives from J.P. Morgan and Goldman Sachs participated in a conference call to discuss the capital expenditure forecasts provided the day before.

On October 18, 2011, J.P. Morgan delivered a preliminary proposal to Entergy on behalf of ITC, which included: (i) that the post-merger pro forma ownership of ITC between Entergy shareholders and ITC shareholders would be approximately 50.1% and 49.9%, respectively, (ii) that Entergy s Transmission Business could incur up to $1.8 billion in indebtedness prior to the distribution and merger, the proceeds of which would be retained by Entergy and Entergy s Utility Operating Companies and (iii) that the ITC recapitalization would not exceed $700 million.

On October 19, 2011, Mr. Denault and Mr. Bready spoke by telephone about the proposed transaction. On the telephone call, Mr. Denault asked Mr. Bready follow up questions regarding the proposal delivered by ITC the previous day.

At a special meeting of the Entergy board of directors held on October 20, 2011, Entergy management briefed the Entergy board of directors on the status of the proposed divestiture of Entergy s Transmission Business.

On October 20, 2011, Skadden, Arps, distributed initial drafts of the merger agreement and separation agreement to Simpson Thacher.

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Also on October 20, 2011, the ITC board of directors held a special meeting, during which Mr. Bready provided the ITC board of directors with a comprehensive review of the proposed transaction, including an overview of Entergy s Transmission Business, strategic rationale for the proposed transaction, regulatory approvals required to close the transaction, an update on the status of ITC s due diligence review of Entergy s Transmission Business and proposed next steps to advance the transaction. Mr. Bready also presented preliminary valuation and combination analytics, as well as an overview of the key elements of the structure of the proposed transaction. In addition, representatives of Simpson Thacher and Dykema, ITC s Michigan outside counsel, provided an overview of applicable legal standards and fiduciary duties of directors in the context of considering the potential transaction and other strategic alternatives available to ITC. After extensive consideration, the ITC board of directors directed senior management to continue to pursue discussions with Entergy regarding a potential transaction. In addition, due to the expected timing associated with advancing the transaction and its complexity, the board of directors of ITC designated a sub-committee of board members, referred to as the ITC board sub-committee, to be accessible to management for more regular updates and to provide guidance on significant issues associated with the transaction arising between meetings of the full board of directors.

On October 25, 2011, Mr. Denault and Mr. Bready met in Chicago, Illinois. At this meeting, Mr. Denault and Mr. Bready discussed matters related to the transaction, including the terms of ITC s preliminary proposal delivered by J.P. Morgan on October 18, 2011. Mr. Denault and Mr. Bready preliminarily agreed that the post-merger pro forma ownership of ITC between Entergy shareholders and ITC shareholders would be 50.1% and 49.9%, respectively, (ii) that Entergy s Transmission Business could incur up to $1.95 billion in indebtedness prior to the distribution and the merger, the net proceeds of which would be retained by Entergy and Entergy s Utility Operating Companies and (iii) that the ITC recapitalization would not exceed $600 million.

On October 27, 2011, representatives from Simpson Thacher and Skadden, Arps held a call to discuss ITC s preliminary issues arising out of the drafts of the merger agreement and separation agreement distributed by Skadden, Arps.

On October 28, 2011, at a regularly scheduled meeting of the Entergy board of directors, Mr. Denault and Mr. Peebles presented an update to the Entergy board of directors regarding the proposed transaction. The presentation included information on (i) strategic rationale, (ii) background on ITC, (iii) Entergy s internal valuation of Entergy s Transmission Business and combination analysis of Entergy s Transmission Business with ITC, (iv) proposed transaction structure, (v) social factors, (vi) transaction timing and (vii) next steps.

Also on October 28, 2011, Mr. Denault and Mr. Bready spoke by telephone about the proposed transaction. Mr. Denault informed Mr. Bready that at the meeting of the Entergy board of directors that day, the Entergy board of directors continued to be interested in the proposed transaction provided satisfactory financial and other terms and conditions could be reached.

On October 29, 2011, there was a conference call to discuss issues in the draft merger agreement and separation agreement provided to ITC. Participants included Mr. Peebles from Entergy, Dr. Harvill from ITC, and representatives from Deloitte, Simpson Thacher, J.P. Morgan, Goldman Sachs, and Skadden, Arps. The discussions included issues related to (i) the financings to be conducted prior to the closing of the merger, (ii) the ability of Entergy to modify aspects of the transaction concerning Entergy s internal reorganization without the consent of ITC, (iii) the circumstances in which each party could terminate the agreement, (iv) the obligations of the parties to close the transaction based on certain events, (v) the required efforts of each party necessary to close the transaction, (vi) the allocation of assets and liabilities between ITC and Entergy related to Entergy s Transmission Business, (vii) whether the amount of debt and Entergy shareholders post-merger ownership of ITC would be adjusted upon certain events and (viii) other contract provisions.

Between November 1, 2011 and November 10, 2011, Dr. Harvill and Mr. Peebles had several calls to discuss outstanding valuation matters, issues in the transaction agreements and a general update of the progress of the proposed transaction.

On November 3, 2011, ITC formally engaged J.P. Morgan as its financial advisor in connection with the proposed transaction.

Also on November 3, 2011, the ITC board sub-committee held a telephonic meeting to receive an update from management and their legal and financial advisors with respect to progress on the proposed transaction.

On November 4, 2011, Simpson Thacher distributed to Skadden, Arps a mark-up of the separation agreement.

On November 6, 2011, Simpson Thacher distributed to Skadden, Arps a mark-up of the merger agreement. On the same day, Skadden, Arps distributed a draft of the employee matters agreement to Simpson Thacher.

On November 7, 2011, Mr. Mark McCulla, Vice President of Transmission Regulatory Compliance, and Mr. Riley, each from Entergy and Mr. Jipping from ITC, met in Jackson, Mississippi to review business operations and answer questions related to specific groups within the transmission organization. The group also discussed information technology related matters.

On November 9, 2011, representatives from Entergy, ITC, Simpson Thacher and Skadden, Arps participated in meetings at Entergy s New Orleans, Louisiana headquarters to discuss outstanding employee matters related to the proposed transaction, including the draft employee matters agreement delivered to ITC on November 6, 2011. Participants included Dr. Harvill, Mr. Bready, Ms. Linda Blair, Executive Vice President and Chief Business Officer, and Mr. Jipping of ITC; Ms. Renae Conley, Executive Vice President of Human Resources and Administration, Mr. Peebles, Mr. Denault, and Mr. Savoff of Entergy; and representatives from Simpson Thacher. A representative of Skadden, Arps participated by phone.

On November 11, 2011, representatives of Entergy and ITC and their legal advisors met in New Orleans, Louisiana to further discuss outstanding issues with the revised drafts of the transaction agreements raised on the October 29, 2011 teleconference between the parties. Participants included Dr. Harvill from ITC; Mr. Peebles from Entergy; and representatives from Simpson Thacher and Skadden, Arps.

Also on November 11, 2011, ITC formally engaged Barclays Capital Inc., also referred to as Barclays, as its financial advisor in connection with the proposed transaction.

On November 14, 2011, Mr. Welch and Mr. Bready from ITC met with Mr. Leonard and Mr. Denault from Entergy in Atlanta, Georgia to discuss the proposed transaction. At this meeting, the participants discussed the progress of the proposed transaction, including the board and management composition of ITC following the potential transaction, key terms and conditions of the merger agreement, and other social issues.

On November 16, 2011, the ITC board of directors held its regularly scheduled quarterly board meeting during which senior management provided the ITC board of directors with an update regarding progress on the proposed transaction with Entergy. At this meeting, Mr. Bready also provided additional financial analysis regarding the potential transaction and a status update with respect to due diligence efforts and negotiation of the transaction agreements. Mr. Bready also presented an expected timeline for advancing the potential transaction assuming that agreement could be reached on remaining issues subject to negotiation.

Also on November 16, 2011, Skadden, Arps distributed a revised draft of the merger agreement to Simpson Thacher.

On November 16, 2011 and November 17, 2011, there were calls between Dr. Harvill and Mr. Peebles to discuss outstanding issues related to transaction representations and warranties, status of the employee matters agreement and the progress of other outstanding matters related to the proposed transaction.

On November 18, 2011, the Entergy board of directors held a telephonic special meeting to discuss the transaction. Mr. Denault and Mr. Peebles presented an update to the Entergy board of directors regarding the proposed transaction. The presentation included information on (i) strategic rationale, (ii) Entergy s internal valuation of Entergy s Transmission Business and combination analysis of Entergy s Transmission Business with ITC, (iii) proposed transaction structure, (iv) social issues, (v) transaction timing and (vi) next steps.

On November 19, 2011, there was a conference call among Mr. Bready, Dr. Harvill, Mr. Peebles, and Mr. Denault and other representatives of ITC, Entergy, Deloitte, Simpson Thacher, Skadden, Arps, J.P. Morgan and Goldman Sachs to discuss financing matters relating to the proposed transaction.

On November 19, 2011, Skadden, Arps distributed a revised draft of the separation agreement to Simpson Thacher.

On November 20, 2011, Dr. Harvill and Ms. Blair from ITC and Mr. Peebles from Entergy had a conference call to discuss outstanding employee related matters about the proposed transaction.

On November 21, 2011, representatives of ITC, Entergy, Simpson Thacher and Deloitte had a conference call to discuss and negotiate certain tax provisions of the merger agreement and separation agreement.

On November 22, 2011, representatives from ITC, including Dr. Harvill, representatives from Entergy, including Mr. Peebles, and other representatives from Entergy, ITC, Simpson Thacher, Skadden, Arps, J.P. Morgan and Goldman Sachs met at J.P. Morgan s offices in Chicago, Illinois. Issues discussed at the meeting included (i) the circumstances in which each party could terminate the merger agreement, (ii) the obligations of the parties to close the proposed transaction based on certain events, (iii) the required efforts of each party necessary to close the proposed transaction, (iv) the allocation of assets and liabilities between ITC and Entergy related to Entergy s Transmission Business, (v) whether the amount of debt and shares to be issued to Entergy shareholders would be adjusted upon certain events and (vi) other contract provisions. Representatives of the parties also agreed to negotiate after the proposed transaction was announced the form of certain ancillary agreements related to the separation agreement and the merger agreement. There were also calls between Dr. Harvill and Mr. Bready of ITC and Mr. Peebles and Mr. Denault of Entergy to discuss Entergy s plans to elect accelerated tax depreciation and the impacts of such election on Entergy s Transmission Business.

Also on November 22, 2011, representatives of Entergy and ITC met in New Orleans to discuss bargaining unit employees, assumption by ITC of collective bargaining agreements and general employee issues and due diligence meetings related to business operations of ITC and Entergy s Transmission Business were held in Novi, Michigan and attended by representatives of Entergy and ITC.

Also on November 22, 2011, the ITC board sub-committee held a telephonic meeting to receive an update from management and their legal and financial advisors with respect to progress on the proposed transaction.

On November 24, 2011 and November 27, 2011, there were calls between Dr. Harvill and Mr. Peebles to discuss outstanding issues related to the representations and warranties contained in the merger agreement, status of the employee matters agreement, and the progress of other outstanding matters related to the proposed transaction.

On November 25, 2011, Simpson Thacher distributed a revised draft of the employee matters agreement to Skadden, Arps.

Between November 26, 2011 and December 4, 2011, representatives of Entergy, ITC, Skadden, Arps and Simpson Thacher negotiated and exchanged multiple drafts of the employee matters agreement.

On November 27, 2011, Simpson Thacher distributed revised drafts of the merger agreement and the separation agreement to Skadden, Arps. Between November 28, 2011 and December 4, 2011, representatives of Entergy, ITC, Skadden and Simpson Thacher negotiated and exchanged multiple drafts of the merger agreement and the separation agreement.

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On November 29, 2011, Mr. Bready met with Mr. Denault in Atlanta, Georgia to discuss the proposed transaction. The discussions included matters regarding Entergy s plans to take accelerated tax depreciation and the impacts of such election on Entergy s Transmission Business; the amount of debt to be incurred by Entergy s Transmission Business; whether the number of shares of ITC common stock to be received by Entergy shareholders in the proposed transaction would be adjusted in certain events; the obligations of the parties to close the proposed transaction under specified circumstances; representations and warranties made by Entergy regarding Entergy s Transmission Business in the merger agreement; social and employee benefit issues; and other open issues. As a result of Entergy s plans to take accelerated tax depreciation, as well as the other matters discussed, Mr. Bready and Mr. Denault negotiated changes to the terms of the proposed transaction to reflect a reduction in the amount of indebtedness that Entergy s Transmission Business would incur prior to the distribution and the merger to $1.775 billion and an increase in the ITC recapitalization to an amount not to exceed $700 million.

From November 30, 2011 through December 4, 2011, there were multiple conference calls between representatives from Entergy, ITC, Simpson Thacher, Cooley LLP, Entergy s tax counsel, and Deloitte to discuss and negotiate the tax provisions of the merger agreement and the separation agreement, as well as other outstanding issues, including with respect to the allocation of assets and liabilities between TransCo and Entergy and the standard of efforts required of the parties to obtain certain regulatory approvals, and finalized the merger agreement, the separation agreement and the employee matters agreement.

On December 1, 2011, the ITC board of directors held a special meeting at the offices of ITC in Novi, Michigan. At the meeting, Mr. Bready updated the ITC board of directors on the status of the negotiations with Entergy. Prior to the meeting, the ITC board of directors was provided with substantially complete drafts of the merger agreement, the separation agreement and employee matters agreement and summaries of such agreements. A representative of Dykema reviewed and discussed with the ITC board of directors the fiduciary duties of the directors in the context of considering ITC s strategic alternatives (including the proposed transaction), and senior management and a representative of Simpson Thacher reviewed with the ITC board of directors the principal terms of the merger agreement, the separation agreement and the employee matters agreement. Mr. Bready, together with representatives of J.P. Morgan and Barclays, also reviewed and discussed with the ITC board of directors financial analyses relating to the terms of the proposed transaction. After extensive discussion regarding the proposed transaction, the ITC board of directors instructed management to proceed with final negotiations and work to finalize the merger agreement, the separation agreement and the employee matters agreement.

On December 2, 2011, the Entergy board of directors discussed the proposed transaction at a regularly scheduled meeting at Entergy s New Orleans headquarters. Prior to the meeting, the Entergy board of directors was provided with substantially complete drafts of the merger agreement, the separation agreement and employee matters agreement. All board members were present. Mr. Denault, Mr. Robert D. Sloan, then the Executive Vice President, General Counsel and Secretary of Entergy, Mr. Peebles, Ms. Conley and other representatives from Entergy and representatives from Skadden, Arps and Goldman Sachs presented an update to the Entergy board of directors regarding the proposed transaction. The presentation and discussion included information regarding the proposed transaction on (i) strategic rationale and benefits to Entergy s shareholders, (ii) Entergy s internal valuation of Entergy s Transmission Business and combination analysis of Entergy s Transmission Business with ITC, (iii) Goldman Sachs financial analysis of the proposed transaction, (iv) proposed transaction structure, (v) transaction timing, (vi) employee matters, (vii) other commercial terms, (viii) due diligence results and (ix) next steps. Representatives from Skadden, Arps reviewed with the board the terms of the merger agreement, the separation agreement, the employee matters agreement and the open issues in each agreement. Following this board meeting, the presidents of Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas and ESI were given an update on the proposed transaction and a summary of the proposed transaction terms and conditions, including substantially the same information presented to the Entergy board of directors earlier in the day.

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From December, 2, 2011 through December 4, 2011, final negotiations related to the merger agreement, the separation agreement and the employee matters agreement took place between Entergy and ITC representatives.

On December 3, 2011, the Entergy board of directors held a telephonic special meeting to consider the proposed transaction with ITC. All board members other than Mr. Tauzin were in attendance. Mr. Leonard updated the Entergy board of directors on the status of negotiations with ITC, including the remaining open issues on the transaction agreements. Also present were various representatives from management, including Mr. Denault, Mr. Peebles and Mr. Sloan, and representatives from Skadden, Arps and Goldman Sachs. After considering the foregoing, the presentations and discussions made at prior meetings of the Entergy board of directors, the merger agreement, the separation agreement and the employee matters agreement, and taking into consideration the factors described under the section Entergy s Reasons for the Separation, Distribution and the Merger, the Entergy directors present at the meeting unanimously determined that the transaction agreements and the transactions contemplated by the transaction agreements were advisable and in the best interest of Entergy and its shareholders and approved the transaction.

Also on December 3, 2011, the respective governing bodies of Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas and ESI considered and approved entering into the separation agreement and related transactions.

On the morning of December 4, 2011, the ITC board of directors held a special telephonic meeting to review the proposed transaction. At the meeting, senior management apprised the ITC board of directors of the status of negotiations and reviewed the terms of the transaction as reflected in the final forms of the merger agreement, the separation agreement and the employee matters agreement. J.P. Morgan delivered its oral opinion to the ITC board of directors (subsequently confirmed by a written opinion dated December 4, 2011) to the effect that, as of such date, and subject to the limitations and assumptions set forth in its written opinion, the aggregate merger consideration is fair to ITC from a financial point of view. Barclays also delivered its oral opinion, (subsequently confirmed by delivery of a written opinion, dated December 4, 2011), to the effect that, as of that date and based upon and subject to the qualifications, limitations and assumptions described in the opinion, the exchange ratio in the merger was fair, from a financial point of view, to ITC. After further discussion, the ITC board of directors determined that the merger agreement, the separation agreement and the employee matters agreement and proposed transactions with Entergy were advisable, fair to and in the best interests of ITC and its shareholders, approved the merger agreement, the separation agreement and the employee matters agreement and the proposed transactions with Entergy in accordance with Michigan law and recommended that the ITC shareholders approve the merger, an amendment to the ITC articles of incorporation to increase the number of authorized shares of ITC common stock and the issuance of ITC common stock pursuant to the merger agreement. The ITC board also authorized senior management to finalize, execute and deliver the merger agreement, the separation agreement and the employee matters agreement.

On December 3 and 4, 2011, internal and external representatives from ITC and Entergy participated in numerous phone calls and other meetings regarding the remaining open issues related to the transaction agreements. On December 4, 2011, representatives of Cooley, LLP met with Mr. Bready, and representatives from Simpson Thacher in New York City to conclude Entergy s due diligence with respect to tax matters.

The merger agreement, the separation agreement and the employee matters agreement were finalized and executed on December 4, 2011.

On December 5, 2011, Entergy and ITC issued a joint press release announcing the execution of the merger agreement, the separation agreement and the employee matters agreement before the opening of trading on the New York Stock Exchange.

Since December 6, 2011, Entergy, ITC and their respective advisors have continued to negotiate and finalize the generator interconnection agreement, the distribution-transmission interconnection agreement, the transition

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services agreement, the software/IP license agreement, the pole attachment agreement for electric distribution facilities, the transmission structure attachment agreement for telecommunications facilities, the exchange trust agreement and the registration rights agreement.

On September 21, 2012, the respective parties to the merger agreement entered into Amendment No. 1 to the merger agreement and on September 24, 2012, the respective parties to the separation agreement entered into Amendment No. 1 to the separation agreement.

On January 28, 2013, the respective parties to the merger agreement entered into Amendment No. 2 to the merger agreement.

ITC s Reasons for the Merger; Recommendation of ITC s Board of Directors

ITC s board of directors has approved the merger agreement and the consummation of the transactions contemplated thereby and determined that the terms of the merger agreement and the transactions contemplated thereby, including the issuance of ITC common stock in the merger, are advisable, fair to and in the best interests of ITC and its shareholders. ITC s board of directors recommends that shareholders vote FOR the proposals to approve the merger agreement, to amend the amended and restated articles of incorporation of ITC to increase the number of authorized shares of ITC common stock, to issue ITC common stock in the merger and to approve adjournments or postponements of the special meeting for the purpose of soliciting additional proxies, if necessary.

In reaching its decision to approve the merger agreement and the consummation of the transactions contemplated thereby, the ITC board of directors consulted with its financial and legal advisors and carefully considered a variety of factors, including the following:

- the expectation that the merger will be value accretive to ITC s financial results (after giving effect to the ITC recapitalization), increase ITC s revenues and earnings and enhance cash flow generation;

- the potential that the merger will further enhance ITC s ability to achieve its long-term strategic objectives and position ITC as the preeminent transmission company in the United States, while further strengthening ITC s business model as an independent transmission company;

- the opportunity to significantly expand the scope and scale of ITC s operations by creating one of the largest transmission companies in the United States based on net property, plant and equipment and by load served and expanding ITC s geographic reach through the introduction of new markets in the Gulf States and Mid-South regions;

- the enhanced growth prospects available through ITC s increased size and geographic reach and the shifting of growth to more predictable base capital investments;

- the expectation that the merger will enhance ITC s overall credit quality and significantly enhance ITC s balance sheet strength;

- the expectation that the introduction of sizeable new markets will provide ITC with a stronger operational platform and strengthened financial resources from which to pursue additional development initiatives, which should significantly broaden and de-risk ITC s capital investment opportunities and enhance ITC s ability to pursue new acquisition and investment opportunities;

- the potential that the merger will generate increased visibility and greater access to the capital markets for ITC, which could enhance the market valuation of ITC s common stock and facilitate ITC s ability to access the capital markets going forward;

information concerning the business, assets, liabilities, financial performance and results of operations, and condition and prospects of ITC and Entergy s Transmission Business;

the structure of the merger as a tax-free reorganization for federal income tax purposes;

the experience and prior success of ITC s management in integrating acquisitions into ITC s existing business, and effectively merging corporate cultures;

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- the opinion of J.P. Morgan Securities LLC, dated December 4, 2011, to the ITC board of directors as to the fairness, from a financial point of view, to ITC of the aggregate merger consideration, based upon and subject to the qualifications, limitations and assumptions described in its written opinion as more fully described below in the section entitled Opinion of J.P. Morgan ; and

- the opinion, dated December 4, 2011, of Barclays Capital Inc. to the ITC board of directors as to the fairness, from a financial point of view and as of such date, to ITC of the exchange ratio in the merger, based upon and subject to the qualifications, limitations and assumptions described in its written opinion as more fully described below in the section entitled Opinion of Barclays.

The ITC board of directors also considered certain countervailing factors in its deliberations concerning the merger and related transactions, including:

- the fact that current ITC shareholders as a group would control less than a majority of ITC common stock after consummation of the merger;

- the challenges and difficulties, foreseen and unforeseen, relating to integrating Entergy s Transmission Business with ITC s current operations;

- the possibility of management and employee disruption associated with the merger and integrating the operations of the companies, including the risk that, despite ITC s intention to retain such personnel, key management of Entergy s Transmission Business might not be employed with ITC after the merger;

- the risk that the merger and integration may divert management attention and resources away from other strategic opportunities and from operational matters;

- the risk that the potential benefits sought in the merger might not be fully realized or realized within the expected time frame;

- the fact that, in order to preserve the tax-free treatment of the merger and related transactions, ITC would be required to abide by certain restrictions that could limit its ability to engage in certain future business transactions that might be advantageous;

- the risk that the necessary regulatory approvals and clearances to complete the merger are not received or that governmental authorities could attempt to condition their approval of the merger on compliance with certain burdensome conditions or that regulatory approvals may be delayed;

- the risks associated with Entergy s Transmission Business operations;

- the increase in ITC s indebtedness expected to result from the merger;

- that ITC, prior to the completion of the merger, is required to conduct its business in the ordinary course, subject to specific limitations and exceptions, which could delay or prevent ITC from undertaking business opportunities that may arise prior to the completion of the merger;

- the fact that certain provisions of the merger agreement may dissuade third parties from seeking to acquire ITC or otherwise increase the cost of any potential acquisition;

- the fact that under the merger agreement, ITC may be required to pay Entergy a termination fee under certain limited circumstances; and

- the risk that the merger may not be completed in a timely manner or at all.

The foregoing discussion of the information and factors discussed by the ITC board of directors is not meant to be exhaustive but is believed to include all material factors considered by it. The ITC board of directors did not quantify or attach any particular weight to the various factors that it considered in reaching its determination that the terms of the merger are fair to, and in the best interests of, ITC and its shareholders. Rather, the ITC board of directors viewed its position and recommendation as being based on the totality of the information presented to and considered by it. As a result of its consideration of the foregoing and other relevant considerations, the ITC board of

directors determined that the terms of the merger agreement, including the issuance of ITC common stock in the merger and the related transactions, are advisable, fair to and in the best interests of ITC and its shareholders. As of the date of this proxy statement/prospectus, there have been no material changes in ITC s operations, performance or in any of the projections or assumptions upon which each of J.P. Morgan and Barclays based its respective opinion since the date of the delivery of the opinion of J.P. Morgan and Barclays, each dated December 4, 2011, and ITC does not anticipate such changes to occur before the special meeting of ITC shareholders.

Accordingly, ITC s board of directors recommends that shareholders vote FOR the proposals to approve the merger agreement, to amend the amended and restated articles of incorporation of ITC to increase the number of authorized shares of ITC common stock, to issue ITC common stock in the merger and to approve adjournments or postponements of the special meeting for the purpose of soliciting additional proxies, if necessary.

Certain Financial Forecasts Prepared by ITC

ITC is including in this proxy statement/prospectus certain financial forecasts prepared by ITC management in connection with the review of the transaction that were provided to Entergy in order to provide Entergy with future financial projections and growth prospects for ITC on a stand-alone basis (referred to as the ITC Base Forecast). In addition, ITC is also including in this proxy statement/prospectus certain other financial forecasts prepared by ITC management for the ITC board of directors in connection with their consideration of the transactions and to ITC s financial advisors in connection with their review and analysis of the financial terms of the transactions (these financial forecasts are referred to as the ITC Adjusted Forecast).

The ITC Adjusted Forecast provides adjustments to the ITC Base Forecast, including specified adjustments to capital investments for ITC on a stand-alone basis designed to align the certainty of capital investments in ITC s plan better with the certainty of capital investments reflected in Entergy s plan, given the composition of the drivers for capital investments in each respective forecast. By aligning certainty of capital investments between ITC and Entergy s Transmission Business, the respective businesses could be more easily compared, while also providing a basis for a qualitative assessment for potential incremental capital investment opportunities in each business resulting from the advancement of other transmission investment opportunities. The ITC Base Forecast and the ITC Adjusted Forecast are collectively referred to in this proxy statement/prospectus as the ITC Forecasts.

ITC management developed the ITC Base Forecast for the period 2011 through 2015 through its customary strategic planning and budgeting process. This forecast represents a stand-alone plan, absent any consideration of the transactions. The ITC Base Forecast that was provided to Entergy reflects the following key assumptions:

- ongoing investments in ITC s existing transmission systems, including approximately $2.7 billion for base system investments associated primarily with maintenance, reliability-related projects, system capacity expansions and network upgrades to support new generator interconnections;

- ongoing investments associated with ITC s development portfolio, including approximately $800 million of projects in the advanced stages of development and approximately $600 million of projects in the intermediate or design phase of development; and

- existing FERC rate regulation for all of ITC s operating companies.

The following table presents the ITC Base Forecast:

ITC Base Forecast

	Projected Fiscal Year				
	2011	2012	2013	2014	2015
Capital Investments*	$ 657	$ 832	$ 832	$ 843	$ 894
Year-End Rate Base**	$ 2,926	$ 3,498	$ 4,293	$ 4,844	$ 5,474

* Capital investment amounts differ from cash expenditures for property, plant and equipment included in ITC s consolidated statements of cash flows due in part to differences in construction costs incurred compared to cash paid during that period, as well as payments for major equipment inventory that are included in cash expenditures but not included in capital investment until transferred to CWIP, among other factors.

** Rate base is not included in the audited financial statements of ITC contained in this proxy statement/prospectus. For purposes of the ITC Forecasts, rate base is defined as the value of transmission property used by the FERC in determining a specified rate of return. For the ITC Forecasts, the value primarily represents the net book value of any transmission plant, general plant, intangible plant, materials and supplies, regulatory assets, and working capital, less any accumulated deferred income taxes on those assets as of the date specified.

As discussed, in order to evaluate the merits of the transaction, ITC management developed the ITC Adjusted Forecast to improve the comparability of the future capital investment opportunities for ITC and Entergy s Transmission Business. Given that the capital investment forecast provided by Entergy was comprised of transmission projects that ITC viewed as highly probable of occurring, as they are driven by base system requirements, ITC elected to create the ITC Adjusted Forecast for comparative purposes by reflecting only high-probability capital investment opportunities for ITC. For ITC, these highly probable investment opportunities relate to base system investments and those associated with projects in ITC s development portfolio in the advanced phase. In doing so, ITC adjusted its plan to remove future capital investments associated with development projects in the design and intermediate phases. As a result, ITC was better able to compare its base business and future capital investments that are highly probable of occurring on a basis consistent with that of Entergy s Transmission Business.

After adjusting its plan, ITC further performed an assessment and comparison of additional transmission development projects and capital investments opportunities included in ITC s development portfolio, but not reflected in its forecast, and a list of strategic overlay transmission projects provided by Entergy that were incremental to the forecast provided for Entergy s Transmission Business. See Certain Financial Forecasts Prepared by Entergy. Based on this analysis, ITC determined that it is reasonable to assume that the future capital investment opportunities resulting from the ITC design and intermediate development pipeline and strategic overlay projects for Entergy s Transmission Business are roughly equivalent and that the most appropriate way to compare the businesses was on the basis of the ITC Adjusted Forecast against the forecast provided by Entergy.

The ITC Adjusted Forecast was provided to ITC s board of directors and financial advisors for purposes of evaluating the proposed transactions.

The following table presents the ITC Adjusted Forecast:

ITC Adjusted Forecast

	Projected Fiscal Year				
	2011	2012	2013	2014	2015
Capital Investments*	$ 620	$ 820	$ 727	$ 645	$ 641
Year-End Rate Base**	$ 2,898	$ 3,450	$ 4,141	$ 4,522	$ 4,963

* Capital investment amounts differ from cash expenditures for property, plant and equipment included in ITC s consolidated statements of cash flows due in part to differences in construction costs incurred compared to cash paid during that period, as well as payments for major equipment inventory that are included in cash expenditures but not included in capital investment until transferred to CWIP, among other factors.

** Rate base is not included in the audited financial statements of ITC contained in this proxy statement/prospectus. For purposes of the ITC Forecasts, rate base is defined as the value of transmission property

used by the FERC in determining a specified rate of return. For the ITC Forecasts, the value primarily represents the net book value of any transmission plant, general plant, intangible plant, materials and supplies, regulatory assets, and working capital, less any accumulated deferred income taxes on those assets as of the date specified.

The ITC Forecasts were prepared by ITC management based on information they had at the time of preparation and are not a guarantee of future performance. The ITC Forecasts are the responsibility of ITC management and prepared on a reasonable basis using the most current available estimates and judgments. The ITC Forecasts were not prepared with a view towards public disclosure (beyond the elements of ITC s five-year plan that are publicly filed with the SEC) and therefore the ITC Forecasts were not prepared with a view toward complying with the published guidelines of the SEC regarding projections or the guidelines established by the American Institute of Certified Public Accountants or any other accounting body or organization for preparation and presentation of prospective financial information. Deloitte & Touche LLP has neither examined nor compiled the ITC Forecasts and, accordingly, Deloitte & Touche LLP does not express an opinion or any other form of assurance with respect thereto. The Deloitte & Touche LLP report incorporated by reference into this proxy statement/prospectus relates to ITC s historical financial information. It does not extend to the ITC Forecasts above and should not be read to do so. Neither Deloitte & Touche LLP, nor any other independent accountants have compiled, examined, or performed any procedures with respect to the ITC Forecasts, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and Deloitte & Touche LLP assumes no responsibility for, and disclaims any association with, the ITC Forecasts.

The ITC Forecasts are forward-looking statements, reflect numerous estimates and assumptions, as further described above, and are subject to significant economic, industry and competitive uncertainties, including those risk factors detailed in the sections entitled Risk Factors and Cautionary Statement Concerning Forward-Looking Statements , all of which are difficult to predict and many of which are beyond the control of ITC management. Accordingly, there can be no assurance that the estimates and assumptions made in preparing the ITC Forecasts will prove to be accurate, or that these forecasts will be realized. The ITC Forecasts cover multiple years and such information by its nature becomes less predictive with each succeeding year. The ITC Forecasts do not necessarily reflect revised prospects for ITC, changes in general business or economic conditions, or any other transaction or event that has occurred or that may occur and that was not anticipated at the time the ITC Forecasts were prepared. The ITC Forecasts are not necessarily indicative of current values or future performance, which may be significantly more favorable or less favorable than as set for above. ITC does not intend to update, correct or otherwise revise any of the ITC Forecasts to reflect circumstances existing after the date when such forecasts were made or to reflect the occurrence of future events, even in the event that any or all underlying assumptions are shown to be in error. The ITC Forecasts should be evaluated, if at all, in conjunction with the historical financial statements and other information regarding ITC contained in documents filed or furnished by ITC with the SEC.

ITC and Entergy shareholders should not rely upon the ITC Forecasts as being indicative of future results as actual results may differ materially from those presented in the ITC Forecasts. In light of the foregoing, ITC and Entergy shareholders should not place undue reliance on the ITC Forecasts. The inclusion of the ITC Forecasts in this proxy statement/prospectus should not be regarded as an indication that these forecasts will necessarily be reflective of actual future results, and these forecasts should not be relied upon or regarded as a representation that the ITC Forecasts will be achieved. The inclusion of the ITC Forecasts in this proxy statement/prospectus shall not be deemed an admission or representation by ITC that such information is material. The ITC Forecasts are presented to explain the information considered by ITC s board of directors and ITC s financial advisors and are not presented in order to induce any shareholder to vote in favor of the merger proposals.

Pro Forma Financial Illustration Prepared by ITC

ITC is including in this proxy statement/prospectus a hypothetical pro forma illustration (the Pro Forma Illustration) of the impact that the rate construct ITC has proposed for Entergy s Transmission Business following the completion of the merger could have on the financial performance of Entergy s Transmission

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Business. Entergy s Transmission Business currently operates under rate constructs that incorporate historical rate base amounts, including allowed returns on common equity (ROE) of approximately 10 to 11% and reflect capital structures comprised of approximately 50% equity and 50% debt. The proposed rate construct for Entergy s Transmission Business following the merger under ITC ownership, as filed with FERC in Docket EC12-145 et. al., would be implemented to calculate revenue requirements on a projected basis, with a true-up mechanism, would use the MISO regional ROE of 12.38% (which is based on the FERC approved MISO ROE per Docket ER02-485), and would use a targeted capital structure of 60% equity and 40% debt. Please refer to Item 7. MDA, Revenue Requirement Calculation of ITC s Form 10-K for the year ended December 31, 2011 for a more complete discussion of the calculations of revenue requirement and return on rate base. ITC s Form 10-K for the year ended December 31, 2011 has been incorporated by reference herein.

To illustrate the financial impact that the proposed rate construct could have on Entergy s Transmission Business, if approved by FERC and implemented following the merger, ITC calculated the estimated effects on net income of ITC s proposed rate construct as compared to an estimate of net income for Entergy s Transmission Business s under its existing rate constructs. The Pro Forma Illustration below assumes that only the allowed ROE and capital structure are different between the two scenarios presented. All other inputs that would otherwise have an effect on calculation of revenue requirements, such as operating expenses, were assumed to be constant between the two scenarios. The scenarios below assume the same rate base amount of $2.35 billion, which represents an estimate of rate base for Entergy s Transmission Business as of December 31, 2011, and do not attempt to illustrate any impact resulting from transitioning Entergy s Transmission Business from the use of a historic test year under its existing rate construct to ITC s proposed projected rate tariff with a true-up mechanism. In the scenarios below, Entergy s Transmission Business s existing 2011 pre-tax weighted average cost of capital (WACC) was derived from a model from sources provided by Entergy prior to the execution of the transaction documents. In order to maintain the same rate base amount between the two scenarios, Entergy Arkansas s 2011 WACC was adjusted to remove accumulated deferred income taxes (ADIT) from Entergy Arkansas s capital structure and, instead, include ADIT in the rate base amount consistent with the proposed treatment under ITC ownership. Excluding the impact of eliminating regulatory delay by transitioning Entergy s Transmission Business to a projected rate tariff with a true-up mechanism, ITC s proposed rate construct and resulting equity return on rate base would have resulted in a higher net income of $56.8 million for the year ended December 31, 2011. The following table presents the Pro Forma Illustration (dollars in millions):

	Entergy s Transmission Business Under Entergy s Rate Constructs	**Pro Forma Entergy s Transmission Business Under ITC s Proposed Rate Construct**
After-tax Return on Equity	10.13 - 11.10%	12.38%(a)
Equity Weighting	43.18 - 51.28%	60.00%(a)
Preferred Securities Weighting	0.00 - 5.28%	
Estimated Rate Base (b)	$2,350.0	$2,350.0
Pro forma Annual Net Income Impact from Equity Return on Rate Base (c)	$117.7	$174.5

(a) The ROE and equity weighting requested by ITC with FERC in Docket EC12-2681. The FERC has not yet approved the requested ROE or capital structure.

(b) The estimate assumes the rate base amount of Entergy s Transmission Business as of December 31, 2011. The rate base is held constant between the two scenarios to demonstrate the effect of return on rate base under the different rate constructs and effect on net income. Certain differences in the calculation of rate base may exist between the two constructs.

(c) Includes only the impact on net income from transitioning Entergy s Transmission Business to ITC s proposed return on equity and capital structure comprised of 60% equity.

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The Pro Forma Illustration is a hypothetical analysis and was prepared by ITC management based on information available at the time of preparation and is not a guarantee of future performance. The Pro Forma Illustration is the responsibility of ITC management and was prepared on a reasonable basis using the most current available estimates and judgments.

The Pro Forma Illustration is for illustrative and informational purposes only, is based on certain assumptions that ITC believes are reasonable and does not purport to represent or be indicative of what ITC s financial condition or results of operations would have been had the transactions occurred on such dates. The Pro Forma Illustration should not be considered representative of ITC s future financial condition or results of operations. The Pro Forma Illustration does not reflect the actual financial position and results of operations of Entergy s Transmission Business as of and for the year ended December 31, 2011.

ITC and Entergy shareholders should not rely upon the Pro Forma Illustration as being indicative of future results as actual results may differ materially from those presented in the Pro Forma Illustration. In light of the foregoing, ITC and Entergy shareholders should not place undue reliance on the Pro Forma Illustration. The inclusion of the Pro Forma Illustration in this proxy statement/prospectus should be regarded as a hypothetical analysis, will not necessarily be reflective of actual future results and should not be relied upon or regarded as a representation that the results of the Pro Forma Illustration will be achieved.

Opinion of J.P. Morgan

ITC retained J.P. Morgan as its financial advisor for the purpose of advising ITC in connection with the proposed acquisition of Entergy s Transmission Business and to evaluate the fairness, from a financial point of view, to ITC of the aggregate consideration (consisting of the issuance of one share of ITC common stock in exchange for each TransCo common unit, plus the payment of cash in lieu of any fractional shares) to be paid by ITC pursuant to the merger agreement.

At the meeting of the ITC board of directors on December 4, 2011, J.P. Morgan delivered its oral opinion, which was subsequently confirmed in a written opinion to the ITC board of directors dated December 4, 2011, that, as of such date and on the basis of and subject to the various factors, procedures, assumptions, limitations and qualifications set forth in its opinion, the aggregate consideration to be paid by ITC in the transactions was fair, from a financial point of view, to ITC. The issuance of J.P. Morgan s opinion was approved by a fairness committee of J.P. Morgan.

J.P. Morgan s financial analysis and its written opinion were provided to the ITC board of directors in connection with and for the purposes of its evaluation of the transactions. J.P. Morgan s opinion is limited only to the fairness, from a financial point of view, to ITC (and not to Entergy or any class of ITC s or Entergy s securities or any creditors or other constituencies) of the aggregate consideration to be paid by ITC in the transactions and does not constitute a recommendation as to how the ITC board of directors or any ITC shareholder should vote with respect to the transactions or any other matter. The terms of the transactions, including the amount of the aggregate consideration to be paid in the transactions, was determined through arm s-length negotiations between ITC and Entergy and the determination to enter into the merger agreement, the separation agreement and the employee matters agreement was solely that of ITC s board of directors. The opinion does not address the relative merits of the transactions as compared to other business strategies or transactions that might be available with respect to ITC. ITC did not provide specific instructions to, or place any limitations on, J.P. Morgan with respect to the procedures to be followed or factors to be considered by it in performing its analyses or providing its opinion.

The full text of J.P. Morgan s written opinion dated December 4, 2011, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by J.P. Morgan in conducting its financial analysis and in rendering its opinion, is attached as Annex D to this proxy statement/prospectus, and is incorporated herein by reference in its

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entirety. J.P. Morgan s opinion should be read carefully and in its entirety. The following summary of J.P. Morgan s opinion is qualified in its entirety by reference to the full text of the opinion.

In conducting its financial analysis and rendering its opinion, J.P. Morgan, among other things:

- reviewed a draft dated December 4, 2011 of the merger agreement and a draft dated December 3, 2011 of the separation agreement;
- reviewed certain publicly available business and financial information concerning Entergy s Transmission Business and ITC and the industries in which they operate;
- compared the financial and operating performance of Entergy s Transmission Business and ITC with publicly available information concerning certain other companies J.P. Morgan deemed relevant and reviewed the current and historical market prices of ITC common stock and certain publicly traded securities of such other companies;
- reviewed certain internal financial analyses and forecasts prepared by Entergy s management related to Entergy s Transmission Business (as adjusted by ITC management) and ITC s management relating to ITC s business (see, respectively, Certain Financial Forecasts Prepared by Entergy and Certain Financial Forecasts Prepared by ITC); and
- performed such other financial studies and analyses and considered such other information as J.P. Morgan deemed appropriate for the purposes of its opinion.

In addition, J.P. Morgan held discussions with certain members of the management of Entergy and ITC with respect to certain aspects of the transactions, and the past and current business operations of Entergy s Transmission Business and ITC, the financial condition and future prospects and operations of Entergy s Transmission Business and ITC, the effects of the transactions on the financial condition and future prospects of ITC, and certain other matters believed necessary or appropriate to J.P. Morgan s inquiry.

In giving its opinion, J.P. Morgan relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with J.P. Morgan by Entergy and ITC or otherwise reviewed by or for J.P. Morgan, and J.P. Morgan did not independently verify, nor did J.P. Morgan assume responsibility or liability for independently verifying, any such information or its accuracy or completeness. J.P. Morgan did not conduct and was not provided with any valuation or appraisal of any assets or liabilities, nor did J.P. Morgan evaluate the solvency of Entergy, Entergy s Transmission Business, TransCo or ITC under any state or federal laws relating to bankruptcy, insolvency or similar matters before or after giving effect to the merger or any of the other transactions. In relying on financial analyses and forecasts provided to J.P. Morgan or derived therefrom, J.P. Morgan assumed that they were reasonably prepared based on assumptions reflecting the best estimates and judgments by ITC s management as of December 4, 2011 as to the expected future results of operations and financial condition of Entergy s Transmission Business and ITC to which such analyses or forecasts relate. J.P. Morgan expressed no view as to such analyses or forecasts or the assumptions on which they were based.

J.P. Morgan also assumed that (i) the transactions will qualify as a tax-free reorganization for U.S. federal income tax purposes, (ii) the transactions will be consummated as described in the merger agreement and the separation agreement, (iii) the definitive merger agreement and separation agreement would not differ in any material respect from the drafts furnished to J.P. Morgan, (iv) the representations and warranties in the merger agreement, the separation agreement and the related agreements were and will be true and correct in all respects material to J.P. Morgan s analysis and (v) the aggregate amount of the ITC recapitalization (which is described below) will be the maximum amount permitted under the merger agreement, and will be funded by the incurrence of indebtedness by ITC. J.P. Morgan is not a legal, regulatory or tax expert and relied on the assessments made by advisors to ITC with respect to such issues. J.P. Morgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the proposed transactions will be obtained without any adverse effect on Entergy s Transmission Business or ITC or on the contemplated benefits of the transactions.

J.P. Morgan s opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to J.P. Morgan as of, the date of J.P. Morgan s opinion. J.P. Morgan s opinion noted that subsequent developments may affect J.P. Morgan s opinion, and J.P. Morgan does not have any obligation to update, revise or reaffirm its opinion. J.P. Morgan s opinion is limited to the fairness to ITC, from a financial point of view, of the aggregate consideration to be paid by ITC in the transactions, and J.P. Morgan expressed no opinion as to the fairness of the consideration to be paid by ITC in the transactions to the holders of any class of securities, creditors or other constituencies of ITC or as to the underlying decision by ITC to engage in the transactions. Furthermore, J.P. Morgan expressed no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the transactions, or any class of such persons relative to the aggregate consideration to be paid by ITC in the transactions or with respect to the fairness of any such compensation. J.P. Morgan also expressed no opinion as to the price at which the shares of ITC common stock will trade at any future time.

For purposes of the analyses described below, J.P. Morgan assumed the following:

Entergy and certain of its subsidiaries will undertake various financing transactions and internal restructurings as described in the separation agreement;

Entergy will transfer the specified assets and liabilities of Entergy s Transmission Business to TransCo (the TransCo Transfer) in exchange for Entergy s receipt of a number of TransCo common units equal to the product obtained by multiplying 1.00400801603206 by the number of shares of ITC common stock on a Fully Diluted Basis (as defined in the merger agreement), minus the number of TransCo common units outstanding prior to the TransCo Transfer, plus the quotient of the Aggregate Disqualified Shares (as defined in the merger agreement) divided by 49.9% (subject to the limitations set forth in the merger agreement);

Unless Entergy retains TransCo common units for a subsequent distribution (see next bullet point), Entergy will, immediately following the TransCo Transfer, distribute all of the outstanding TransCo common units to the Entergy shareholders by way of either a pro rata dividend, an exchange offer or a combination of the two;

Entergy will have the right to retain a number of TransCo common units that would convert into 4.9999% of the outstanding ITC common stock immediately following the merger, which shares of ITC common stock Entergy will transfer into the trust, and the trustee will distribute to Entergy s shareholders by means of an exchange offer for outstanding shares of Entergy common stock or a pro rata distribution to holders of Entergy common stock by the earlier of (i) six months after the effective time of the merger or (ii) the end of the calendar year in which the merger is consummated;

Entergy will cause certain exchangeable debt securities issued in the financing transactions to be exchanged for TransCo securities;

ITC will, prior to the effective time of the merger, either (i) pay a special cash dividend to existing ITC shareholders not to exceed $700 million in the aggregate, (ii) effect a repurchase of ITC common stock in which the aggregate purchase price does not exceed $700 million, or (iii) effect a combination of the transactions contemplated in clauses (i) and (ii) in which the aggregate amount payable to the holders of ITC common stock does not exceed $700 million (we refer herein to the transactions contemplated in this bullet point as the ITC recapitalization); and

at the effective time of the merger, each TransCo common unit, other than TransCo common units owned, directly or indirectly, by ITC or Merger Sub immediately prior to the effective time of the merger or held by TransCo immediately prior to the effective time of the merger, will be converted into the right to receive one share of ITC common stock, and any fractional shares of ITC common stock that would otherwise be issued to any single holder in exchange for TransCo common units in the merger will be aggregated and the holder of TransCo common units entitled thereto will instead receive cash in lieu of any remaining fractional share of ITC common stock.

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In accordance with J.P. Morgan s customary investment banking practice, J.P. Morgan employed generally accepted valuation methods in conducting its financial analysis and in reaching its opinion. J.P. Morgan s opinion and financial analyses were only one of many factors considered by the ITC board of directors in its evaluation of the transactions and should not be viewed as determinative of the views of the ITC board of directors or management with respect to the transactions, the aggregate consideration to be paid in the transactions or the value of ITC or Entergy s Transmission Business. The following is a summary of the material financial analyses undertaken by J.P. Morgan with respect to Entergy s Transmission Business and ITC and does not purport to be a complete description of the analyses or data presented by J.P. Morgan. **Some of the summaries of the financial analyses include information presented in tabular format. To fully understand the financial analyses, the tables should be read together with the text of each summary. Considering the data set forth in the tables without considering the narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses.**

Trading Comparables Analysis

Using publicly available information, J.P. Morgan compared the financial and operating performance of ITC and Entergy s Transmission Business with publicly available information for ITC, the following four transmission and distribution utilities (referred to as the T&D Utilities) and the following 15 integrated electric utilities (referred to as the Mid-Cap Electric Utilities):

Pure Play Transmission Companies	ITC Holdings Corp.
T&D Utilities	Consolidated Edison, Inc. Northeast Utilities NSTAR UIL Holdings Corporation
Mid-Cap Electric Utilities	CMS Energy Corporation Wisconsin Energy Corporation Pepco Holdings, Inc. Pinnacle West Capital Corporation Alliant Energy Corporation Great Plains Energy Incorporated Integrys Energy Group, Inc. Westar Energy, Inc. MDU Resources Group, Inc. Portland General Electric Company IDACORP, Inc. Black Hills Corporation Avista Corporation NorthWestern Corporation ALLETE, Inc.

In evaluating the selected companies identified by J.P. Morgan as reasonably comparable to ITC and Entergy s Transmission Business, J.P. Morgan made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of ITC and Entergy s Transmission Business. J.P. Morgan determined, using its professional judgment, that these selected companies were the most appropriate for purposes of this analysis and, while there may have been other companies that operate in similar industries or have similar principal lines of business or financial or operating characteristics, J.P. Morgan did not specifically identify any other companies for this purpose. J.P. Morgan reviewed, among other information, each company s per share equity value as a multiple of 2011 and 2012 estimated earnings per share, or EPS, based on I/B/E/S estimates. J.P. Morgan also reviewed each company s enterprise value, referred to as EV, as a multiple of 2011 and 2012 estimated earnings before interest, taxes, depreciation and amortization, referred to as EBITDA, based on I/B/E/S estimates. For purposes of these

analyses, equity values were calculated based on closing stock prices on November 30, 2011, and enterprise values were calculated as market values, based on closing stock prices on November 30, 2011, plus total debt, preferred stock, capital leases and minority interest, less cash and cash equivalents, as of September 30, 2011. Net debt for ITC and Entergy s Transmission Business was adjusted for the debt expected to be incurred in the transactions.

ITC. With respect to its trading comparables analysis of ITC, J.P. Morgan applied a range of multiples derived from its analysis of the comparable companies of 14.0x to 20.0x to ITC management estimates of 2013 net income for ITC (adjusted for dividends to restricted shares) and of 8.0x to 11.0x to ITC management estimates of 2013 EBITDA for ITC to calculate implied enterprise values and equity values. J.P. Morgan assumed that ITC s net debt would equal ITC s projected net debt as of December 31, 2012 ($3.160 billion), plus the $740 million in debt expected to be incurred by ITC in the transactions. The debt anticipated to be incurred by ITC in the transactions is expected be used to fund the ITC recapitalization and to pay transaction expenses. This analysis indicated the following approximate implied enterprise value and equity value reference ranges for ITC:

	Enterprise value range		Equity value range	
	($ in millions)			
Price to 2013 estimated net income	$ 6,830	8,086	$ 2,930	4,186
EV to 2013 estimated EBITDA	$ 5,435	7,473	$ 1,535	3,573

Entergy s Transmission Business. With respect to its trading comparables analysis of Entergy s Transmission Business, J.P. Morgan applied a range of multiples derived from its analysis of the comparable companies of 14.0x to 20.0x to ITC management s view on estimates provided by Entergy of 2013 net income for Entergy s Transmission Business (assuming a January 1, 2013 transition to FERC rates) and of 8.0x to 11.0x to ITC management s view on estimates provided by Entergy management estimates of 2013 EBITDA for Entergy s Transmission Business to calculate implied enterprise values and equity values of Entergy s Transmission Business. J.P. Morgan assumed TransCo projected net debt of $1.775 billion. Estimated 2013 net income and EBITDA for Entergy s Transmission Business did not account for potential cost or other operating synergies or potential concessions, as the extent of these were not known at the time of J.P. Morgan s opinion. This analysis indicated the following approximate implied enterprise value and equity value reference ranges for Entergy s Transmission Business:

	Enterprise value range		Equity value range	
	($ in millions)			
Price to 2013 estimated net income	$ 4,702	5,957	$ 2,927	4,182
EV to 2013 estimated EBITDA	$ 4,415	6,071	$ 2,640	4,296

Discounted Cash Flow Analysis

J.P. Morgan conducted a discounted cash flow analysis for each of ITC and Entergy s Transmission Business for the purpose of determining a range of enterprise values and equity values for each entity based on the estimated present value of the standalone unlevered free cash flows that each of ITC and Entergy s Transmission Business is expected to generate during years 2013 through 2021. In performing its analysis of ITC, J.P. Morgan relied on estimates provided by ITC s management, which consisted of detailed five year management projections through 2015 and ITC management extrapolations thereafter. In performing its analysis of Entergy s Transmission Business, J.P. Morgan relied on ITC management s view on estimates provided by Entergy management, which assumed that Entergy s Transmission Business would elect bonus depreciation in 2011 and 2012 at effective rates of 90% and 50%, respectively. The free cash flows and range of terminal values were discounted to present values as of December 31, 2012 using a range of discount rates which were chosen by J.P. Morgan based upon analysis of market discount rates applicable to comparable companies and business segments. The discounted cash flow analyses do not imply the value at which ITC or Entergy s Transmission Business could be sold.

ITC. J.P. Morgan calculated a range of terminal values of ITC at the end of the projection period by applying a perpetuity growth rate to projected 2021 unlevered free cash flows of $632 million, which were adjusted for normalized capital expenditures, deferred taxes, depreciation, amortization and changes in net working capital. The perpetuity growth rate range used was 0.5% to 1.0%. The present value of the estimated unlevered free cash flows and terminal values were then calculated using discount rates ranging from 5.75% to 6.25%. This analysis indicated an implied range of enterprise values for ITC of $7.084 billion to $8.829 billion, and an implied range of equity values of $3.184 billion to $4.929 billion.

Entergy s Transmission Business. J.P. Morgan calculated a range of terminal values of Entergy s Transmission Business at the end of the projection period by applying a perpetuity growth rate to projected 2021 unlevered free cash flows of $471 million, which were adjusted for normalized capital expenditures, deferred taxes, depreciation, amortization and changes in net working capital. The perpetuity growth rate range used was 0.5% to 1.0%. The present value of the estimated unlevered free cash flows and terminal values for Entergy s Transmission Business pursuant to the management case was calculated using discount rates ranging from 5.75% to 6.25%. Free cash flows of Entergy s Transmission Business did not account for potential cost or other operating synergies or potential concessions, as the extent of these were not known at the time of J.P. Morgan s opinion. These analyses indicated an implied range of enterprise values for Entergy s Transmission Business of $5.400 billion to $6.719 billion and an implied range of equity values of $3.625 billion to $4.944 billion.

Relative Financial Analysis

J.P. Morgan considered the implied equity values of ITC and Entergy s Transmission Business that were derived from the trading comparables and discounted cash flow analyses to calculate the implied equity ownership percentage on a fully diluted basis for Entergy shareholders in a combination of ITC and Entergy s Transmission Business.

J.P. Morgan compared the high end of the respective ranges for Entergy s Transmission Business to the low end of the respective ranges for ITC to derive the highest relative ownership percentage for Entergy shareholders implied by each of the methodologies. J.P. Morgan also compared the low end of the respective ranges for Entergy s Transmission Business to the high end of the respective ranges for ITC to derive the lowest relative ownership percentage for Entergy shareholders implied by each of the methodologies.

J.P. Morgan compared the implied range of ownership percentages to the approximately 50.1% of the outstanding ITC common stock that Entergy shareholders will own following the effective time of the merger, and noted that the 50.1% ownership level was within the range of implied equity ownership percentages derived using this analysis.

The following table reflects the results of the analysis:

	Implied Entergy shareholder equity ownership % range	
Trading comparables		
Price to 2013 projected net income	41.1%	58.8%
EV to 2013 projected EBITDA	42.5%	73.7%
Discounted cash flow		
ITC + Transco management case	42.4%	60.8%

Other Analyses

Value Creation Analysis. J.P. Morgan reviewed for informational purposes the potential value creation of the transactions for ITC shareholders. J.P. Morgan reviewed the discounted cash flow value creation by comparing the equity value per share implied for ITC on a standalone basis and the potential pro forma equity value per share implied for ITC after the transactions. For illustrative purposes, J.P. Morgan calculated a

standalone pro forma equity value for ITC utilizing the midpoint of the enterprise value reference range implied from the discounted cash flow analysis of ITC described above, less ITC s projected net debt as of December 31, 2012 as well as the $740 million in debt expected to be incurred by ITC in the transactions. J.P. Morgan then added to such implied equity value the midpoint of the equity value reference range implied from the discounted cash flow analysis of Entergy s Transmission Business described above. J.P. Morgan then calculated the value attributable to each share of ITC common stock in the resulting implied equity value of the pro forma combined company plus the amount to be paid with respect to each share of ITC common stock in the ITC recapitalization. This analysis indicated potential pro forma value creation for ITC shareholders of approximately 1.6%.

J.P. Morgan also reviewed for informational purposes the market value creation by comparing the equity value per share implied for ITC, using a multiple of 18.6x ITC management estimates of 2013 net income for ITC, and the pro forma equity value per share implied for ITC after the transactions, utilizing a range of multiples of 17.6x to 20.9x ITC management estimates of 2013 net income for ITC and including the amount to be paid with respect to each share of ITC common stock in the ITC recapitalization. This analysis indicated potential pro forma value creation for ITC shareholders ranging from (0.2)% to 15.5%.

Relative Contribution Analysis. J.P. Morgan calculated for information purposes the relative contributions of ITC and Entergy s Transmission Business to the estimated total rate base of the combined company for 2012 and 2013 as well as the combined company s estimated EBITDA and net income for 2013 and 2014, respectively, based on ITC management estimates, in the case of ITC, and ITC management s view on estimates provided by Entergy, in the case of Entergy s Transmission Business J.P. Morgan also calculated the relative contributions of ITC and Entergy s Transmission Business to the pro forma equity value of the combined company implied by the discounted cash flows as discussed above. This analysis indicated a range of implied ownership percentages for ITC s current shareholders immediately after the transactions as set forth in the below table as compared to the implied 49.9% ownership percentage set forth in the merger agreement.

	Implied ITC shareholder equity ownership %
Rate Base	
Estimated 2012[1]	47.1%
Estimated 2013[1]	51.2%
Estimated 2012 (equity rate base)[2]	55.6%
EBITDA	
Estimated 2013[1]	46.4%
Estimated 2014[1]	47.6%
Net income	
Estimated 2013	50.0%
Estimated 2014	50.6%
DCF	
ITC DCF vs. Entergy s Transmission Business DCF[3]	48.5%
Entergy s Transmission Business DCF vs. ITC Market Cap[4]	51.3%

1 Percentages represent leverage adjusted contribution using estimated net debt as of December 31, 2012 of $3.900 billion for ITC and $1.775 billion for Entergy s Transmission Business and management case mid-point DCF enterprise values.
2 Represents unadjusted relative contribution of equity portion of rate base.
3 Represents ITC and Entergy s Transmission Business equity values as of December 31, 2012.
4 Represents ITC market cap as of November 30, 2011 and Entergy s Transmission Business DCF equity value with a valuation date of November 30, 2011.

Other. J.P. Morgan did not conduct a comparable transaction analysis because other business combination and acquisition transactions involving companies in similar industries as ITC and Entergy s Transmission Business generally included control premiums, whereas the proposed transaction did not include a premium.

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Miscellaneous

The summary set forth above does not purport to be a complete description of the analyses or data presented by J.P. Morgan. The preparation of a fairness opinion is a complex process involving various determinations and judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances, and therefore is not necessarily susceptible to partial analysis or summary description. J.P. Morgan believes that the foregoing summary and its analyses must be considered as a whole and that selecting portions thereof, without considering all of its analyses and the narrative descriptions of the analyses, could create an incomplete view of the processes underlying its analyses and the J.P. Morgan opinion. In arriving at its opinion, J.P. Morgan did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather J.P. Morgan considered the results of all of its analyses as a whole and made its determination as to fairness on the basis of its experience and professional judgment.

Analyses based on forecasts of future results are inherently uncertain, as they are subject to numerous events or factors beyond the control of ITC or Entergy s Transmission Business Accordingly, forecasts and analyses used or performed by J.P. Morgan are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by such forecasts, and the ranges of implied values resulting from such analyses are necessarily subject to substantial uncertainty and should not be taken as J.P. Morgan s view of actual values of Entergy s Transmission Business or ITC. Moreover, J.P. Morgan s analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold. None of the selected companies reviewed as described in the above summary is identical to ITC or Entergy s Transmission Business However, the companies selected were chosen because they are publicly traded companies with operations and businesses that, for purposes of J.P. Morgan s analyses, may be considered similar to those of ITC and Entergy s Transmission Business. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies compared to ITC and Entergy s Transmission Business.

As part of its investment banking and financial advisory business, J.P. Morgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. J.P. Morgan was selected by ITC as its financial advisor with respect to the merger on the basis of such experience and its qualifications and reputation in connection with mergers and acquisitions.

J.P. Morgan acted as a financial advisor to ITC with respect to the transactions and ITC has agreed to pay a fee to J.P. Morgan for its services in an aggregate amount equal to $25 million, $2.5 million of which was payable upon delivery of its opinion, $7.5 million of which will become payable if the ITC shareholders approve the merger and the remaining $15 million of which will become payable upon consummation of the transactions. Additionally, ITC has agreed to reimburse J.P. Morgan for certain expenses incurred in connection with its services, including the fees and disbursements of counsel, and to indemnify J.P. Morgan and its affiliates from certain liabilities arising out of its engagement.

J.P. Morgan and its affiliates have provided investment banking and commercial banking services from time to time to ITC, Entergy and each of their respective affiliates. During the past two years prior to the date of J.P. Morgan s opinion, such services included acting as joint bookrunner for (i) ITC s offering in December 2009 of senior notes, (ii) Entergy s offering in September 2010 of senior notes and (iii) offerings of first mortgage bonds by two subsidiaries of Entergy in September 2010 and November 2009. In addition, J.P. Morgan s commercial banking affiliate is an agent bank and a lender under outstanding credit facilities of ITC and certain of its subsidiaries as well as a lender under outstanding credit facilities of Entergy and also provides treasury and cash management services to ITC and Entergy, for which it receives customary compensation or other financial

benefits. During the past two years prior to the date of J.P. Morgan s opinion, ITC paid approximately $1.6 million to J.P. Morgan and its affiliates for such services. J.P. Morgan and its affiliates may arrange and/or provide financing to ITC and Entergy and/or certain of their subsidiaries (including TransCo and its subsidiaries) in connection with, or to facilitate, the transactions for customary compensation. J.P. Morgan and its affiliates may also provide other investment banking and commercial banking services to ITC, Entergy and Transco, and/or their affiliates, in the future. In the ordinary course of its businesses, J.P. Morgan and its affiliates may actively trade the debt and equity securities of ITC or Entergy for J.P. Morgan s own account or for the accounts of customers and, accordingly, J.P. Morgan may at any time hold long or short positions in such securities.

Opinion of Barclays

ITC engaged Barclays as a financial advisor in connection with the transactions and for the purpose of rendering a fairness opinion with respect to, from a financial point of view to ITC, the exchange ratio in the merger. At a December 4, 2011 meeting of the ITC board of directors held to evaluate the transactions, Barclays rendered to the ITC board of directors an oral opinion, confirmed by delivery of a written opinion, dated December 4, 2011, to the effect that, as of that date and based upon and subject to the qualifications, limitations and assumptions stated in its opinion, the exchange ratio in the merger was fair, from a financial point of view, to ITC.

The full text of Barclays written opinion, dated as of December 4, 2011, is attached as Annex E to this proxy statement/prospectus and is incorporated herein by reference. Barclays written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Barclays in rendering its opinion. You are encouraged to read the opinion carefully in its entirety. The following is a summary of Barclays opinion and the methodology that Barclays used to render its opinion. This summary is qualified in its entirety by reference to the full text of such opinion.

Barclays opinion, the issuance of which was approved by Barclays Fairness Opinion Committee, was addressed to the ITC board of directors for its use and benefit in connection with its evaluation of the transactions and related only to the fairness, from a financial point of view, to ITC of the exchange ratio in the merger. Barclays was not requested to opine as to, and its opinion did not in any manner address, ITC s underlying business decision to proceed with or effect the transactions or the likelihood of consummation of the transactions. Barclays expressed no opinion on, and its opinion did not in any manner address, the fairness of the amount or the nature of any compensation to any officers, directors or employees of any parties to the transactions, or any class of such persons, relative to the consideration to be paid in the transactions or otherwise. The opinion was not intended to and does not constitute a recommendation to any shareholder of ITC as to how such shareholder should vote or act with respect to the transactions or any related matter.

The terms of the transactions were determined through negotiations between ITC and Entergy, rather than by any financial advisor, and the decision to enter into the merger agreement, the separation agreement and related agreements was solely that of the ITC board of directors. Barclays did not recommend any specific form of consideration to ITC or that any specific form of consideration constituted the only appropriate consideration for the transactions. The opinion was only one of many factors considered by the ITC board of directors in its evaluation of the transactions and should not be viewed as determinative of the views of the ITC board of directors, management or any other party with respect to the transactions or the consideration payable in the transactions or otherwise. Except as described in this summary, the ITC board of directors imposed no other instructions or limitations on Barclays with respect to the investigations made or the procedures followed by it in rendering its opinion.

In arriving at its opinion, Barclays, among other things:

- reviewed and analyzed drafts, dated December 4, 2011, of the merger agreement and the separation agreement and the specific financial terms of the transactions;

- reviewed and analyzed publicly available information concerning Entergy s Transmission Business and ITC that Barclays believed to be relevant to its analysis, including Annual Reports of Entergy and ITC

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on Form 10-K for the fiscal year ended December 31, 2010, Quarterly Reports of Entergy and ITC on Form 10-Q for the fiscal quarters ended March 31, 2011, June 30, 2011 and September 30, 2011, Annual Reports of Entergy s and ITC s respective subsidiaries on FERC Form No. 1 for the fiscal year ended December 31, 2010, and other relevant filings with the SEC and the FERC;

reviewed and analyzed unaudited financial statements of Entergy s Transmission Business for the fiscal year ended December 31, 2010 and nine months ended September 30, 2011 and a statement of the rate base amount of TransCo as of December 31, 2010 furnished to Barclays by ITC;

reviewed and analyzed financial and operating information with respect to ITC s business, operations and prospects furnished to Barclays by ITC, including financial projections of ITC prepared by ITC s management, referred to as the ITC projections;

reviewed and analyzed financial and operating information with respect to Entergy s Transmission Business and its operations and prospects furnished to Barclays by ITC, including financial projections of Entergy s Transmission Business prepared by Entergy s management as adjusted by ITC s management, referred to as the adjusted Entergy s Transmission Business projections;

reviewed and analyzed a trading history of ITC common stock from December 2, 2006 to December 2, 2011 and a comparison of that trading history with the trading histories of the publicly traded stock of other companies that Barclays deemed relevant;

reviewed and analyzed a comparison of certain financial data of Entergy s Transmission Business and ITC with each other and with those of other companies that Barclays deemed relevant;

reviewed and analyzed the relative contributions of Entergy s Transmission Business and ITC to the future financial performance of the combined company on a pro forma basis;

reviewed and analyzed the potential pro forma financial impact of the transactions on the future financial performance of the combined company;

had discussions with ITC s management concerning ITC s and Entergy s Transmission Business s respective operations, assets, liabilities, financial condition and prospects; and

undertook such other studies, analyses and investigations as Barclays deemed appropriate.

In arriving at its opinion, Barclays assumed and relied upon the accuracy and completeness of the financial and other information used by Barclays without any independent verification of such information and further relied upon the assurances of ITC s management that it was not aware of any facts or circumstances that would make such information inaccurate or misleading. In connection with the preparation of its opinion, Barclays was not provided with access to Entergy s management and, accordingly, relied upon the assessments of ITC s management for purposes of its analyses and opinion. With respect to the ITC projections and the adjusted Entergy s Transmission Business projections, which assumed that Entergy s Transmission Business would elect bonus depreciation in 2011 and 2012 at effective rates of 90% and 50%, respectively, upon ITC s advice, Barclays assumed that such projections were reasonably prepared on a basis reflecting the best currently available estimates and judgments of ITC s management as to the future financial performance of ITC and Entergy s Transmission Business, respectively, and that ITC and Entergy s Transmission Business would perform substantially in accordance with such projections, and Barclays relied on the ITC projections and the adjusted Entergy s Transmission Business projections in arriving at its opinion. Barclays assumed no responsibility for independently verifying and expressed no view as to any projections or estimates reviewed by it or the assumptions on which they were based. Barclays also assumed that the merger would qualify for federal income tax purposes as a reorganization within the meaning of Section 368(a), and that the distribution would be tax-free to Entergy, Entergy stockholders and TransCo pursuant to Section 355, of the Code. Barclays did not independently verify that any such tax treatment would be available and expressed no view with respect to any such tax treatment or

consequences. In addition, Barclays relied, at ITC s direction, upon the assessments of ITC s management as to (i) market trends and prospects relating to the electric transmission industry, regulatory and legislative developments affecting ITC and Entergy s Transmission Business (including, without limitation, with respect to future rate cases and other regulatory proceedings) and the potential impact thereof on ITC,

Entergy s Transmission Business or the transactions and (ii) the ability of ITC to integrate Entergy s Transmission Business and the operations of ITC. Barclays assumed, with ITC s consent, that there would be no developments with respect to any such matters that would have an adverse effect on ITC, Entergy s Transmission Business or the transactions.

In arriving at its opinion, Barclays did not conduct a physical inspection of the properties and facilities of Entergy s Transmission Business, ITC or any other entity and did not make or obtain any evaluations or appraisals of the assets or liabilities, contingent or otherwise, of Entergy s Transmission Business, ITC or any other entity and Barclays assumed, with ITC s consent, that there were no material undisclosed liabilities of or relating to Entergy s Transmission Business. Barclays opinion necessarily was based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of its opinion. Barclays assumed no responsibility for updating or revising its opinion based on events or circumstances that may have occurred after the date of its opinion. Barclays expressed no opinion as to the prices at which shares of ITC common stock would trade following the announcement or consummation of the transactions. Barclays opinion should not be viewed as providing any assurance that the market value of ITC common stock after consummation of the transactions will be in excess of the market value of ITC common stock at any time prior to the announcement or consummation of the transactions.

Barclays assumed that the executed merger agreement and separation agreement would conform in all material respect to the last drafts reviewed by Barclays. In addition, Barclays assumed the accuracy of the representations and warranties contained in the merger agreement, separation agreement and all related agreements. Barclays also assumed, upon ITC s advice, that all material governmental, regulatory and third party approvals, consents and releases for the transactions would be obtained within the constraints contemplated by the agreements, without any concessions, amendments or modifications that would have an adverse effect on ITC, Entergy s Transmission Business or the transactions. Barclays further assumed that the transactions would be consummated in accordance with its terms without waiver, modification or amendment of any material term, condition or agreement, that the audited financial statements and auditor reviewed rate base statements of Entergy s Transmission Business to be delivered by Entergy to ITC prior to consummation of the transactions would not reflect any information that would be material to Barclays analyses or opinion and that any changes in the structure of the transactions as permitted under the terms of the agreements would not adversely impact Barclays analyses or opinion. At ITC s direction, Barclays assumed that all assets necessary for the conduct of Entergy s Transmission Business or as otherwise contemplated by the agreements would be included in the transactions and ITC would not directly or indirectly assume or incur any assets, liabilities or other obligations unrelated to Entergy s Transmission Business or that otherwise are contemplated to be excluded from the transactions. Barclays also did not express any opinion as to any tax or other consequences that might result from the transactions, nor did its opinion address any legal, tax, regulatory or accounting matters, as to which Barclays understood that ITC had obtained such advice as it deemed necessary from qualified professionals.

In connection with rendering its opinion, Barclays performed certain financial, comparative and other analyses as summarized below. This summary is not a complete description of the financial analyses performed and factors considered in connection with such opinion. In arriving at its opinion, Barclays did not ascribe a specific range of values to Entergy s Transmission Business or shares of ITC common stock but rather made its determination as to the fairness, from a financial point of view, to ITC of the exchange ratio in the merger on the basis of various financial and comparative analyses taken as a whole. The preparation of a fairness opinion is a complex process and involves various determinations as to the most appropriate and relevant methods of financial and comparative analyses and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to summary description.

In arriving at its opinion, Barclays did not attribute any particular weight to any single analysis or factor considered by it but rather made qualitative judgments as to the significance and relevance of each analysis and factor relative to all other analyses and factors performed and considered by it and in the context of the circumstances of the particular transaction. Accordingly, Barclays believes that its analyses must be considered

as a whole, as considering any portion of such analyses and factors, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying such opinion. The fact that any specific analysis has been referred to in the summary below is not meant to indicate that such analysis was given greater weight than any other analysis referred to in the summary.

In performing its financial analyses, Barclays made numerous assumptions with respect to industry performance, general business and economic conditions and other matters existing as of December 4, 2011, many of which are beyond the control of ITC, Entergy or any other parties to the transactions. None of ITC, Entergy or Barclays or any other person assumes responsibility if future results are different from those discussed, whether or not any such difference is material. Any estimates contained in these analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth below. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or necessarily reflect the prices at which businesses or securities may actually be sold or acquired. Accordingly, the assumptions and estimates used in, and the results derived from, the following analyses are inherently subject to substantial uncertainty.

The following is a summary of the material financial analyses prepared by Barclays in connection with its opinion, dated December 4, 2011, to the ITC board of directors. **Certain financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary, as the tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of such financial analyses.** For purposes of its financial analyses summarized below, Barclays utilized the ITC projections and the adjusted Entergy s Transmission Business projections and assumed the completion of the proposed financings by ITC and TransCo in connection with the transactions, including that ITC would raise $700 million in debt in connection with a pre-merger recapitalization, in the form of a one-time special dividend to its shareholders, a repurchase of ITC common stock or a combination thereof, and that TransCo would raise $1,775 million of debt. Barclays also did not make adjustments to its financial analysis for synergies, integration expenses, regulatory concessions, acquisition accounting adjustments or tax implications of such recapitalization.

Contribution Analysis. Barclays reviewed the relative financial contributions of ITC and Entergy s Transmission Business, pro forma for the financings, to the estimated financial performance of the combined company on a pro forma basis. Barclays reviewed the pro forma combined company s (i) estimated earnings before interest, taxes, depreciation and amortization (referred to as EBITDA) as adjusted for the net debt of each of ITC and Entergy s Transmission Business (referred to as leverage-adjusted EBITDA), (ii) estimated EBITDA less interest and (iii) estimated net income, in each case for each of the fiscal years 2013, 2014 and 2015 based on the adjusted Entergy s Transmission Business projections (in the case of Entergy s Transmission Business s financial data) and the ITC projections (in the case of ITC s financial data). Leverage adjusted EBITDA for each year reviewed was calculated by applying the EBITDA contribution percentage of each of ITC and Entergy s Transmission Business to the sum of ITC s and Entergy s Transmission Business s total enterprise value, which was calculated based on the discounted cash flow analysis (described below), and then subtracting out each of ITC s and Entergy s Transmission Business s projected net debt amount as of December 31, 2011.

For each of these amounts, Barclays calculated aggregate equity ownership percentages attributable to ITC in the combined company based on such relative contributions of approximately 46.6% to 52.2%. This analysis resulted in the following overall implied exchange ratio reference range based on such percentages, as compared to the exchange ratio in the merger:

Implied Exchange Ratio Reference Range	Merger Exchange Ratio
0.911x 1.142x	1.000x

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Discounted Cash Flow Analysis. Barclays performed a discounted cash flow analysis of ITC and Entergy s Transmission Business to calculate the estimated present value of the standalone after-tax unlevered free cash flows of ITC and Entergy s Transmission Business. A discounted cash flow analysis is a traditional valuation methodology used to derive a valuation of an asset by calculating the present value of estimated future cash flows of the asset. Present value refers to the current value of future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a range of discount rates that takes into account macroeconomic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors. To calculate an implied reference range for ITC and Entergy s Transmission Business using the discounted cash flow method, Barclays added (i) each of ITC s and Entergy s Transmission Business s projected after-tax unlevered free cash flows for fiscal years 2013 through 2021 based on the ITC projections and adjusted Entergy s Transmission Business projections, respectively, to (ii) the residual or terminal value of ITC and Entergy s Transmission Business, respectively, as of December 31, 2021, and discounted such amounts to present value using a range of selected discount rates. The after-tax unlevered free cash flows were calculated by taking the tax-affected EBITDA and subtracting capital expenditures and adjusting for deferred taxes and net working capital. The terminal value of ITC and Entergy s Transmission Business, as of December 31, 2021, was estimated by applying a range of forward year terminal value multiples based on 2012 estimated price to earnings and EBITDA multiples of the companies in the selected companies analysis of 15.3x to 17.3x and 7.8x to 8.8x to each of ITC s and Entergy s Transmission Business s fiscal year 2022 estimated net income and EBITDA, respectively. The 2022 estimated net income and EBITDA of ITC and Entergy s Transmission Business were calculated by increasing 2021 estimated net income and EBITDA by a growth factor of 2.0%. The after-tax unlevered free cash flows and terminal values were then discounted to December 31, 2012 (the expected closing date of the transactions) using discount rates ranging from 5.7% to 6.7%. The implied equity values were further discounted to present value as of December 31, 2011 using an equity discount rate of 9.0%. Barclays then calculated aggregate equity ownership percentages attributable to ITC in the combined company based on such implied equity values of approximately 40% to 55%. This analysis resulted in the following implied exchange ratio reference range based on such percentages, as compared to the exchange ratio in the merger:

Implied Exchange Ratio Reference Range	Merger Exchange Ratio
0.822x 1.506x	1.000x

Selected Companies Analysis. In order to assess how the public market values shares of similar publicly traded companies, Barclays reviewed and compared specific financial and operating data relating to ITC and Entergy s Transmission Business with each other and with the following nine selected companies, five of which are transmission and distribution companies and four of which are water utilities:

Selected Transmission and Distribution Companies	Selected Water Utilities
Consolidated Edison, Inc.	American States Water Company
NSTAR	American Water Works Company, Inc.
Northeast Utilities	Aqua America, Inc.
Pepco Holdings, Inc.	California Water Service Group
UIL Holdings Corporation	

Barclays calculated and compared various financial multiples and ratios of ITC, Entergy s Transmission Business and the selected companies. As part of its selected companies analysis, Barclays calculated, among other things, the ratio of each selected company s current stock price to its estimated earnings per share for calendar years 2011 through 2013 and each selected company s enterprise value to its estimated EBITDA for calendar years 2011 through 2013. Enterprise value generally was obtained by adding short-term and long-term debt to the sum of the market value of common equity, calculated using basic shares outstanding, the book value of any minority interest, the book value of any preferred stock, and subtracting cash and cash equivalents. Financial data of the selected companies were based on publicly available research analysts estimates, public

filings and other publicly available information and closing stock prices as of December 2, 2011 (the last trading day prior to execution of the merger agreement). Financial data of ITC and Entergy s Transmission Business were based on the ITC projections and the adjusted Entergy s Transmission Business projections, respectively.

Barclays selected the companies listed above because of similarities in one or more business or operating characteristics with ITC and Entergy s Transmission Business. However, because no selected company is exactly the same as ITC or Entergy s Transmission Business, Barclays believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected companies analysis. Accordingly, Barclays also made qualitative judgments concerning differences between the business, financial and operating characteristics and prospects of ITC and Entergy s Transmission Business and the selected companies that could affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis. These qualitative judgments related primarily to the differing sizes, growth prospects, profitability levels and degree of operational risk between ITC and Entergy s Transmission Business and the companies included in the selected companies analysis. Based upon these judgments, Barclays applied a range of selected multiples of calendar year 2013 estimated P/E and EBITDA of 14.4x to 16.4x and 8.5x to 9.5x, respectively, derived from ITC to corresponding data of ITC and Entergy s Transmission Business to calculate a range of implied equity values for ITC and Entergy s Transmission Business. Barclays then calculated aggregate equity ownership percentages attributable to ITC in the combined company based on such implied equity values derived utilizing the selected P/E and EBITDA multiples of approximately 47% to 54% and 40% to 51%, respectively. This analysis resulted in the following implied exchange ratio reference ranges based on such percentages, as compared to the exchange ratio in the merger:

Implied Exchange Ratio Reference Ranges Based on:		Merger Exchange Ratio
2013E P/E	2013E EBITDA	
0.863x 1.119x	0.976x 1.469x	1.000x

Barclays also applied a range of selected multiples of calendar year 2013 estimated P/E and EBITDA of 14.4x to 16.4x and 7.4x to 8.4x, respectively, derived from the selected companies to corresponding data of ITC and Entergy s Transmission Business to calculate a range of implied equity values for ITC and Entergy s Transmission Business. Barclays then calculated aggregate equity ownership percentages attributable to ITC in the combined company based on such implied equity values derived utilizing the selected P/E and EBITDA multiples of approximately 47% to 54% and 36% to 49%, respectively. This analysis resulted in the following implied exchange ratio reference ranges based on such percentages, as compared to the exchange ratio in the merger:

Implied Exchange Ratio Reference Ranges Based on:		Merger Exchange Ratio
2013E P/E	2013E EBITDA	
0.863x 1.119x	1.029x 1.762x	1.000x

General

Barclays is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. ITC selected Barclays because of its familiarity with ITC and its qualifications, reputation and experience in the valuation of businesses and securities in connection with mergers and acquisitions generally.

As compensation for Barclays financial advisory services to ITC in connection with the transactions, ITC has agreed to pay Barclays an aggregate fee of $5 million, portions of which were payable in connection with the delivery of Barclays opinion and execution of the merger agreement and $4 million of which is contingent upon the consummation of the transactions. In addition, ITC has agreed to reimburse Barclays for reasonable expenses

incurred in connection with the transactions, including fees and disbursements of Barclays counsel, and to indemnify Barclays and related parties for certain liabilities that may arise out of Barclays engagement by ITC and the rendering of Barclays opinion. Barclays and its affiliates have performed various investment banking and financial services for ITC, Entergy and certain of their respective affiliates unrelated to the transactions in the past, and expect to perform such services in the future, and have received, and expect to receive, customary fees for such services. Specifically, in the two years prior to the date of the opinion, Barclays and its affiliates have: (i) acted as sole placement agent on a $100 million first mortgage bond private placement, and as placement agent on a $50 million first mortgage bond private placement, for certain subsidiaries of ITC in November 2011 and April 2010, respectively; (ii) acted as joint lead arranger for, and/or a lender under, the refinancing of certain revolving credit facilities of ITC and certain of its subsidiaries totaling $475 million in the aggregate in February 2011 and May 2011; (iii) acted as sole placement agent on a $55 million private placement for an entity established for the sole purpose of requiring and leasing nuclear fuels to a subsidiary of Entergy in June 2011; (iv) acted as joint book-runner on a $200 million first mortgage bond offering for subsidiary of Entergy in March 2011 and a $250 million first mortgage bond offering, $550 million bond offering and $450 million bond offering for Entergy or certain of its subsidiaries in September 2010; and (v) acted as a lender under existing revolving credit facilities of Entergy and certain of its affiliates. In addition, Barclays and its affiliates have executed various hedging, derivative and other securities transactions for Entergy. During the past two years prior to the date of Barclays opinion, ITC paid approximately $2 million to Barclays and its affiliates for its services. Barclays and its affiliates engage in a wide range of businesses from investment and commercial banking, lending, asset management and other financial and non-financial services. In the ordinary course of business, Barclays and its affiliates may actively trade and effect transactions in the equity, debt and/or other securities (and any derivatives thereof) and financial instruments (including loans and other obligations) of ITC, Entergy and certain of their respective affiliates for their own account and for the accounts of their customers and, accordingly, may at any time hold long or short positions and investments in such securities and financial instruments.

Entergy s Reasons for the Separation, Distribution and the Merger

Entergy s board of directors and management frequently review Entergy s portfolio of assets to evaluate its current structure and composition, to determine whether changes might be advisable, and to look for attractive ways to add value for its shareholders. Entergy believes that the separation of Entergy s Transmission Business is the best way to realize the full value of Entergy s businesses in both the short- and long-term and provides each of Entergy and ITC with certain opportunities and benefits.

Entergy s board of directors believes that the transactions will accomplish a number of important business objectives and benefits as they relate to TransCo:

- the anticipated benefits of the divestment of Entergy s Transmission Business to Entergy s customers and shareholders, including the transparency and other benefits to customers from independent planning and operation of the transmission system, continued strengthening and improvement in overall system performance;

- Entergy s belief that the divestment of Entergy s Transmission Business from a vertically integrated electric utility company to an independent transmission company whose sole focus is transmission would achieve complete independence surrounding the planning and operation of the transmission system. An independent transmission company that is a member of an ISO, such as the proposed membership in the Midwest ISO, would achieve the optimal structure for Entergy s transmission system;

- Entergy s belief that the transactions will, through an independent transmission company model, enable continued strengthening and improvement in overall system performance supporting safe, reliable operations and also encourage efficiency and innovation;

- ITC s experience, track record of safe and reliable operations, and unique position as a transmission-only model;

- the potential flexibility of investment opportunities and protections of credit quality that the divestment of Entergy s Transmission Business could provide;

- the potential improved access to capital that the divestment of Entergy s Transmission Business could provide; and

- the independent transmission model aligns with the national policy preference. This model facilitates investment in the grid, advances open access initiatives and promotes enhanced access to competitive energy markets.

In reaching its decision to approve the transactions, the Entergy board of directors consulted with Entergy s management and financial and legal advisors and considered a wide variety of factors, including:

- the reports of Entergy s senior management, financial and legal advisors regarding their due diligence review of ITC and its business;

- with input from Entergy s legal and financial advisors, the structure and terms of the merger agreement, separation agreement, and the employee matters agreement, which are summarized in this proxy statement/prospectus;

- the likelihood of consummation of the transactions and the time period necessary to close the transactions;

- the availability of other transactions and structures, including a distribution of Entergy s Transmission Business to Entergy shareholders as a separate public company;

- the nature of the transactions, which would generally be tax free to Entergy and Entergy s shareholders; and

- the potential value to Entergy shareholders of the 50.1% of ITC that they will own after the consummation of the transactions, including the rate treatment previously allowed by FERC for independent transmission companies.

The Entergy board of directors also considered the potential risks and countervailing factors associated with the separation, distribution and merger, including that the anticipated benefits of the merger might not occur. For additional information, see the section titled Risk Factors.

The foregoing description of the information and factors discussed by the Entergy board of directors is not meant to be exhaustive but includes all material factors and information considered by it. The Entergy board of directors did not quantify or attach any particular weight to the various factors that it considered in reaching its determination that the terms of the separation, distribution and merger are advisable and fair to, and in the best interests of, the Entergy shareholders. Rather, the Entergy board of directors viewed its position as being based on the totality of the information presented to and considered by it.

Certain Financial Forecasts Prepared by Entergy

Although Entergy periodically may issue limited guidance to investors concerning its expected financial performance, Entergy does not as a matter of course provide earnings per share guidance beyond the current fiscal year except towards the end of the fiscal year with respect to the next fiscal year and Entergy is especially reluctant to publicly disclose detailed financial forecasts for extended periods due to the unpredictability of the underlying assumptions and estimates. However, in connection with the due diligence review of Entergy s Transmission Business by ITC, Entergy provided to ITC and its financial advisors certain non-public financial forecasts regarding Entergy s Transmission Business, which we refer to as the Entergy transmission forecasts. In addition, Entergy provided to ITC and its financial advisors unaudited financial information regarding the rate base of Entergy s Transmission Business as of fiscal year 2010, which we refer to as the 2010 rate base. Below is a summary subset of these forecasts and the 2010 rate base that was furnished to ITC and its financial advisors.

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Entergy has not historically presented Entergy s Transmission Business as a separate reportable segment apart from its Utility segment and the Entergy transmission forecasts were developed in October 2011 prior to production of Entergy s Transmission Business s audited financial statements contained in this proxy statement/prospectus.

The Entergy transmission forecasts or the 2010 rate base were not prepared with a view toward public disclosure or compliance with published guidelines of the SEC or the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information but, in the view of Entergy s management, were prepared on a reasonable basis and reflected the best then-currently available estimates and judgments of Entergy s management. The Entergy transmission forecasts in this proxy statement/prospectus were prepared by, and are the responsibility of Entergy management and are unaudited. Entergy s Transmission Business s independent registered public accounting firm has not examined, compiled or otherwise applied any procedures to the Entergy transmission forecasts presented herein and, accordingly, does not express an opinion or any other form of assurance on such information or its achievability, and assumes no responsibility for, and disclaims any association with, the prospective financial information. The reports of Entergy s Transmission Business s independent registered public accounting firm included in this proxy statement/prospectus relate to Entergy s Transmission Business s historical financial information. They do not extend to the Entergy financial forecasts or the 2010 rate base and should not be read to do so. The summary of these Entergy transmission forecasts and the 2010 rate base is being included in this proxy statement/prospectus because these internal financial forecasts were provided by Entergy to ITC as well as Entergy s financial advisors.

The Entergy transmission forecasts were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of Entergy. Important factors affecting results and potentially causing the Entergy transmission forecasts not to be achieved include, but are not limited to, risks and uncertainties related to Entergy s Transmission Business (including authorized return on equity rates and equity capital and the ability to recover capital expenditures in customer rates) and the other factors described under Cautionary Statement Regarding Forward-Looking Statements. In addition, for periods occurring after December 31, 2013, the Entergy transmission forecasts give effect to the separation, distribution and merger of Entergy s Transmission Business with ITC. Accordingly for those time periods, these forecasts are based on a number of different assumptions made by Entergy management at the time they were produced, including a higher authorized return on equity rate and higher authorized equity capital than if Entergy continued to own Entergy s Transmission Business. These assumptions may also be different from the assumptions made by ITC management and its financial advisors.

The Entergy transmission forecasts also reflect assumptions as to a number of other business decisions that are subject to change and do not necessarily reflect current estimates or assumptions Entergy s management may have about prospects for Entergy s Transmission Business, changes in general business or economic conditions, or any other transaction or event that has occurred or that may occur and that was not anticipated at the time the forecasts were prepared. As a result, actual results may differ materially from those contained in the Entergy transmission forecasts. Accordingly, there can be no assurance that the Entergy transmission forecasts will be realized.

Rate base is not included in the audited financial statements of Entergy s Transmission Business contained in this proxy statement/prospectus. For purposes of the Entergy transmission forecasts, rate base is defined as the value of property used by a public utility in providing service and for which the utility is permitted to earn a specified rate of return established by a regulatory agency. For the 2010 rate base and the financial forecasts, the value primarily represents the net book value of any transmission plant, general plant, intangible plant, materials and supplies and regulatory assets expected to transfer to ITC less any accumulated deferred income taxes on those assets as of the date specified below. The rate base calculation in the table below uses the individual state methodologies for determining rate base for years 2010 through 2012 and the FERC methodology for years 2013 and beyond. The major difference is that the methodology used in the Arkansas state jurisdiction (2010 2012) does not include accumulated deferred income taxes in the determination of rate base, whereas for FERC ratemaking purposes (2013 onward) accumulated deferred income taxes related to Arkansas transmission investment would be included in the determination of rate base.

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	Year Ended December 31,					
	2010A	2011E	2012E	2013E	2014E	2015E
Capital Expenditures ($millions)*		$ 483	$ 447	$ 411	$ 519	$ 551
Rate Base ($millions)	$ 2,503	$ 2,658	$ 2,995	$ 2,963	$ 3,359	$ 3,776

* Includes investments in property, plant and equipment, capitalized labor, allocated overhead and allowance for funds used during construction.

The inclusion of Entergy transmission forecasts in this proxy statement/prospectus should not be regarded as an indication that any of Entergy, ITC or their respective affiliates, advisors or representatives considered the Entergy transmission forecasts to be predictive of actual future events, and the forecasts should not be relied upon as such. None of Entergy, ITC or their respective affiliates, advisors, officers, directors, partners or representatives can give you any assurance that actual results will not differ from these internal financial forecasts, and none of them undertakes any obligation to update or otherwise revise or reconcile the Entergy transmission forecasts to reflect circumstances existing after the date the Entergy transmission forecasts were generated or to reflect the occurrence of future events even in the event that any or all of the assumptions underlying the forecasts are shown to be in error. Entergy does not intend to make publicly available any update or other revision to these forecasts. None of Entergy or its respective affiliates, advisors, officers, directors, partners or representatives has made or makes any representation to any stockholder or other person regarding Entergy s Transmission Business s ultimate performance compared to the information contained in these forecasts or that forecasted results will be achieved, Entergy has made no representation to ITC, in the merger agreement or otherwise, concerning the forecasts.

Board of Directors and Management of ITC Following the Merger

The merger agreement provides that ITC will take all necessary corporate action to cause there to be, at the effective time of the merger, at least two vacancies on the ITC board of directors (either through resignations of existing directors, by increasing the size of the board or a combination thereof), which vacancies will be filled immediately after the effective time of the merger with two directors nominated by ITC s nominating/corporate governance committee (after engaging an executive search firm to assist the nominating/corporate governance committee in identifying two such candidates). Among other qualifications, nominees are expected to have transmission industry knowledge and familiarity with the region in which Entergy operates. Entergy will be entitled to offer to ITC s nominating/corporate governance committee suggestions on candidates to fill such vacancies in connection with the search process. Any decision with respect to Entergy s candidates will be made solely by ITC s nominating/corporate governance committee. Such candidates must (a) qualify as independent directors on the ITC board of directors for purposes of the rules of the NYSE, Rule 10A-3 of the Exchange Act, and FERC independence requirements and (b) possess a knowledge and understanding of the transmission industry or electric utility industry and the service territory of Entergy s Transmission Business.

The merger agreement also provides that ITC and TransCo will take all necessary action to appoint certain specified individuals to management positions at ITC or TransCo as of the effective time of the merger. In addition, ITC expects to supplement its current management team with members of Entergy s current management team who currently manage Entergy s Transmission Business.

Ownership of ITC Following the Merger

ITC currently anticipates that, immediately after the merger, existing Entergy shareholders (and, if applicable, the exchange trust) will collectively own approximately 50.1% of ITC s common stock on a fully diluted basis, and ITC s existing shareholders will collectively own approximately 49.9% of ITC s common stock on a fully diluted basis (subject to adjustment in limited circumstances as provided in the merger agreement and excluding any ITC equity awards issued to employees of Entergy s Transmission Business who become employees of TransCo). In no event will Entergy shareholders (and, if applicable, the exchange trust)

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hold less than 50.1% of the outstanding common stock of ITC immediately after the merger. Based on existing ownership levels, ITC does not expect that there will be any individual holder of more than 5% of the outstanding common stock of ITC immediately following the closing of the merger.

Effects of the Distribution and the Merger on Entergy Equity Awards/Plans

Treatment of Entergy Restricted Common Stock

Entergy from time to time issues to its employees common stock that is subject to forfeiture if certain vesting conditions are not satisfied. Under the terms of Entergy s applicable equity incentive compensation plan, its compensation committee must adjust the terms of such restricted stock to prevent the dilution or enlargement of rights under the award in the event of extraordinary corporate transactions or other events, including the spin-off of subsidiaries of Entergy. Pursuant to the terms of the employee matters agreement, Entergy has agreed that restricted stock held by an Entergy employee who transfers employment to TransCo will be converted into a number of similarly restricted shares of ITC common stock based on the ratio (such ratio the Equity Exchange Ratio) of the closing per share trading price of Entergy common stock in the regular way trading market on the day before the distribution date which price should reflect the entitlement to receive TransCo common stock in the distribution to the closing per share trading price of ITC common stock on the closing date. Accordingly, a holder of restricted Entergy common stock whose employment transfers to TransCo will not be entitled to any TransCo common units in any spin-off distribution in respect of his or her restricted Entergy common stock. As of the date of this proxy statement/prospectus, the Entergy compensation committee has not made a determination regarding the nature of the adjustment to be made to restricted Entergy common stock held by any employee not transferring employment to TransCo. The Entergy equity incentive compensation plans generally prohibit the holder of any Entergy restricted common stock from transferring that stock before the applicable forfeiture restrictions lapse. If Entergy elects to effectuate the distribution with a split-off exchange offer, any holder of Entergy restricted common stock would be precluded from participating in such split-off exchange offer with respect to his or her restricted common stock.

Treatment of Entergy Stock Options and Stock Units

Entergy from time to time issues to its employees options to purchase its common stock and units that may be settled in, or whose value is otherwise determined by reference to the value of, Entergy common stock. As with restricted stock, under the terms of Entergy s applicable equity incentive compensation plans its compensation committee will adjust the terms of such options and units to prevent the dilution or enlargement of rights under those awards in the event of extraordinary corporate transactions or other events, including the spin-off of subsidiaries of Entergy. Pursuant to the terms of the employee matters agreement, Entergy has agreed (i) that each Entergy stock option held by an Entergy employee who transfers employment to TransCo will be converted into an option to purchase a number of shares of ITC common stock equal to the number of shares of Entergy common stock subject to the option multiplied by the Equity Exchange Ratio (rounded down to the nearest number of whole shares) at an exercise price per share equal to the per-share exercise price under the Entergy option divided by the Equity Exchange Ratio (rounded up to the nearest cent), all subject to the same terms and conditions (including those related to vesting and post-employment exercise provisions) as were applicable under the Entergy option, and (ii) that each Entergy stock unit will be converted into a number of ITC stock units units that may be settled in, or whose value is otherwise determined by reference to the value of, ITC common stock equal to the Equity Exchange Ratio, all subject to restrictions and other terms and conditions substantially identical to those that applied to the corresponding Entergy units immediately before the closing. As of the date of this proxy statement/prospectus, the Entergy compensation committee has not made a determination regarding the nature of the adjustment to be made to Entergy stock options and units held by any employee not transferring employment to TransCo.

Interests of Certain Persons in the Merger

In considering the ITC board of directors determination to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement and to recommend that ITC shareholders vote in

favor of the merger proposals, ITC shareholders should be aware that certain officers and directors of ITC may have certain interests in the merger and related transactions that are different from, or in addition to, the interests of ITC shareholders, as discussed below. The ITC board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement, the merger and the other transactions contemplated by the merger agreement, including the acceleration of certain vesting terms under the Second Amended and Restated ITC Holdings Corp. 2006 Long Term Incentive Plan (LTIP) and the possibility of severance being payable to terminated executives.

The Compensation Committee of the ITC board of directors is responsible for determining the compensation of ITC s named executive officers (NEOs), and administering the plans in which the NEOs participate. The goals of ITC s compensation system are to attract first-class executive talent in a competitive environment, and to motivate and retain key employees who are crucial to its success by rewarding company and individual performance that promotes long-term sustainable growth and increases shareholder value. ITC believes one of the key components of its NEOs compensation package includes benefits that are payable following a change in control, which further encourages NEOs to make decisions that maximize shareholder value and put ITC s interests ahead of their own interests.

Vesting of Equity Awards. Pursuant to the terms of the LTIP, all outstanding stock options, restricted stock and deferred stock unit awards granted prior to the date of the merger agreement will become fully vested upon the consummation of the merger. None of the equity awards granted to ITC directors, however, will vest as a result of the merger because those awards were granted under a different plan. Below are tables showing (x) the number of unvested stock options held by each NEO that will vest and become immediately exercisable and the intrinsic value of these stock options assuming a stock price for ITC of $70.872 (the five day average closing stock price commencing December 6, 2011) and (y) the number of unvested shares of restricted stock and deferred stock units held by each NEO that will vest and the value of these shares assuming the same stock price, in each case as of February 15, 2013, assuming continued employment through that date and assuming further that no additional awards will have been granted through that date that would vest in connection with the merger:

Named Executive Officer	Number of Unvested Stock Options	Intrinsic Value
Joseph L. Welch	29,759	$ 235,030
Cameron M. Bready	25,178	$ 137,923
Linda H. Blair	26,763	$ 167,084
Jon E. Jipping	24,843	$ 167,084
Daniel J. Oginsky	12,021	$ 70,934

Named Executive Officer	Number of Unvested Restricted Shares	Value
Joseph L. Welch	31,150	$ 2,207,663
Cameron M. Bready	19,823	$ 1,404,896
Linda H. Blair	7,487	$ 530,619
Jon E. Jipping	7,121	$ 504,680
Daniel J. Oginsky	3,304	$ 234,161

As discussed above, ITC expects to issue approximately $740 million of new indebtedness to fund the $700 million one-time special dividend and/or share repurchase it expects to complete in connection with the merger. If such a dividend and/or share repurchase occurs, ITC expects that it may make adjustments to outstanding stock options and/or pay dividend equivalents in respect of such stock options, such that holders of stock options are not adversely affected by the dividend and/or share repurchase. No decision has been made as to whether or how to structure such adjustment or equivalent payment.

Executive Supplemental Retirement Plan (ESRP). The ESRP is a nonqualified retirement plan. Only selected executives participate, including Ms. Blair and Messrs. Bready, Jipping and Oginsky. Mr. Welch does not participate. Upon the consummation of the merger all participants shall become fully vested in their account

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balances. Prior to the merger, all of our NEOs have fully vested in benefits under the ESRP except Mr. Bready. As a result of the merger, Mr. Bready (who is 60% vested as of February 15, 2013) will become fully vested in his account balance under the ESRP, with a fully vested value as of December 31, 2012 (the most recent date for which information is practicably available), of $155,011.

Retention Agreement. ITC has entered into a retention agreement with Mr. Welch that will provide him with a total cash payment of $3,000,000, with $1,500,000 payable on each of June 30, 2014 and June 30, 2016; provided that Mr. Welch is employed as our President and Chief Executive Officer on each payment date and that the Board of Directors has determined, in its sole discretion, that Mr. Welch has satisfactorily performed his duties in such capacities pursuant to the terms of his employment agreement. No amounts will be payable if Mr. Welch is not employed on each payment date.

Employment Agreements. ITC has entered into employment agreements with each of its NEOs, which agreements provide for payments by ITC of certain benefits upon termination of employment. The rights available at termination depend on the situation and circumstances surrounding the terminating event. The terms Cause and Good Reason are used in the employment agreements of each NEO and an understanding of these terms is necessary to determine the appropriate rights for which a NEO is eligible. The terms are defined as follows:

- *Cause* means: an executive s continued failure substantially to perform his or her duties (other than as a result of total or partial incapacity due to physical or mental illness) for a period of 10 days following written notice by ITC to the NEO of such failure; dishonesty in the performance of the NEO s duties; a NEO s conviction of, or plea of nolo contendere to, a crime constituting a felony or a misdemeanor involving moral turpitude; willful malfeasance or willful misconduct in connection with a NEO s duties or any act or omission which is injurious to the financial condition or business reputation of ITC; or a breach of an executive s obligations with respect to confidentiality or non-competition.

- *Good Reason* means: a greater than 10% reduction in the total value of the NEO s base salary, target bonus, and employee benefits or if the NEO s responsibilities and authority are substantially diminished.

If a NEO s employment with us is terminated without Cause by ITC or by the NEO for Good Reason within a period beginning six months before and ending two years after a change in control (including, the merger) or, for Mr. Welch only, at any time during the term of his agreement, the NEO will receive:

- any accrued but unpaid compensation and benefits, which includes vested account balances under ITC s tax-qualified pension plans, supplemental benefit plans and ESRP.

- continued payment of the NEO s annual rate of base salary for two years plus an amount equal to two times the average of each of the annual bonuses that were payable for the three fiscal years immediately preceding the fiscal year in which such NEO s employment terminates, in each case payable in equal installments over the two-year period and commencing on the earliest date that is permitted under Section 409A of the Internal Revenue Code (relating to the taxation of deferred compensation);

- a pro rata portion of the annual bonus for the year of termination, based upon ITC s actual achievement of the performance targets for such year as determined under and at the time that such bonus would normally be paid;

- reimbursement for continued coverage under ITC s health and welfare plans at active employee rates for the lesser of 18 months or until such executive becomes eligible for such benefits through alternative means, plus a tax gross up amount;

- outplacement services for up to two years; and

for Mr. Welch and Ms. Blair only, deemed satisfaction of the eligibility requirements of ITC s retiree welfare benefit plan for purposes of participation therein; and for Messrs. Jipping and Oginsky,

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participation in ITC s retiree welfare benefit plan only if, by the end of their 2 year severance period, they would have achieved the necessary age and service credit otherwise necessary to meet the eligibility requirements. It is not anticipated that Mr. Jipping or Mr. Oginsky will meet such criteria if they were to terminate employment upon consummation of the merger. In addition, if ITC terminates its retiree welfare benefit plan and, by application of the provisions described in the prior sentence, the NEO would otherwise be entitled to retiree welfare benefits, ITC will establish other coverage for the NEO or the NEO will receive a cash payment equal to ITC s cost of providing such benefits, in order to assist the NEO in obtaining other retiree welfare benefits.

If the employment of a NEO other than Mr. Welch is terminated without Cause by ITC or by the NEO for Good Reason other than in connection with a change in control, such NEO will receive the payments and benefits described above, except for the amount equal to two times the average of each of the annual bonuses that were payable to such NEO for the three fiscal years immediately preceding the fiscal year in which such NEO s employment terminates.

In addition, while employed by ITC and for a period of two years after any termination of employment without Cause by ITC (other than due to their disability) or for Good Reason by them and for a period of one year following any other termination of their employment, the NEOs will be subject to certain covenants not to compete with or assist other entities in competing with our business and not to encourage our employees to terminate their employment with ITC. At all times while employed and thereafter, the NEOs will also be subject to a covenant not to disclose confidential information.

All NEOs except Mr. Welch are subject to a cutback of any payments or benefits that would otherwise be considered excess parachute payments under Section 280G of the Internal Revenue Code. Mr. Welch is subject to a modified cutback provision which provides that excess parachute payments will be cut back to the safe harbor amount, but only if such a reduction would put him in a better after-tax position absent such a reduction and after taking into account the applicable 20% excise tax on such excess parachute payments.

The value of the benefits to be provided to the NEOs that are based on or otherwise related to the merger (whether solely by reason of the consummation of the merger on a single-trigger basis or upon a qualifying termination of employment following the merger on a double-trigger basis) are detailed in the table below. For purpose of making the calculations in the table, ITC has assumed that the termination occurs on February 15, 2013. The actual amounts payable to the NEOs, if any, are dependent on the circumstances prevailing at the time of the merger and any termination of employment and could differ substantially from the amounts set out below.

Golden Parachute Compensation

Name	**Cash ($)(1)**	**Equity(2)**	**Pension/NQDC ($)(3)**	**Perquisites/ Benefits ($)(4)**	**Total**
Mr. Welch	$ 4,898,342	$ 2,442,693		$ 267,438	$ 7,608,473
Mr. Bready	$ 1,972,867	$ 1,542,819	$ 103,341	$ 59,878	$ 3,678,905
Ms. Blair	$ 2,243,953	$ 697,703		$ 563,666	$ 3,505,322
Mr. Jipping	$ 2,116,453	$ 671,764		$ 60,780	$ 2,848,997
Mr. Oginsky	$ 1,468,225	$ 305,095		$ 59,223	$ 1,832,543

(1) For each NEO, cash severance represents two times his or her current salary, two times his or her three year average bonus (2010, 2011 and 2012) and a pro rata bonus for 2013 (assuming actual performance at target). All severance calculations assume a February 15, 2013 closing date for the merger and a qualifying termination of employment on such date. The cash severance for each executive is a double-trigger

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arrangement. Mr. Bready s cash severance amount reflects a $111,435 cut-back so as not to trigger a 280G excise tax.

(2) Outstanding restricted shares and stock options under the LTIP will vest in connection with the merger on a single-trigger basis.

(3) Represents benefits for Mr. Bready under ITC s ESRP, which provides for vesting on a single-trigger basis.

(4) Includes (a) postretirement medical and dental benefits following a qualifying termination of $213,393 for Mr. Welch and $503,158 for Ms. Blair; (b) two years of benefit continuation following a qualifying termination valued at $29,045 for Mr. Welch, $34,878 for Mr. Bready, $35,508 for Ms. Blair, $35,780 for Mr. Jipping and $34,223 for Mr. Oginsky; and (c) two years of outplacement services for all executives, valued at a total of $25,000 for each executive. All of these benefits are double-trigger arrangements.

Regulatory Approvals

To complete the separation, the distribution and the merger, there are filings, notices and waiting periods required in order for ITC and Entergy to obtain required authorizations, approvals and/or consents from a number of federal and state public utilities, antitrust and other regulatory authorities. ITC and Entergy are not currently aware of any material governmental filings, authorizations, approvals or consents that are required prior to the parties consummation of the merger other than those described below.

FERC

The transactions are conditioned on obtaining the following approvals, authorizations, acceptances and declaration of the FERC under the FPA:

all approvals necessary under Section 203 of the FPA for the disposition of or change in control over FERC jurisdictional facilities and the merger or consolidation of FERC jurisdictional facilities with another entity;

authorization under Section 204 of the FPA, to the extent necessary, for the issuance of securities or incurrence of indebtedness by the Utility Operating Companies and/or the TransCo Subs in connection with consummation of the transactions;

all approvals and acceptances under Section 205 of the FPA requested by ITC in connection with consummation of the transactions, including rates which are not suspended or subject to hearing or refund, and such other approvals and acceptances under Section 205 of the FPA requested by Entergy and its subsidiaries in connection with consummation of the transactions, to the extent necessary;

approvals by FERC of the distribution interconnection agreement, the generation interconnection agreement, the transition services agreements, other ancillary agreements and any other agreements, where required, establishing future business relationship between ITC and Entergy or any of their subsidiaries;

confirmation to ITC of the continuing independence of ITC s existing operating companies and the full independence of the TransCo Subs (once under ITC ownership) following the completion of the transactions; and

a declaration by FERC that Section 305(a) of the FPA, which prohibits the making or paying of any dividends of [a] public utility from funds properly included in capital accounts, is not implicated by the transactions because the concerns underlying section 305(a) of the FPA are not present in the circumstances of the transactions.

On September 24, 2012, ITC and Entergy filed a joint application with the FERC seeking all necessary approvals under Sections 203 and 205 of the FPA and the necessary declaration under Section 305(a) of the FPA. Various parties have submitted comments and protests to the FERC regarding the joint application. The comments and protests raise various matters related to the proposed transaction, including the effect on rates,

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and to the MISO Attachment O formula rate proposed by ITC, including the use of the MISO-wide return on equity and the proposed capital structure. Certain comments and protests also raise issues that are not the subject of the joint application, including issues related to the Utility Operating Companies proposal to join MISO and the establishment of pricing zones in MISO. Entergy and ITC have filed responses to the comments and protests. FERC will consider the comments and protests, as well as the applicants responses, in determining whether the transaction is consistent with the public interest and whether the proposed rates are just and reasonable. FERC rules call for a decision 180 days from the date of a completed application provided that the matter is not set for hearing or is not otherwise extended for up to an additional 180 days. If the matter is set for hearing, a procedural schedule will be established.

On October 31, 2012, ITC subsidiaries and Entergy subsidiaries filed applications with the FERC seeking the necessary authorizations under Section 204 of the FPA.

Public Utility Commissions

The Utility Operating Companies, ITC and certain other related parties will submit applications for approval of the separation, distribution and merger to each of the Utility Operating Companies respective retail regulators. The requirements of those retail regulators are discussed below. In all of the jurisdictions, the primary issue will be the effect the proposed transactions will have on the public interest. ITC will not seek recovery of any acquisition premium or goodwill attributed to the transactions.

Louisiana

On September 5, 2012, Entergy Gulf States Louisiana, Entergy Louisiana, ITC and certain other related parties filed a joint application with the LPSC that seeks approval of the planned transactions, including the issuance of a regulatory accounting order, the establishment of a cost recovery mechanism for post-transaction billings from ITC and applicable subsidiaries, and for other related regulatory approvals and relief . Approval is sought pursuant to an applicable Commission Order that provides that any utility subject to the jurisdiction of the LPSC cannot sell, assign, lease, transfer the whole or any part of its system without prior full disclosure of the plan, and without prior official action of approval or official action of non-opposition by the LPSC. Additionally, the application also cites other Louisiana statutes and LPSC orders applicable to the approvals sought by the parties.

The applicable Commission Order sets forth 18 criteria that are to be used in determining whether the public interest standard has been met:

(1) Whether the transfer is in the public interest; (2) Whether the purchaser is ready, willing and able to continue providing safe, reliable and adequate service to the utility s ratepayers; (3) Whether the transfer will maintain or improve the financial condition of the resulting public utility or common carrier; (4) Whether the proposed transfer will maintain or improve the quality of service to public utility or common carrier ratepayers; (5) Whether the transfer will provide net benefits to ratepayers in both the short term and the long term and provide a ratemaking method that will ensure, to the fullest extent possible, that ratepayers will receive the forecasted short and long term benefit; (6) Whether the transfer will adversely affect competition; (7) Whether the transfer will maintain or improve the quality of management of the resulting public utility or common carrier doing business in the State; (8) Whether the transfer will be fair and reasonable to the affected public utility or common carrier employees; (9) Whether the transfer would be fair and reasonable to the majority of all affected public utility or common carrier shareholders; (10) Whether the transfer will be beneficial on an overall basis to State and local economies and to the communities in the area served by the public utility or common carrier; (11) Whether the transfer will preserve the jurisdiction of the Commission and the ability of the Commission to effectively regulate and audit the public utility s or common carrier s operations in the State; (12) Whether conditions are necessary to prevent adverse consequences which may result from the transfer; (13) The history of compliance or noncompliance that the proposed acquiring entity or principals or affiliates have had with regulatory authorities in this State or other jurisdictions; (14) Whether the acquiring entity, persons, or corporations

have the financial ability to operate the public utility or common carrier system and maintain or upgrade the quality of the physical system; (15) Whether any repairs and/or improvements are required and the ability of the acquiring entity to make those repairs and/or improvements; (16) The ability of the acquiring entity to obtain all necessary health, safety, and other permits; (17) The manner of financing the transfer and any impact that may have on encumbering the assets of the entity and the potential impact on rates; and (18) Whether there are any conditions which should be attached to the proposed acquisition.

As part of the filing, Entergy Louisiana and Entergy Gulf States Louisiana presented evidence to address the presumption contained in the 2002 LPSC Order No. U-25965-A (Corrected) (that a TransCo structure is presumptively not in the public interest and related findings).

The LPSC or a party might argue that Affiliate Interest Condition No. 5 to LPSC Order No. U-19904 (May 19, 1993) (Appendix 3) applies to certain intermediate transaction steps between Entergy affiliates that occur during the Entergy corporate reorganization. See the section titled Transaction Timeline for a description of the Entergy corporate reorganization. It is Entergy s position, however, that Condition No. 5 does not apply to those intermediate transaction steps. If the condition is held to apply, however, Entergy will ask that the condition be waived. The LPSC has established a procedural schedule that reflected Staff testimony due in March 2013, a hearing commencing in June 2013 and LPSC consideration in September 2013.

City of New Orleans

On September 12, 2012, Entergy New Orleans, Entergy Louisiana, ITC, and certain other related parties filed a joint application with the City Council that seeks approval of the planned transactions, including the issuance of a regulatory accounting order, the establishment of a cost recovery mechanism for post-transaction billings from ITC Holdings Corp. and applicable subsidiaries, and for other related regulatory approvals and relief. The City Council for the City of New Orleans will review the proposed transactions to determine whether they are in the public interest pursuant to an applicable Council Resolution that provides that any utility subject to the jurisdiction of the City Council cannot sell, assign, lease, or transfer the whole or any part of its system without prior full disclosure of the plan, and without prior official action of approval or official action of non-opposition by the City Council. The City Council has established a procedural schedule with a hearing scheduled to commence on July 23, 2013, with certification of the record to the City Council no later than August 6, 2013.

Arkansas

On September 28, 2012, Entergy Arkansas, ITC and certain other related parties filed a joint application with the APSC that seeks approval of the planned transactions, which includes a request for the transfer of certificate rights, issuance of a regulatory accounting order, and for other related regulatory approvals and relief. APSC approval of the transactions is sought pursuant to the Arkansas Code, which provides that no organization, reorganization, sale, lease, rental or transfer of control of electric transmission facilities shall be had or given effect without the written approval of the APSC. Additionally, the application also cites other statutory provisions and APSC orders applicable to the approvals sought by the parties.

APSC approval will be conditioned on whether the proposed transactions are in the public interest. The Arkansas public interest standard requires: No plan of organization or reorganization shall be approved by the commission unless it shall be established by the applicant for approval that the plan is consistent with the public interest. Arkansas Code 23-3-101(b)(2). If the APSC finds that the proposed action is consistent with the public interest, it shall give its consent and approval in writing. Arkansas Code 23-3-102(b)(2). In reaching its determination on whether to approve of a public utility s application to sell, acquire, lease, or rent any public utility plant or property, the commission shall take into consideration the reasonable value of the property, plant, equipment, or securities of the utility to be acquired or merged. Arkansas Code 23-3-102(b)(3). The APSC has established a procedural schedule that reflected Staff testimony due in April 2013 and a hearing commencing in July 2013.

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Mississippi

On October 5, 2012, Entergy Mississippi, ITC and certain other related parties filed a joint application that seeks approval of the transactions, which includes a request for the transfer of certificate rights, and for approval of certain cost deferral treatment, and for other related regulatory approvals and relief.

The MPSC will review the proposed transactions under the Mississippi Code as well as the MPSC s applicable Public Utilities Rules of Practice and Procedure, which require, among other things, a showing that the proposed transactions are consistent with the public interest and that ITC is fit and able to perform public utility services and to comply with all rules, regulations and requirements of the MPSC.

The proposed transaction must also be in good faith, and when a transaction involves facilities included in the rate base of a public utility, the MPSC shall include, as a prerequisite to its finding that the transaction is consistent with the public interest, a finding that, upon the consummation of the proposed transaction: (i)(a) the native load customers of the public utility will continue to have a first priority to the use and/or benefit of such facilities, or (i)(b) any loss of such first priority by native load customers to the use and/or benefit of such facilities is not contrary to the public interest; and (ii) any native load customers served by any transmission facilities shall be served on the same basis as before the transaction. Mississippi Code § 77-3-23. The MPSC has established a procedural schedule that reflected staff testimony due in June 2013, a hearing commencing in August 2013, and a final order issuing by September 2013.

Texas

On February 19, 2013, Entergy Texas, ITC and certain other related parties filed a joint application with the Public Utility Commission of Texas for a finding that the transactions are in the public interest under Texas law. The application includes a request for the transfer of certificate rights, and for approval of certain cost-recovery mechanisms, and for other related regulatory approvals and relief. In making its determination of whether the transactions are in the public interest, factors that the PUCT will consider include whether the transactions will adversely affect the reliability, availability, or cost of service of the utility. Sections of the Texas Utilities Code that might apply include Sections 39.262/39.915 (Change of Control), Section 37.154 (Certificate of Convenience and Necessity Transfer) and Section 14.101 (Sale, Transfer, Merger). Under Texas law, the PUCT must complete its review of the transaction within 180 days of filing.

On February 22, 2013, Entergy Texas filed with the PUCT a request for certain rate relief related to recovery of costs for transmission service following the close of the transaction.

Missouri

Because Entergy Arkansas also owns transmission facilities in Missouri, on February 14, 2013, Entergy Arkansas, ITC and certain other related parties filed a joint application with the Missouri Public Service Commission pursuant to Missouri Revised Statute 393.190.1, which requires consideration of any impact such sale, assignment, lease, transfer, merger, consolidation, or other disposition will have on the tax revenues of the political subdivisions in which any structures, facilities or equipment of the corporations involved in such disposition are located. The application seeks approval of the transactions and for other related regulatory approvals and relief.

In addition, Missouri PSC rule 4 CSR 240-2.060(1) requires a statement of the reasons the proposed transfer of the assets is not detrimental to the public interest. A procedural schedule has not yet been established by the Missouri Public Service Commission.

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HSR

The merger is subject to the requirements of the Hart-Scott-Rodino (HSR) Act, and the rules and regulations promulgated thereunder, which provide that certain acquisition transactions may not be completed until required information has been furnished to the DOJ and the FTC, and until certain waiting periods have been terminated or have expired. The expiration or earlier termination of any HSR Act waiting period would not preclude the DOJ or the FTC from challenging the merger on antitrust grounds or from seeking to preliminarily or permanently enjoin the proposed merger. Neither ITC nor Entergy believes that the merger will violate federal antitrust laws, but there can be no guarantee that the DOJ or the FTC will not take a different position. If the merger is not completed within twelve (12) months after the expiration or earlier termination of the applicable HSR Act waiting period, ITC and Entergy will be required to submit new information to the DOJ and the FTC, and a new HSR Act waiting period will have to expire or be earlier terminated before the merger could be completed.

ITC and Entergy filed the requisite notification and report forms with the DOJ and the FTC on December 14, 2012. The waiting period under the HSR Act expired on January 14, 2013.

NRC

Pursuant to Section 184 of the Atomic Energy Act of 1954, as amended, and 10 CFR 50.80, Entergy Operations, Inc. submitted a license transfer application (LTA) on September 27, 2012 seeking the consent of the Nuclear Regulatory Commission (NRC) to various direct and indirect transfers of control of the NRC nuclear facility licenses currently held by certain of the Utility Operating Companies and certain related entities, in connection with the Entergy corporate reorganization. See the section titled The Transactions Transaction Timeline for a description of the Entergy corporate reorganization. The LTA also seeks NRC approval pursuant to 10 CFR 50.92 of conforming license amendments for certain of the Utility Operating Companies to the extent necessary to conform the licenses to reflect the proposed transfers. In order to satisfy a condition in the license for River Bend Station Unit 1 (Entergy Gulf States Louisiana), the LTA also provides a required notice to the NRC regarding the proposed transfer of facilities for the production, transmission or distribution of electricity having a depreciated book value exceeding one percent of Entergy Gulf States Louisiana s net utility plant, as recorded on its book of account.

The NRC has reviewed the LTA to assure that it contains the required information for NRC to conduct its review, and on November 5, 2012, the NRC staff issued a letter notifying Entergy Operations, Inc. that the LTA has been accepted for review. On January 3, 2013 and January 11, 2013, the NRC published Notices in the Federal Register regarding the proposed license transfers and offered the opportunity for interested persons to submit written comments to or request a public hearing based upon a material issue of fact or law that must be raised in order for such a request to be granted. As of February 22, 2013, the NRC received one written comment, which is not expected to have a negative impact on the NRC s review. No hearing requests have been received, and the time for making a timely hearing request has expired.

Accounting Treatment of the Merger

ASC 805, *Business Combinations*, requires the use of the acquisition method of accounting for business combinations. In applying the acquisition method, it is necessary to identify both the accounting acquiree and the accounting acquirer. In a business combination effected primarily by exchanging equity interests, such as the merger, the entity that issues the equity interests (ITC in this case) is generally the acquiring entity. In identifying the acquiring entity in a combination effected through an exchange of equity interests, however, all pertinent facts and circumstances must be considered, including the following:

The relative voting rights of ITC after the merger. In this case, it is expected that, immediately following the merger, Entergy shareholders (and, if applicable, the exchange trust) will collectively hold approximately 50.1% of ITC s common stock on a fully diluted basis, and ITC shareholders

will collectively hold approximately 49.9% of ITC s common stock on a fully diluted basis (subject to adjustment in limited circumstances as provided in the merger agreement and excluding any ITC equity awards issued to employees of Entergy s Transmission Business who become employees of TransCo). In no event will Entergy shareholders (and, if applicable, the exchange trust) hold less than 50.1% of the outstanding common stock of ITC immediately after the merger.

The composition of the governing body of ITC after the merger. In this case, the composition of the ITC board of directors following the merger will be comprised of the members of the ITC board of directors immediately prior to the completion of the merger, plus two additional directors appointed at the sole discretion of ITC s nominating/corporate governance committee, as described under Board of Directors and Management of ITC Following the Merger.

The composition of the senior management of ITC after the merger. In this case, ITC s senior management following the merger will be the same as ITC s current senior management team, with the addition of certain management personnel as described under Board of Directors and Management of the ITC Following the Merger.

The terms of the exchange of equity interests. In this case, ITC is paying a premium over the precombination fair value of assets acquired and liabilities assumed of Entergy s Transmission Business by issuing common stock to Entergy shareholders in excess of the precombination fair value.

The entity whose relative size (measured in, for example, assets, revenues or earnings) is larger than the other entity in the business combination. In this case, ITC is the larger company in the merger based on total assets as of September 30, 2012 and revenues and earnings as of December 31, 2011.

After considering all pertinent facts, reviewing the criteria outlined in ASC 805 and conducting the relevant analysis, ITC has concluded that it is the accounting acquirer in the merger. Although majority voting rights may be retained by former Entergy shareholders, ASC 805 requires consideration of all pertinent facts and circumstances, listing several potential indicators, none of which is weighed more heavily than another. ITC s conclusion is based primarily upon the following facts: (1) there will be no significant immediate change in the composition of ITC s board of directors after the merger, (2) ITC s senior management prior to the merger will continue to be the senior management of the combined business after the merger, (3) ITC is issuing its equity interests as consideration for the merger and its voting rights are expected to continue to be widely held, (4) ITC is paying a premium for Entergy s equity interests in the Entergy s Transmission Business and (5) ITC is larger in relative size than the Entergy s Transmission Business. Accordingly, ITC will apply acquisition accounting to the assets and liabilities of TransCo upon completion of the merger.

No Dissenters Rights

ITC shareholders will not be entitled to dissenters rights under the MBCA in connection with the merger.

New York Stock Exchange Listing

ITC common stock is currently listed on the NYSE under the symbol ITC. In the merger agreement, ITC agreed to use its reasonable best efforts to cause the shares of ITC common stock to be issued in connection with the merger to be listed on the NYSE as of the effective time of the merger. After the merger, shares of ITC common stock, as the combined company, will continue to trade on the NYSE under the same symbol ITC.

ITC s Dividend Policy and $700 Million Recapitalization

The declaration and payment of dividends is subject to the discretion of the ITC board of directors and depends on various factors, including ITC s net income, financial condition, cash requirements, future prospects and other factors deemed relevant by the ITC board of directors. As a holding company with no business operations, ITC s material assets consist primarily of the common stock or ownership interests in its subsidiaries and cash. ITC s material

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cash inflows are only from dividends and other payments received from time to time from its subsidiaries and the proceeds from the sale of debt and equity securities. ITC may not be able to access cash generated by its subsidiaries in order to pay dividends to its shareholders. The ability of ITC s subsidiaries to make dividend and other payments to ITC is subject to the availability of funds after taking into account the ITC subsidiaries funding requirements, the terms of the ITC subsidiaries indebtedness, the regulations of the FERC under the FPA, and applicable state laws. The debt agreements to which ITC or its regulated operating subsidiaries is a party contain financial covenants that could limit ITC s ability to pay dividends, as well as covenants that prohibit ITC from paying dividends if ITC is in default under its revolving credit facilities. Further, each of ITC s subsidiaries is legally distinct from ITC and has no obligation, contingent or otherwise, to make funds available to ITC.

The ITC board of directors intends to adjust the dividend rate from time to time, subject to prevailing business conditions, applicable restrictions on dividend payments, the availability of capital resources and ITC s investment opportunities.

In connection with the transactions, ITC expects to effectuate a $700 million recapitalization, which may take the form of a one-time special dividend to ITC s pre-merger shareholders, a repurchase of ITC common stock from the ITC shareholders or a combination of a one-time special dividend and a share repurchase. The decision regarding the form of the recapitalization remains in the sole discretion of the ITC board of directors and will be made closer to the closing of the merger.

Following the date of the merger agreement and prior to the effective time of the merger, ITC will not pay any dividends with respect to any of its capital stock other than (i) quarterly cash dividends not to exceed the amounts set forth on ITC s confidential disclosure letter for 2012 and 2013, declared and paid in the ordinary course and with record dates and payment dates consistent with past practice, (ii) dividends payable by a wholly owned subsidiary of ITC to ITC or another wholly owned subsidiary and (iii) a one-time special dividend in accordance with the merger agreement.

THE FINANCINGS

In conjunction with the transactions, each of Entergy and TransCo and each TransCo Sub, subject to specified limitations and restrictions set forth in the separation agreement, will use its reasonable best efforts to consummate certain financing transactions described below. For more detail on the contractual obligations of Entergy, TransCo and ITC with respect to the financings, see The Separation Agreement The Financings.

Entergy Exchangeable Debt

At least fourteen days prior to the debt exchange, Entergy will issue debt to one or more unrelated creditors or one or more unrelated creditors will purchase existing Entergy corporate debt, in each case, such debt referred to as Entergy exchangeable debt. Any new debt issued as Entergy exchangeable debt will be on terms and conditions reasonably acceptable to Entergy in its good faith commercial judgment. As described below, assuming that the desired private letter ruling from the Internal Revenue Service with respect to the financings is obtained, the amount of Entergy exchangeable debt to be issued or purchased is expected to be $575 million, but in any case will be of equal aggregate principal amount as the TransCo debt securities.

Issuance of TransCo Debt Securities

In partial consideration for the equity interests of the TransCo Subs contributed by Entergy to TransCo in the Entergy contribution, TransCo will issue to Entergy debt of TransCo, referred to as TransCo debt securities, in an aggregate principal amount, when combined with the TransCo Subs Financing, of $1.775 billion (as may be adjusted pursuant to the merger agreement), referred to as the transaction maximum principal amount. It is currently expected that the aggregate principal amount of the TransCo debt securities will be $575 million, but in any case will be of equal aggregate principal amount as the Entergy exchangeable debt.

The Debt Exchange

At the time of the separation, it is expected that Entergy will effect an exchange with the holders of the Entergy exchangeable debt for the TransCo debt securities previously issued to Entergy. In the exchange (should the exchange occur), the unrelated creditor or creditors that hold the Entergy exchangeable debt will receive the TransCo debt securities and Entergy will receive the Entergy exchangeable debt. As noted above, TransCo will issue the TransCo debt securities to Entergy in partial consideration for the equity interests of the TransCo Subs contributed by Entergy to TransCo in the TransCo contribution. Neither TransCo nor any of the TransCo Subs will receive any net proceeds from the issuance of the TransCo debt securities or the debt exchange. Entergy expects that the net proceeds it receives from the issuance of any issued Entergy exchangeable debt will be used to reduce outstanding Entergy or Utility Operating Company debt and to redeem the Utility Operating Companies outstanding preferred equity interests.

Working Capital Facility

At the request of ITC, Entergy will use its reasonable best efforts to cause TransCo to arrange a working capital revolving credit facility in a principal amount mutually determined by ITC and Entergy. TransCo will not draw down on the working capital facility without the consent of ITC.

TransCo Subs Financing

Entergy will use its reasonable best efforts to cause the TransCo Subs to arrange a 366-day bridge facility, referred to as the TransCo Subs Financing, based on a targeted capital structure for each TransCo Sub of 40% debt and 60% equity (provided that if the desired private letter ruling from the Internal Revenue Service with respect to the financings cannot be obtained without adjusting the principal amount of the TransCo Subs Financing, then the parties will have the right to increase or decrease the principal amount of the TransCo Subs

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Financing to an amount equal to the aggregate tax basis of the transmission assets). It is expected that the after the merger the TransCo Subs will issue first mortgage bonds to refinance the bridge facility. Assuming the desired private letter ruling from the Internal Revenue Service with respect to the financings is obtained, the aggregate amount of the TransCo Subs Financing is expected to be $1.2 billion. Simultaneously with or immediately after the TransCo Subs Financing, each Utility Operating Company will transfer its respective transmission assets and liabilities to its respective TransCo Sub and, as part of the consideration for such transfer, each Utility Operating Company will receive the net proceeds of the respective TransCo Sub Financing. Neither TransCo nor any of the TransCo Subs will retain any proceeds from the TransCo Subs Financing. Entergy expects that the proceeds it receives from each TransCo Sub in the Utility Operating Company contribution will be used to reduce outstanding Utility Operating Company debt.

TransCo Maximum Principal Amount

The separation agreement provides that the aggregate principal amount to be incurred in the TransCo debt securities issuance by TransCo and the TransCo Subs Financing by all TransCo Subs will be equal to $1.775 billion, as may be adjusted pursuant to the merger agreement.

Summary

It is expected that immediately prior to the merger with ITC, TransCo will have approximately $575 million of unsecured debt outstanding (i.e., the TransCo debt securities) and the TransCo Subs will have approximately $1.2 billion of debt outstanding (i.e., the TransCo Subs Financing). Neither TransCo nor any of the TransCo Subs will retain any net proceeds from the TransCo debt securities or the TransCo Subs Financing. Entergy will use the net proceeds from the financings, plus approximately $100 million from general corporate sources, to redeem approximately $300 million of the Utility Operating Companies outstanding preferred equity interests and to repay approximately $1.577 billion of historic debt of Entergy or of the Utility Operating Companies.

ITC Recapitalization

Prior to the merger, ITC may, in its sole discretion, elect to (i) declare a one-time special dividend payable to pre-merger ITC shareholders, (ii) effect a share repurchase of ITC common stock, or (iii) undertake a combination of a one-time special dividend and share repurchase of ITC common stock. The aggregate amount payable to ITC shareholders in connection with a one-time special dividend or share repurchase or a combination of both will not exceed $700 million. Such transactions are expected to be funded by debt securities issued by ITC prior to the merger. The decision regarding the form of the recapitalization remains in the sole discretion of the ITC board of directors and will be made closer to the closing of the merger.

Existing ITC Debt

Immediately following completion of the merger, ITC s debt financing arrangements existing immediately prior to the closing of the merger will remain in place (subject to any permitted refinancing or repayment thereof by ITC). For information on ITC s existing debt see ITC s Annual Report on Form 10-K, as amended by the Annual Report on Form 10-K/A, for the year ended December 31, 2011 incorporated by reference into this proxy statement/prospectus. After giving effect to the merger and incurrence of debt related thereto, ITC would have had total outstanding consolidated debt on its balance sheet of approximately $5.6 billion as of September 30, 2012.

THE MERGER AGREEMENT

The following is a summary of the material provisions of the merger agreement (as amended by Amendment No. 1 and Amendment No. 2 to the merger agreement). This summary is qualified in its entirety by the merger agreement and Amendment No. 1 and Amendment No. 2 to the merger agreement, each of which is incorporated by reference and included in this proxy statement/prospectus as Annex A. The rights and obligations of the parties are governed by the express terms and conditions of the merger agreement (as amended by Amendment No. 1 and Amendment No. 2 to the merger agreement) and not by this summary or any other information included in this proxy statement/prospectus. You are urged to read the merger agreement (as amended by Amendment No. 1 and Amendment No. 2 to the merger agreement) carefully and in its entirety. The merger agreement contains representations and warranties by each of the parties to the merger agreement. These representations and warranties have been made solely for the benefit of the other parties to the merger agreement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk of one of the parties if those statements prove to be inaccurate; (ii) have been qualified by disclosures that were made to the other party in connection with the negotiation of the merger agreement, which disclosures are not necessarily reflected in the merger agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and (iv) were made only as of the date of the merger agreement or such other date or dates as may be specified in the merger agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. ITC acknowledges that, notwithstanding the inclusion of the foregoing general disclaimer, it is responsible for considering whether additional public disclosure of material information regarding material contractual provisions are required to make statements in this proxy statement/prospectus not misleading. Additional information about ITC, TransCo or Entergy s Transmission Business can be found elsewhere in this proxy statement/prospectus. See also Where You Can Find More Information; Incorporation By Reference.

Initial Issuance of TransCo Common Units

In partial consideration for the assets of Entergy s Transmission Business transferred from Entergy to TransCo, as further described in The Separation Agreement, TransCo will issue and deliver to Entergy a number of TransCo common units equal to the sum of:

- the number obtained by (i) multiplying 1.0040080160326 by the number of ITC shares of common stock outstanding on a fully diluted basis as of the closing date of the merger, as estimated by ITC and Entergy on the estimation date, less (ii) the number of TransCo common units outstanding immediately prior to such calculation (which are estimated to be approximately 1,000); plus

- the number obtained by dividing the aggregate disqualified share number by 49.9% (provided that the number of TransCo common units issued will not exceed an amount that would reduce the transaction maximum principal amount by more than $100 million).

The number of TransCo common units to be issued to Entergy will not be less than that number which will be necessary for the Entergy shareholders (and, if applicable, the exchange trust) immediately prior to the merger to constitute the holders of at least 50.1% of the outstanding ITC common stock immediately following the merger.

The Distribution

The merger agreement provides that Entergy may elect, in its sole discretion, to effect the distribution in the form of either (i) a dividend of TransCo common units to Entergy shareholders on a *pro rata* basis, referred to as a spin-off, (ii) an offer by Entergy to exchange TransCo common units for currently outstanding shares of Entergy s common stock, referred to as a split-off exchange offer, and, if Entergy continues to hold TransCo common units after the completion of such exchange offer, a subsequent *pro rata* dividend of the remaining TransCo common units effected immediately following the completion of the exchange offer, referred to as a

clean-up spin-off or (iii) a combination of a spin-off and a split-off exchange offer. Entergy must advise ITC of the form of the distribution at least thirty (30) business days before the anticipated date of the closing.

ITC and Entergy are both entitled to delay the date of distribution for up to 20 calendar days, in consultation with its financial advisors, to take into account any then existing market conditions and the ability to market the ITC financing and/or the financings.

ITC Recapitalization

Prior to the merger, ITC may, in its sole discretion, elect to (i) declare a one-time special dividend to the ITC shareholders, (ii) effect a repurchase of ITC common stock from the ITC shareholders or (iii) undertake a combination of a one-time special dividend and a share repurchase, in each case up to an aggregate amount of $700 million. In the event the ITC recapitalization includes a one-time special dividend to the ITC shareholders, ITC shall take all action necessary to prohibit ITC s Dividend Reinvestment Plan from reinvesting, on behalf of any participants, the proceeds of any such one-time special dividend in ITC common stock, through purchase or otherwise, after the closing of the merger.

The Merger

Pursuant to the merger agreement and in accordance with Delaware law, immediately following the distribution, Merger Sub will merge with and into TransCo. As a result of the merger, the separate corporate existence of Merger Sub will cease and TransCo will continue as the surviving entity and will be a wholly owned direct subsidiary of ITC.

At the time of the merger, the TransCo common units distributed in connection with the distribution will automatically convert into the right to receive ITC common stock on a one-for-one basis and a right to receive cash in lieu of any fractional shares of ITC common stock.

TransCo s certificate of formation as in effect immediately prior to the merger will be the certificate of formation of the surviving entity immediately following the merger and Merger Sub s limited liability company agreement as in effect immediately prior to the merger will be the limited liability company agreement of the surviving entity immediately following the merger.

The Closing and the Effective Time

The closing of the merger will take place on the fifth business day following the satisfaction or waiver of the conditions specified in the merger agreement, as described under Conditions to the Merger , unless otherwise agreed to by ITC and Entergy.

The merger will become effective at the time of filing of a certificate of merger with the Secretary of State of the State of Delaware or at such later time as the parties may agree, referred to as the effective time of the merger.

The Merger Consideration

The merger agreement provides that each TransCo common unit issued and outstanding immediately before the effective time of the merger, with the exception of any TransCo common units owned by ITC, Merger Sub or TransCo will automatically convert at the effective time of the merger into the right to receive one fully paid and nonassessable share of ITC common stock. Any TransCo common unit that is owned, directly or indirectly, by ITC or Merger Sub or held by TransCo, immediately prior to the effective time of the merger, will be automatically cancelled at the effective time of the merger.

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Distribution of Merger Consideration; Treatment of Fractional Shares

Prior to or at the effective time of the merger, ITC will deposit with the exchange agent evidence in book entry form representing the shares of ITC common stock for the benefit of the Entergy shareholders entitled to receive TransCo common units in the distribution. Each Entergy shareholder will be entitled to receive the number of whole shares of ITC common stock (in lieu of the TransCo common units otherwise distributable to that shareholder) that the shareholder has the right to receive pursuant to the merger agreement. Shortly following the merger, subject to receipt of letters of transmittal, the exchange agent will distribute these shares of ITC common stock to those persons. No fractional shares of ITC common stock will be issued in the merger to holders of fractional TransCo common units. Instead, within 30 business days following the effective time of the merger, the exchange agent will aggregate all fractional shares of ITC common stock and sell them on behalf of those Entergy shareholders who otherwise would be entitled to receive a fractional share of ITC common stock. Those Entergy shareholders will then receive a cash payment in an amount equal to their *pro rata* share of the total net proceeds of those sales.

Board of Directors of ITC and Management Appointees Following the Merger

ITC has agreed to take all necessary corporate actions to cause, at the effective time of the merger, there to be at least two vacancies on the ITC board of directors. Such vacancies will be filled immediately upon the completion of the merger with two directors nominated by ITC s nominating/corporate governance committee. Prior to closing, the nominating/corporate governance committee will engage an executive search firm to assist in identifying the two candidates and Entergy will be entitled to offer to the nominating/corporate governance committee suggestions on candidates to fill the two vacancies. Among other qualifications, nominees are expected to have transmission industry knowledge and familiarity with the region in which Entergy operates. Any decision with respect to Entergy s candidates will be made solely by ITC s nominating/corporate governance committee. Any candidate must both (i) qualify as an independent director for purposes of the rules of the NYSE, Rule 10A-3 of the Exchange Act, and FERC independence requirements and (ii) possess a knowledge and understanding of the transmission industry or electric utility industry and the service territory of the Entergy s Transmission Business.

The merger agreement also provides that ITC and TransCo will take all necessary action to appoint certain specified individuals to management positions at ITC or TransCo as of the effective time of the merger.

Post-Merger Operations

For three years from the effective time of the merger:

- TransCo will have a regional headquarters in Jackson, Mississippi, as well as a regional presence for the TransCo Subs within the five-state region in which Entergy s Transmission Business principally operates; and

- ITC intends to provide charitable contributions and other community support within the communities in which Entergy s Transmission Business operates, at a level comparable in the aggregate to the levels currently provided by ITC in its other service territories.

Exchange Trust

Entergy may elect, by written notice to ITC delivered at least 30 business days prior to the closing, to retain up to that number of TransCo common units that would convert in the merger to up to 4.9999% of the total number of shares of ITC common stock outstanding immediately following the consummation of the merger, which TransCo common units will convert to shares of ITC common stock at the closing of the merger. At the closing, such shares will be contributed by Entergy to a Delaware trust or other mutually agreed upon arrangement. Entergy will not control the trust or the shares held by it, other than the right to cause the shares to be distributed through an exchange offer for outstanding shares of Entergy common stock within six months after

the closing; provided, however, if at the end of such period no exchange offer has been effectuated in which all such shares has been distributed to the shareholders of Entergy, the shares will be distributed *pro rata* to the shareholders of Entergy. Such shares may not be otherwise transferred and the trustee will vote the shares in the same proportion as all voting securities of ITC that actually vote on a matter are voted. Entergy will be deemed not to have elected to retain the TransCo common units, if (i) after discussions with FERC and each party s legal advisors, a reasonable determination is made by either party that it would reasonably be expected to result in a determination that any of ITC and its affiliates will not be deemed independent by FERC, (ii) FERC does not expressly approve the transactions contemplated by the foregoing or (iii) Entergy is unable to obtain a ruling from the IRS that the implementation of the trust will not affect the distribution being a wholly tax-free exchange, it would otherwise be inconsistent with the IRS rulings to be requested by Entergy regarding the tax-free treatment of certain aspects of the transactions or unreasonably delay its receipt, or cause the tax opinion from counsel to be obtained by Entergy regarding the tax-free nature of the transactions not to be delivered.

Representations and Warranties

The merger agreement contains substantially reciprocal representations and warranties that Entergy made to ITC, on the one hand, and ITC made to Entergy, on the other hand, as of specific dates. The assertions embodied in those representations and warranties were made solely for the benefit of the other parties to the merger agreement and are qualified by certain sections of the materials filed with the SEC by ITC or Entergy, as applicable, after January 1, 2009 and prior to the date of the merger agreement and by information in confidential disclosure letters that each of ITC and Entergy provided in connection with signing the merger agreement. The confidential disclosure letters contain information that modifies, qualifies or creates exceptions to the representations and warranties set forth in the merger agreement. Moreover, many of those representations and warranties may not be accurate or complete as of any specified date and may be subject to a contractual standard of materiality or material adverse effect different from that generally applicable to public disclosures to shareholders. The representations and warranties were used for the purpose of allocating risk between Entergy and ITC rather than establishing matters of fact. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. ITC acknowledges that, notwithstanding the inclusion of the foregoing general disclaimer, it is responsible for considering whether additional public disclosure of material information regarding material contractual provisions is required to make statements in this proxy statement/prospectus not misleading. Additional information about ITC, TransCo or Entergy s Transmission Business can be found elsewhere in this proxy statement/prospectus. See the section titled Where You Can Find More Information; Incorporation By Reference.

With certain limited exceptions, the representations and warranties contained in the merger agreement will not survive the closing of the merger or a termination of the merger agreement.

Each of ITC and Entergy has made various representations and warranties to the other party in the merger agreement regarding, among other things:

- due organization, good standing and corporate power;
- authority to enter into and perform the merger agreement and the other transaction agreements;
- capital structure/capitalization and rights with respect to equity interests;
- absence of conflicts with or violations of organizational documents, laws, contracts or permits as a result of the execution and delivery of the merger agreement and other transaction agreements or the completion of the transactions contemplated thereby;
- required regulatory filings and consents and approvals of governmental entities;
- financial information;

disclosure controls and procedures and internal control over financial reporting;

- conduct of business in the ordinary course and the absence of certain changes that would result in a material adverse effect, as described below, on the party making the representation;
- accuracy of information supplied for use in this proxy statement/prospectus and other filings made with the SEC or any other governmental authorities in connection with the transactions;
- absence of litigation;
- compliance with laws and possession of and compliance with permits;
- material contracts, including validity and compliance with material contracts;
- employee benefits and labor matters;
- title to assets;
- environmental matters;
- tax matters;
- regulatory matters (including regulatory proceedings and required reports);
- intellectual property;
- insurance;
- the absence of undisclosed broker s and finder s fees; and
- real property.

Entergy has also made certain representations and warranties to ITC relating to the sufficiency of the acquired transmission assets and transmission land rights.

ITC has also made representations and warranties to Entergy relating to filings with the SEC, the required vote of ITC shareholders to approve the merger proposals and the receipt of fairness opinions from ITC s financial advisors in connection with the transactions.

Many representations and warranties in the merger agreement are subject to knowledge or materiality qualifications or are qualified by a material adverse effect standard (that is, they will not be deemed untrue or incorrect unless their failure to be true or correct, individually or in the aggregate, would have a material adverse effect), and each party s closing condition relating to the accuracy of representation and warranties is generally subject to a material adverse effect standard.

For the purposes of the merger agreement, a material adverse effect, referred to as either an ITC MAE with respect to ITC or a Transmission Business MAE with respect to Entergy s Transmission Business, means: any event, change, effect, development, state of circumstance, condition or occurrence that is materially adverse to the assets, liabilities, business, financial condition or results of operations of ITC and its subsidiaries, as a whole, or Entergy s Transmission Business, as the case may be, or the ability of a party to consummate the transactions. The determination of an ITC MAE or a Transmission Business MAE will not take into account any of the following events, changes, effects, developments, state of facts, circumstances, conditions or occurrences:

generally affecting the economy or the financial, securities or commodities markets in the United States or elsewhere in the world, the industries in which the parties and their subsidiaries operate generally or in any specific jurisdiction or geographical area, except to the extent that ITC and its subsidiaries (taken as a whole) or Entergy s Transmission Business (taken as a whole), as applicable, is disproportionately affected as compared to other participants in the electricity transmission industry;

resulting from or arising out of any event, change or development resulting from or arising out of the international, national, regional, state or local wholesale or retail markets for electric power, capacity or

fuel or related products, except to the extent that ITC and its subsidiaries (taken as a whole) or Entergy s Transmission Business (taken as a whole), as applicable, is disproportionately affected as compared to other participants in the electricity transmission industry;

resulting from or arising out of any event, change or development resulting from or arising out of in international, national, regional, state or local electric transmission or distribution systems or increases or decreases in planned spending with respect thereto, unless, with respect to ITC, to the extent resulting from a material reduction in authorized return of equity for ITC or any of its subsidiaries, and with respect to both Entergy and ITC, except to the extent that ITC and its subsidiaries (taken as a whole) or Entergy s Transmission Business (taken as a whole), as applicable, is disproportionately affected as compared to other participants in the electricity transmission industry;

resulting from or arising out of the announcement or the existence of the merger agreement or the separation agreement or the consummation of the transactions;

resulting from or arising out of any action taken at the written request of the other party;

resulting from or arising out of changes in GAAP or accounting standards or regulatory accounting requirements applicable to United States utility organizations generally or interpretations thereof after the date of the merger agreement, except to the extent that ITC and its subsidiaries (taken as a whole) or Entergy s Transmission Business (taken as a whole), as applicable, is disproportionately affected as compared to other participants in the electricity transmission industry;

resulting from or arising out of weather-related or other force majeure events or the outbreak of hostilities or acts of war or terrorism (other than physical damage rendering transmission assets to be transferred to TransCo physically unusable), except to the extent that ITC and its subsidiaries (taken as a whole) or Entergy s Transmission Business (taken as a whole), as applicable, is disproportionately affected as compared to other participants in the electricity transmission industry;

resulting from or arising out of failure to meet internal or public projections, forecasts or estimates of revenue, earnings, cash flow or cash position or budgets (provided that the facts and circumstances underlying such failure may be taken into account); and

resulting from or arising out of any reduction in credit ratings to the extent attributable to the expected consummation of the transactions.

A Transmission Business MAE will be deemed to have occurred in the event that any applicable federal, state or local regulatory agencies or commissions takes any action indicating that upon the purchase and operation of Entergy s Transmission Business, ITC or its affiliates (i) shall no longer be deemed independent by FERC or (ii) shall be subject to regulation by any state or local commission (other than to the extent any such regulation relates to customary electric transmission franchise or siting matters within the jurisdiction of such agency or commission).

Conduct of Entergy s Transmission Business Pending the Closing

The merger agreement generally provides that, from the date of the merger agreement until the earlier of the effective time of the merger and the termination of the merger agreement, except as expressly provided for in the merger agreement, set forth in Entergy s confidential disclosure letter or consented to in writing by ITC, Entergy and its subsidiaries are required to conduct Entergy s Transmission Business in the ordinary course of business, consistent with past practice and good utility practice and use commercially reasonable efforts to (i) preserve intact their present business organizations, (ii) maintain in effect all existing transmission permits, (iii) maintain all material assets to be transferred in accordance with good utility practice, (iv) preserve relationships with governmental authorities, key employees to be included in the transfer, customers and suppliers and others having significant business dealings with them and (v) comply in all material respects with all applicable laws and transmission permits.

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From the date of the merger agreement until the earlier of the effective time of the merger and the termination of the merger agreement, (a) neither Entergy nor any of its subsidiaries will take any action or cause any action to be taken that (i) could cause the transactions to fail to qualify for the intended tax-free treatment, (ii) would result in failure to obtain the IRS rulings or that could cause any of the information or representations made in the documents related to the IRS rulings or the tax opinion to be untrue and (b) neither Entergy nor any members of the Entergy group will be a party to any transaction (or arrangement, negotiations or discussions with bankers with respect to a public offering, in each case within the meaning of Section 355(e) of the Code and Treasury Regulation Section 1.355-7 regarding a transaction or series of transactions) as a result of which ITC or TransCo would merge or consolidate with any person or any person would acquire any ITC or TransCo capital stock.

In addition, from the date of the merger agreement until the earlier of the effective time of the merger and the termination of the merger agreement, except as expressly provided in the merger agreement or other transaction agreements, set forth in Entergy s confidential disclosure letter, required by law or with the prior written consent of ITC (which consent will not be unreasonably withheld, conditioned or delayed), Entergy:

will not permit TransCo or any TransCo Sub to declare or pay any dividends or other distributions or enter into any agreement with respect to the voting of its capital stock or limited liability company membership interests or purchase or otherwise acquire any TransCo equity;

will not, and will not permit any of its subsidiaries to, split, combine, reclassify, subdivide or take similar actions with respect to any TransCo equity or limited liability company membership interests of any TransCo Sub or issue or authorize or propose the issuance of any TransCo securities in respect of, in lieu of or in substitution for shares of the capital stock or limited liability company membership interests of TransCo or any TransCo Sub;

will not, and will not permit any of its subsidiaries to, sell, pledge, dispose of, grant, transfer, lease, license, guarantee, abandon, allow to lapse or encumber (or authorize any such action) any assets that are (or would otherwise be) transmission assets, including the capital stock of any subsidiaries, except for specified exceptions, including dispositions in amounts less than $10 million in the aggregate in any consecutive 12-month period;

except in connection with any transaction solely between TransCo and any TransCo Sub or between any TransCo Subs and except for other specified exceptions, will not, and will not permit any of its subsidiaries to, acquire (including by merger, consolidation, or acquisition of stock or assets) any interest in any person or any assets that are (or would otherwise be) transmission assets, if (i) the amount exceeds $25 million in any one transaction (or series of related transactions) or $50 million in the aggregate in any consecutive 12-month period or (ii) any such acquisition is reasonably likely, individually or in the aggregate, to materially delay or prevent the satisfaction of the closing conditions related to regulatory approvals;

will not, and will not permit any of its subsidiaries to, redeem, repurchase, defease, cancel or otherwise acquire or incur any indebtedness, other than liabilities that would be excluded liabilities under the separation agreement and indebtedness pursuant to the financings;

will not, and will not permit any of its subsidiaries to, adopt a plan of liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of TransCo or the TransCo Subs, or enter into a letter of intent or agreement in principle with respect to such action, other than the transactions;

will not, and will not permit any of its subsidiaries to, with respect to the transmission assets or Entergy s Transmission Business, (i) make any material change in its accounting or tax reporting principles, methods or policies, except as required by a change in GAAP or FERC accounting requirements, (ii) make, change or revoke any material tax election or method of accounting on which tax reporting is based, (iii) settle or compromise any material tax claim or tax liability, or enter into any material tax closing

agreements, (iv) extend or waive the application of any statute of limitations

regarding the assessment or collection of any material tax or (v) amend any material tax return, subject to specified qualifications;

will not, and will not permit any of its subsidiaries to, materially change financial accounting policies or procedures or any of its methods of reporting income, deductions or other material items for financial accounting purposes, except as required by GAAP, FERC, SEC rule or policy or applicable law, except as necessary to produce the audited financial statements of Entergy s Transmission Business to be delivered to ITC pursuant to the merger agreement;

will not, and will not permit any of its subsidiaries to, adopt, amend or terminate any transmission benefit plans or increase the salaries, wage rates, target bonus opportunities or equity based compensation of, grant any severance or termination pay or equity based compensation to, or loan or advance any money or other property to TransCo employees, except for specified exceptions, including in the ordinary course of business consistent with past practice as applicable generally to Entergy group employees in the relevant jurisdictions;

except as required by law or any collective bargaining agreement or obligation, will not, and will not permit any of its subsidiaries to, amend, modify, terminate, grant any waiver under or give any consent with respect to, or enter into any agreement to do so, material contracts relating to Entergy s Transmission Business or enter into any contract that would be such a material contract, with the exception of any single contracts entered into by Entergy and its subsidiaries, in the ordinary course of business consistent with past practice and with a value not exceeding $10 million;

will not, and will not permit any of its subsidiaries that are engaged in Entergy s Transmission Business to, agree or consent to any material agreements or material modifications of existing agreements or course of dealings with any governmental authorities in respect of the operations of Entergy s Transmission Businesses (other than any settlements, which are governed as provided in the bullet point below), except (i) as required by law to obtain or renew transmission permits or agreements in the ordinary course of business consistent with past practice or (ii) as may be related to taxes that would not be a transmission liability;

will not, and will not permit any of its subsidiaries to, pay, waive, release or settle any legal proceedings that would be a liability of Entergy s Transmission Business or would restrict the operation of Entergy s Transmission Business, in each case generally except for payments or settlements (i) that do not exceed $5 million individually and $25 million in the aggregate in any consecutive 12-month period, are paid in full by Entergy prior to the separation and only involve monetary damages or (ii) that have become due and payable prior to the date of the merger agreement (such exceptions do not apply to any proceedings related to the transactions);

(a) will, and will cause its subsidiaries to, to the extent permitted by applicable law and on a reasonable basis, (i) discuss with ITC any material change in regulated transmission rates or charges, standards of service or regulatory accounting with respect to Entergy s Transmission Business or (ii) consult with ITC prior to making any filing, or any amendment, or effecting any agreement, commitment, arrangement or consent with respect to such matters (other than filings to implement rate changes in accordance with existing formula rates or any formula rate that governs the recovery of transmission costs at retail) and (b) will not make, or permit any subsidiary to make, any filing to change its transmission rates on file with FERC or any other commission that would, individually or in the aggregate, reasonably be expected to have a Transmission Business MAE, except for discussions or consultation with respect to (i) entering into arrangements with customers in the ordinary course of business consistent with past practices, (ii) taking any actions concerning pass-through charges or transmission charges in accordance with existing formula rates or (iii) making any filing (or any amendment thereto), or effecting any agreement, commitment, arrangement or consent with respect to ordinary course changes in Entergy s or its subsidiaries regulated transmission rates or charges, standards of service or regulatory accounting with respect to Entergy s Transmission Business;

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will, and will cause its subsidiaries to, maintain with financially responsible insurance companies (or through self-insurance not inconsistent with past practice), insurance in such amounts and against such risks and losses as are customary for companies engaged in the utility industry and at substantially the same levels with respect to the transmission assets as in effect on the date of the merger agreement;

will not, and will cause its subsidiaries not to, commit to any capital expenditure for which TransCo or any of its subsidiaries would be liable following the closing that is not specifically set forth in Entergy s confidential disclosure letter or that together with any other capital expenditures so incurred is in excess of $100 million in the aggregate in any consecutive 12-month period, excluding expenditures required in connection with prudent emergency repairs required to avoid immediate material damage to any assets of Entergy s Transmission Business;

will, and will cause its subsidiaries to, use reasonable best efforts to make capital expenditures in accordance with the capital expenditures budget set forth in Entergy s confidential disclosure letter;

will not, and will not permit any of TransCo or the TransCo Subs to, amend or otherwise change its or their (as applicable) organizational documents, except as expressly required by the merger agreement or permitted under the separation agreement;

will not, and will not permit any of its subsidiaries to, enter into or amend any contract or take any other action that would reasonably be expected to prevent or materially impede, interfere with, hinder or delay the consummation of the transactions, including any contract or action inconsistent with the receipt of all necessary approvals from regulatory authorities to allow Entergy s Transmission Business to become a member of an acceptable RTO, as defined below;

will cause a certain system agreement of Entergy to be amended, and seek FERC approval of such amendment, so that such agreement does not apply to ITC and its affiliates or Entergy s Transmission Businesses, does not direct transmission functions to be performed by Entergy employees or business units and otherwise does not conflict with the FERC independence provisions applicable to ITC and its affiliates, except that the system agreement, as amended, may retain such provisions as may be necessary to allocate costs among the Entergy subsidiaries in relation to Entergy s Transmission Business; and

will not, and will not permit any of its subsidiaries to, commit or agree, in writing or otherwise, to take any of the foregoing actions.
Entergy also agrees that, from the date of the merger agreement until the earlier of the effective time of the merger and the termination of the merger agreement, Entergy will use reasonable best efforts to take all actions

necessary to obtain any necessary regulatory approvals to effect, prior to the closing, the migration of Entergy s Transmission Business to a regional transmission organization that satisfies specified criteria set forth in Entergy s confidential disclosure letter, referred to as an acceptable RTO, and to keep ITC informed of the status of such migration, including any material communications with any governmental authority. Entergy will consult with ITC with respect to any proposal, condition or limitation that arises in such proceedings that could reasonably be expected to have a material and adverse financial or operational impact on TransCo or its subsidiaries or ITC and any of its other affiliates after the closing which impact was not expressly contemplated in Entergy s confidential disclosure letter and will not take any such action without ITC s prior written consent (such consent not to be unreasonably withheld, conditioned or delayed). If ITC does not grant such consent and Entergy determines it is necessary or appropriate to take such action, the parties will negotiate for a period of 30 calendar days to reach a mutually agreeable resolution. If no such resolution is obtained, Entergy may take such action and ITC s only recourse will be to terminate the merger agreement.

Conduct of ITC Pending the Closing

The merger agreement generally provides that, from the date of the merger agreement until the earlier of the effective time of the merger and the termination of the merger agreement, except as expressly provided for in the

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merger agreement, set forth in ITC s confidential disclosure letter or consented to in writing by Entergy, ITC and its subsidiaries are required to conduct its operations in the ordinary course of business, consistent with past practice and good utility practice and will use commercially reasonable efforts to preserve intact their present business organizations, to maintain in effect existing permits, to maintain rights and franchises, to maintain all material assets, to preserve their relationships with governmental authorities, key employees, customers and suppliers and others having significant business dealings with them and to comply in all material respects with all applicable laws and permits.

From the date of the merger agreement until the earlier of the effective time of the merger and the termination of the merger agreement, (a) neither ITC nor any of its subsidiaries will take any action or cause any action to be taken that could cause the transactions to fail to qualify for the intended tax-free treatment, (b) neither ITC nor any of its affiliates will be a party to any transaction (or arrangement, negotiations or discussions with bankers with respect to a public offering, in each case within the meaning of Section 355(e) of the Code and Treasury Regulation Section 1.355-7 regarding a transaction or series of transactions) as a result of which ITC or TransCo would merge or consolidate with any person or any person would acquire ITC or TransCo capital stock and (c) neither ITC nor any of its subsidiaries will acquire or own, directly or indirectly, any Entergy common stock.

In addition, from the date of the merger agreement until the earlier of the effective time of the merger and the termination of the merger agreement, except as expressly provided in the merger agreement or other transaction agreements, set forth in ITC s confidential disclosure letter, required by law, or with the prior written consent of Entergy (which consent will not be unreasonably withheld, conditioned or delayed), ITC:

- will not amend or otherwise change its organizational documents, except as expressly contemplated by the merger agreement;

- will not declare or pay any dividends or other distributions, other than (i) quarterly cash dividends not to exceed the amounts set forth in ITC s confidential disclosure letter, declared and paid in the ordinary course and consistent with past practice, (ii) dividends payable by a wholly owned subsidiary of ITC to ITC or another wholly owned subsidiary and (iii) a one-time special dividend in accordance with the merger agreement;

- will not enter any agreement with respect to the voting of its capital stock or purchase or otherwise acquire, directly or indirectly, any ITC equity interests (other than in connection with a share repurchase in accordance with the merger agreement, ITC s dividend reinvestment plan, or repurchases required under ITC s articles of incorporation with respect to certain market participants);

- will not, and will not permit any of its subsidiaries to, split, combine, reclassify, subdivide or take similar actions with respect to any ITC equity interests or issue or authorize or propose the issuance of any shares of ITC securities in respect of, in lieu of or in substitution for shares of the capital stock of ITC or any of its subsidiaries, other than specified exceptions, including in connection with the exercise of currently outstanding stock options and equity awards under existing ITC benefit plans or other grants of stock options and equity awards under existing such plans made in the ordinary course consistent with past practice;

- will not, and will not permit any of its subsidiaries to, sell, pledge, dispose of, grant, transfer, lease, license, guarantee, abandon, allow to lapse or encumber (or authorize any such action) any assets, including the capital stock of any subsidiaries, except for specified exceptions, including dispositions in amounts less than $50 million in the aggregate in any consecutive 12-month period;

- except in connection with any transaction solely between ITC and any ITC subsidiaries or between any ITC subsidiaries and except for other specified exceptions, will not, and will not permit any of its subsidiaries to, acquire or agree to acquire (including by merger, consolidation, or acquisition of stock or assets) any interest in any person or any assets, if (i) the amount exceeds $25 million in any one transaction (or series of related transactions) or $50 million in the aggregate in any consecutive

12-month period or (ii) any such acquisition is reasonably likely, individually or in the aggregate, to materially delay or prevent the satisfaction of the closing conditions related to regulatory approvals;

will not, and will not permit any of its subsidiaries to, redeem, repurchase, defease, cancel or otherwise acquire any indebtedness, other than for specified exceptions, including indebtedness repaid or incurred in the ordinary course of business consistent with past practice and indebtedness incurred in connection with the financings;

will not, with respect to ITC, adopt a plan of liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of ITC or enter into a letter of intent or agreement in principle with respect to such action, other than the transactions;

will not, and will not permit any of its subsidiaries to, materially change financial accounting policies or procedures or any of its methods of reporting income, deductions or other material items for financial accounting purposes, except as required by GAAP, FERC, SEC rule or policy or applicable law;

will not, and will not permit any of its subsidiaries to, adopt, amend or terminate any ITC benefit plan or increase the salaries, wage rates, target bonus opportunities or equity based compensation of any of its directors, officers or employees, except for specified exceptions, including as applicable generally to ITC directors, officers or employees in the relevant jurisdictions;

except as required by law or any collective bargaining agreement or obligation and for other specified exceptions, will not, and will not permit any of its subsidiaries to, amend, modify, terminate, grant any waiver under or give any consent with respect to, or enter into any agreement to do so, material contracts of ITC or enter into any contract that would be such a material contract, with the exception of any single contracts entered into by ITC and its subsidiaries, in the ordinary course of business consistent with past practice and with a value not exceeding $10 million;

will not, and will not permit any of its subsidiaries to, pay, waive, release or settle any material legal proceedings, other than payments or settlements (i) that do not exceed $5 million individually and $25 million in the aggregate in any consecutive 12-month period, (ii) that have become due and payable prior to the date of the merger agreement, or (iii) in connection with regulatory proceedings before any governmental authorities (such exceptions do not apply to any proceedings related to the transactions);

will not, and will not permit any of its subsidiaries to, agree or consent to any material agreements or material modifications of existing agreements or course of dealings with any governmental authorities in respect of the operations of their businesses (other than any settlements, which are governed as provided in the bullet point above), except as required by law to obtain or renew permits or agreements in the ordinary course of business consistent with past practice;

(a) will, and will cause its subsidiaries to, to the extent permitted by applicable law and on a reasonable basis, (i) discuss with Entergy any material change in regulated transmission rates or charges, standards of service or regulatory accounting or (ii) consult with Entergy prior to making any material filing, or any amendment thereto, with FERC, or effecting any agreement, commitment, arrangement or consent with respect thereto (other than filings to implement rate changes in accordance with existing formula rates) and (b) will not, and not permit any subsidiary to, make any filing to change its transmission rates on file with FERC or any other commission that would, individually or in the aggregate, reasonably be expected to have an ITC MAE, except for such provisions that do not require ITC or any of its subsidiaries to consult or discuss with Entergy prior to (i) entering into arrangements with customers in the ordinary course of business consistent with past practices, (ii) taking any actions concerning pass-through charges or transmission charges in accordance with existing formula rates or (iii) making any filing, or any amendment, or effecting any agreement, commitment, arrangement or consent with respect to ordinary course changes in ITC s or its subsidiaries regulated transmission rates or charges, standards of service or regulatory accounting;

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will, and will cause its subsidiaries to, maintain with financially responsible insurance companies (or through self-insurance not inconsistent with past practice), insurance in such amounts and against such risks and losses as are customary for companies engaged in the utility industry and at substantially the same levels as in effect on the date of the merger agreement;

will not, and will not permit any of its subsidiaries to, enter into or amend any contract or take any other action that would reasonably be expected to prevent or materially impede, interfere with, hinder or delay the consummation of the transactions; and

will not, and will not permit any of its subsidiaries to, agree, in writing or otherwise, to take any of the foregoing actions.

Antitrust Matters

The merger agreement generally provides that Entergy and ITC will file all required notifications under the HSR Act with the FTC and the DOJ. The parties made such filings on December 14, 2012. Each party has agreed, subject to certain limitations, to use its reasonable best efforts to obtain early termination of any waiting period under the HSR Act and supply each other, the FTC and the DOJ with any information reasonably required in connection with such filings. The waiting period under the HSR Act expired on January 14, 2013.

Efforts to Close

Subject to the terms of the separation agreement, the merger agreement generally provides that Entergy and ITC will use their respective reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws to carry out the intent and purpose of the merger agreement and to consummate the transactions, including using reasonable best efforts to file any applications, notices, registrations, filings, reports, petitions and other documents required to be filed with any governmental authority necessary or advisable to consummate the transactions, obtain each required approval, consent, ratification, permission and waiver of authorization from governmental authorities and parties to any material contractual obligations, cooperate with and provide notice to each other and lift any restraint, injunction or other legal bar to the transactions.

Reasonable best efforts in connection with seeking regulatory approval will not require:

Entergy or any of its subsidiaries to accept any term or condition of any regulatory approval that, individually or in the aggregate, would reasonably be expected to have a material and adverse impact on the value, financial condition or credit quality of TransCo and its subsidiaries or the Utility Operating Companies, referred to as an Entergy burdensome condition. For purposes of determining whether an Entergy burdensome condition exists, the Utility Operating Companies will be considered to be a consolidated group of entities the size and scale of TransCo and its subsidiaries;

ITC or any of its subsidiaries to accept any term or condition of any regulatory approval that would reasonably be expected to (i) with respect to state regulatory approvals, have a material and adverse impact (for purposes of determining any such material and adverse impact, any impact on ITC and its subsidiaries will be deemed to be an impact on TransCo and its subsidiaries) on the value, financial condition or credit quality of TransCo and its subsidiaries, taken as a whole, relative to the value, financial condition or credit quality of TransCo and its subsidiaries, taken as a whole, if no such terms to the regulatory approvals were agreed, accepted, imposed or ordered or (ii) with respect to FERC approvals, result in a return on equity, target capital structure, formula rate structure and other rate elements for TransCo and the TransCo Subs that, when taken as a whole, would be materially less favorable to TransCo and its subsidiaries than those requested in the applications filed seeking such approval; or

ITC or any of its subsidiaries to accept any term or condition of any regulatory approval that would reasonably be expected to result in a determination that ITC or any of its affiliates will not be deemed

independent by FERC or will be subject to regulation by any state or local agency or commission (other than to the extent any such regulation relates to customary electric transmission facility franchise or siting matters within the jurisdiction of such agency or commission), in combination with the bullet above, each referred to as an ITC burdensome condition.

In addition, the merger agreement provides that (i) ITC and its subsidiaries will not, without Entergy s prior written consent, agree with any governmental entity or other person to any term or condition to any regulatory approval that would adversely impact Entergy or any of its subsidiaries after the closing of the merger and (ii) Entergy and its subsidiaries will not, without ITC s prior written consent, agree with any governmental entity or other person to any term or condition to any regulatory approval that would adversely impact ITC or any of its subsidiaries (including TransCo and the TransCo Subs) after the closing of the merger.

Any costs incurred to comply with the terms and conditions of regulatory approvals, which are not sufficiently significant enough to result in an Entergy burdensome condition or an ITC burdensome condition, will be shared equally by the Entergy and its affiliates and ITC and its affiliates.

The merger agreement also generally provides that, subject to the terms of the separation agreement, Entergy, TransCo and ITC will, and will cause their subsidiaries to use their respective reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all other things necessary, proper or advisable to consummate the ITC financing and the financings and use their respective commercially reasonable efforts to cause their representatives to cooperate in connection with such financings.

Shareholders Meeting

ITC has agreed, as promptly as practicable following Entergy s delivery of audited financial statements with respect to Entergy s Transmission Business and SEC s confirmation that it has no further comments regarding this proxy statement/prospectus, to establish a record date for, duly call, give notice of, convene and hold a special meeting of the ITC shareholders for the purpose of voting to authorize the merger proposals described in this proxy statement/prospectus. Subject to certain exceptions described in this proxy statement/prospectus, the ITC board of directors will recommend that ITC s shareholders approve the merger proposals, referred to as the ITC recommendation.

No Solicitation by ITC and Change of ITC Board of Directors Recommendation

The merger agreement contains detailed provisions restricting ITC s ability to seek an alternative transaction. ITC agrees that ITC and its subsidiaries and their respective officers, directors and employees will not, and ITC will use its reasonably best efforts to cause its and its subsidiaries other representatives not to, directly or indirectly:

- solicit, initiate, seek or knowingly encourage (including by way of furnishing information) or knowingly take any other action designed to facilitate any inquiries or the making, submission or announcement of any ITC takeover proposal (as defined below);
- furnish any nonpublic information regarding ITC or any of its subsidiaries to any person (other than Entergy) in connection with or in response to an ITC takeover proposal;
- engage or participate in any discussions or negotiations with any person (other than Entergy) with respect to any ITC takeover proposal;
- approve, endorse or recommend any ITC takeover proposal; or
- enter into any letter of intent, agreement in principle or other agreement providing for any ITC takeover transaction, as defined below.

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The merger agreement does not prevent ITC or ITC s board of directors from, prior to the receipt of the ITC shareholder approval of the merger proposals, providing nonpublic information pursuant to a confidentiality agreement or participating in discussions or negotiations with any person in response to an unsolicited, bona fide written ITC takeover proposal that the ITC board of directors concludes in good faith, after consultation with its financial advisors, constitutes or is reasonably likely to lead to an ITC superior proposal, as defined below. However, ITC or ITC s board of directors may take such action only if:

- the ITC board of directors concludes in good faith, after consulting with outside legal counsel, that the failure to take such action would be reasonably likely to be inconsistent with the exercise by the board of its duties under applicable laws;

- such ITC takeover proposal did not result from a material breach of the non-solicitation covenant described in this section; and

- ITC gives Entergy prompt notice, no later than 24 hours after its receipt of any ITC takeover proposal, or any first request for nonpublic information in connection with an ITC takeover proposal, and keeps Entergy informed in all material respects on a prompt basis with respect to any change to the status or material terms of any such ITC takeover proposal (and in no event later than 24 hours following any such change).

In addition, prior to the receipt of the ITC shareholder approval of the merger proposals, ITC may take and disclose to the ITC shareholders a position contemplated by Rule 14d-9 and Rule 14e-2(a) promulgated under the Exchange Act with regard to any ITC takeover proposal.

An ITC takeover proposal means any bona fide offer, inquiry, proposal or indication of interest received from a third party relating to any ITC takeover transaction.

An ITC takeover transaction means any transaction or series of related transactions involving:

- any merger, consolidation, share exchange, recapitalization, business combination or similar transaction involving ITC other than the transactions contemplated by the merger agreement and the other transaction agreements;

- any direct or indirect acquisition of securities, tender offer, exchange offer or other similar transaction in which a person or group (as defined in the Exchange Act) directly or indirectly acquires beneficial or record ownership of securities representing 15% or more of any class of equity securities of ITC;

- any direct or indirect acquisition of any businesses or of assets that constitute 15% or more of the consolidated net revenues, net income or assets of ITC and its subsidiaries, taken as a whole; or

- any liquidation or dissolution of ITC or any of its subsidiaries.

An ITC superior proposal means an ITC takeover proposal to acquire at least a majority of the outstanding equity securities or assets of ITC on terms that the ITC board of directors determines, in good faith, after consultation with ITC s outside legal counsel and ITC s financial advisor, is more favorable, from a financial point of view, to ITC shareholders than the transactions contemplated by the merger agreement and the other transaction agreements (including any proposed modifications to such transactions committed to in writing by Entergy) and reasonably likely to be consummated, taking into account all factors deemed relevant by the ITC board of directors.

The merger agreement also generally provides that the ITC board of directors or any of its committees will not take the following actions, each referred to as an ITC change of recommendation:

withhold, withdraw, qualify or modify, or resolve to or publicly propose to withhold, withdraw, qualify or modify the ITC recommendation to vote for the merger proposals in a manner adverse to Entergy;

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- make public statements in connection with the special meeting of ITC shareholders or the merger agreement, the other transaction agreements or the transactions that are inconsistent with the ITC recommendation to vote for the merger proposals;

- approve, adopt or recommend any ITC takeover proposal; or

- fail to reaffirm or re-publish the ITC recommendation to vote for the merger proposals within 10 business days of a request by Entergy to take such action.

The ITC board of directors and the ITC committees are also restricted from approving, adopting or recommending (or publicly proposing to do so) a merger agreement, letter of intent, asset purchase agreement, option agreement or other similar contract (other than a confidentiality agreement entered into with respect to an ITC takeover proposal) or any tender offer in connection with any ITC takeover proposal.

Notwithstanding the foregoing restrictions, the ITC board of directors may at any time prior to the receipt of the ITC shareholder approval of the merger proposals make an ITC change of recommendation and terminate the merger agreement, pursuant to the terms of the merger agreement, if:

- an ITC takeover proposal is made by a third party, and such offer is not withdrawn;

- the ITC board of directors determines in good faith after consultation with its financial advisors that such offer constitutes an ITC superior proposal;

- the ITC board of directors determines, following consultation with outside legal counsel, that the failure to make an ITC change of recommendation or to terminate the merger agreement would be reasonably likely to be inconsistent with the exercise of its duties under applicable laws; and

- the ITC board of directors provides Entergy with five business days prior written notice of its intent to make an ITC change of recommendation and, if requested by Entergy, negotiates in good faith with Entergy during such five business day period regarding revisions to the merger agreement proposed by Entergy.

No Solicitation by Entergy

The merger agreement generally provides that Entergy and its subsidiaries and their respective officers, directors and employees will not, and Entergy will use its reasonably best efforts to cause its and its subsidiaries other representatives not to, directly or indirectly:

- solicit, initiate, seek or knowingly encourage (including by way of furnishing information) or knowingly take any other action designed to facilitate any inquiries, proposals or offers from any person relating to,

- furnish any nonpublic information to any person (other than ITC) regarding,

- engage or participate in any discussions or negotiations with any person (other than ITC) with respect to,

- approve, endorse or recommend any action relating to, or

enter into any letter of intent, agreement in principle or other agreement providing for,

in each case, any purchase, transfer or other disposition of all or any part of Entergy s Transmission Business, any merger, consolidation, business combination, acquisition, recapitalization, liquidation, dissolution, or similar transaction involving Entergy s Transmission Business, or the sale of all or any part of the assets of the Entergy s Transmission Business (other than assets sold by Entergy in accordance with the provisions described above in Conduct of Entergy s Transmission Business Pending the Closing.)

Stock Exchange Listing

ITC will use its reasonable best efforts to cause the shares of ITC common stock to be issued in connection with the merger to be listed on the NYSE as of the effective time of the merger.

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Non-Opposition

After the rate construct is initially set in the FERC approval of the transactions, and for a period of five years after the closing date, Entergy agrees that it will not (and will cause its affiliates not to), oppose, contest, challenge or file any complaint before FERC or the state regulatory commissions approving the transactions regarding, or take (publicly or otherwise) any position with any third person adverse to, such rate construct, unless (i) required by a governmental authority pursuant to applicable law, (ii) unanimously directed by the Entergy Regional State Committee or (iii) requested in writing by an act of the commissioners of any state regulatory commission that regulates Entergy s subsidiaries as a public utility.

The merger agreement also provides that after the rate construct is initially set in the FERC approval of the transactions, and for a period of five years after the closing date, Entergy will not (and will cause its affiliates not to) publicly oppose, contest or challenge, with any third person, the plan of TransCo or ITC, approved by the acceptable RTO of which Entergy s Transmission Business will become a member, for anticipated capital expenditures that are included in the capital expenditure plan as described in the ITC confidential disclosure letter (unless TransCo or ITC departs from such plan in any material respect), and recovery thereon, through such rate construct, unless and to the extent (i) required by a governmental authority pursuant to applicable law, (ii) such plan is opposed by all of the members of the Entergy Regional State Committee or (iii) requested in writing by an act of the commissioners of any state regulatory commission that regulates Entergy s subsidiaries as a public utility.

ITC Guarantee

In the merger agreement, ITC has guaranteed to Entergy the payment and performance obligations of TransCo or its subsidiaries under the separation agreement and the ancillary agreements following the effective time of the merger.

Alternative Transaction Structure

ITC and Entergy may mutually agree that an alternative transaction structure is preferable with respect to certain aspects of the transactions described in this proxy statement/prospectus. Upon such agreement, ITC and Entergy will work together in good faith to negotiate a definitive transaction agreement that reflects such mutually agreed alternative structure. In addition, in the event that any particular state regulatory approval is not obtained (or not obtainable on terms and conditions acceptable to ITC and Entergy as contemplated by the merger agreement), ITC and Entergy agree to reasonably cooperate in good faith in the consideration and implementation of alternative structures.

Other Covenants and Agreements

The merger agreement contains certain other covenants and agreements, including covenants with certain exceptions specified in the merger agreement relating to:

- public announcements regarding the transactions;
- access to the other party s books and record;
- cooperation among the parties relating to SEC filings; and
- submission by Entergy of a request for IRS rulings regarding the tax-free nature of certain aspects of the transactions and Entergy and TransCo using reasonable best efforts to obtain such IRS rulings and a tax opinion from counsel regarding the tax-free nature of the transactions.

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Conditions to the Merger

The obligations of each of the parties to effect the closing of the merger are subject to the satisfaction or waiver of a number of conditions, including those described below. Each of the conditions is for the sole benefit of the relevant party and does not give rise to or create any duty on the part of either party to waive or not waive any such condition.

Mutual Conditions. The obligations of Entergy, TransCo, Merger Sub and ITC to effect the merger are subject to the satisfaction (or waiver by all parties) of the following conditions:

- the absence of any temporary restraining orders or injunctions that would prevent the consummation of the merger or the transactions;
- the occurrence of the transfer of Entergy s Transmission Business to TransCo and the distribution in accordance with the terms of the separation agreement;
- the approval of the merger proposals by ITC shareholders at the special meeting;
- the authorization for listing on the NYSE of the ITC common stock to be issued pursuant to the merger agreement;
- the effectiveness of the registration statement of which this proxy statement/prospectus is part and any registration statements filed by TransCo, as applicable;
- the expiration of any offer period or notice period related to a split-off exchange offer or spin-off, as the case may be;
- the absence of any temporary restraining order, injunction or other order issued in connection with any of the required regulatory approvals that would impose an ITC burdensome condition;
- the receipt by Entergy of all necessary approvals from state and federal regulatory authorities to allow Entergy s Transmission Business to become a member of an acceptable RTO; and
- the completion of the financings pursuant to the separation agreement.

ITC Conditions. The obligation of each of ITC and Merger Sub to effect the merger is further subject to the satisfaction of the following conditions (each of which is for the exclusive benefit of ITC and Merger Sub and may be waived by ITC):

- performance by Entergy and TransCo, in all material respects, of their respective obligations and compliance with all covenants required by the merger agreement and the other transaction agreements to be performed on or before the closing;
- the accuracy of Entergy s representations and warranties set forth in the merger agreement, generally both when made and at the time of the closing, subject to certain specified materiality standards;

the absence of any Transmission Business MAE having occurred from the date of the merger agreement through the closing date;

Entergy will have delivered to ITC an officer s certificate to the effect that each of the conditions set forth in the three bullet points immediately above are satisfied;

the receipt of a written tax opinion from Simpson Thacher & Bartlett LLP, stating that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code;

the receipt of the IRS rulings, requested by Entergy, regarding the tax-free treatment of certain aspects of the transactions;

the absence of any changes in, revocation of, or amendment to the IRS rulings or change in law that, in the reasonable judgment of ITC, has a materially adverse impact on ITC or TransCo, and the tax opinion from counsel to be obtained by Entergy regarding the tax-free nature of certain aspects of the transactions being in form and substance reasonably acceptable to ITC;

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- the receipt of the required regulatory approvals, including approval of FERC, the Arkansas Public Service Commission, the Louisiana Public Service Commission, the Mississippi Public Service Commission, the Missouri Public Service Commission, the Public Utility Commission of Texas and the Council for the City of New Orleans, as well as the expiration of the applicable waiting period under the HSR Act, and such approvals will have become final orders which do not impose terms or conditions that, individually or in the aggregate, would reasonably be expected to have an ITC burdensome condition, as defined above;

- the completion of the ITC financing and the one-time special dividend, share repurchase or both, as the case may be, pursuant to the terms of the merger agreement;

- in the event that the integration of the Utility Operating Companies into an acceptable RTO has not been fully completed as of the closing date, arrangements reasonably acceptable to ITC will have been made such that neither ITC nor any of its affiliates (including TransCo and the TransCo Subs) would be responsible for performing generator dispatch, for economics or market operations, following the consummation of the merger; and

- the execution by Entergy, TransCo or any affiliate of Entergy who is a party to the ancillary agreements of each of the ancillary agreements.

Entergy Conditions. The obligation of each of Entergy and TransCo to effect the merger is further subject to the satisfaction of the following conditions (each of which is for the exclusive benefit of Entergy and TransCo and may be waived by Entergy):

- performance of ITC and Merger Sub in all material respects, of their respective obligations and compliance with all covenants required by the merger agreement and the other transaction agreements to be performed on or before the closing;

- the accuracy of the representations and warranties of ITC set forth in the merger agreement, generally both when made and at the time of the closing, subject to certain specified materiality standards;

- the absence of any ITC MAE having occurred from the date of the merger agreement through the closing date;

- ITC will have delivered to Entergy an officer s certificate to the effect that each of the conditions set forth in the three bullet points immediately above are satisfied;

- the Entergy board of directors will have received an opinion from a nationally recognized solvency valuation firm, that, after giving effect to the transactions (including the anticipated financings), the transactions will not leave TransCo insolvent or otherwise unable to pay its obligations as they come due;

- Entergy will have received the IRS rulings to be requested by Entergy regarding the tax-free treatment of certain aspects of the transactions and tax opinions from counsel; provided that Entergy will not be permitted to avoid closing as a result of any failure of Entergy to receive favorable IRS rulings or tax opinion with respect to the tax-free treatment of its debt exchange or the exchange trust arrangements;

- the absence of any change in, revocation of, or amendment to the IRS rulings or change in law that could, in the reasonable judgment of counsel to Entergy, affect the validity of the IRS rulings in a manner that is materially adverse to Entergy;

the receipt of the required regulatory approvals, including approval of the FERC, the Nuclear Regulatory Commission, the Arkansas Public Service Commission, the Louisiana Public Service Commission, the Mississippi Public Service Commission, the Public Utility Commission of Texas and the City Council for the City of New Orleans, as well as the expiration of the applicable waiting period under the HSR Act, and such approvals will have become final orders which do not impose terms or conditions that, individually or in the aggregate, would reasonably be expected to have an Entergy burdensome condition or an ITC burdensome condition; and

the execution by ITC of each of the ancillary agreements to which it is a party.

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Termination of the Merger Agreement

The merger agreement may be terminated at any time prior to the closing date:

- by the mutual written consent of ITC and Entergy;
- by either Entergy or ITC if:
  - the merger has not been completed by June 30, 2013, referred to as the outside date, which date may be extended up to six months by Entergy or ITC in circumstances where all the closing conditions except specified closing conditions have been satisfied (or are capable of being satisfied by such date);
  - the transactions are enjoined or prohibited, or if a final non-appealable order has been entered into that prohibits any material component of the transactions or would impose an ITC burdensome condition, unless the action is due to the failure of the party seeking to terminate pursuant to this provision to perform the covenants described under Antitrust Matters and Efforts to Close ;
  - the ITC shareholder meeting regarding the merger proposals has been concluded and the ITC shareholders did not approve the merger proposals;
  - upon breach or failure to perform by the other party in any material respect of any of its representations, warranties, covenants or other agreements contained in the merger agreement or the separation agreement, which gives rise to the failure of a joint condition or a condition of the other party in the merger agreement or a condition in the separation agreement and such breach or failure to perform cannot be or has not been cured prior to the earlier of 60 days after written notice of such breach or failure to perform or the outside date;
- by ITC if:
  - at any time prior to obtaining the ITC shareholder approval of the merger proposals, in order to enter into a written definitive agreement for an ITC superior proposal, if ITC has complied with its obligations in the merger agreement regarding an ITC change of recommendation and ITC pays to Entergy the termination fee described below;
  - Entergy takes any action, without the prior written consent of ITC, with respect to any proposal, condition or limitation that arises in a proceeding with a governmental authority in connection with obtaining the necessary regulatory approvals to effect the migration of Entergy s Transmission Business to an acceptable RTO, that could reasonably be expected to have a material and adverse financial or operational impact on TransCo or its subsidiaries or ITC or any of its other affiliates after the closing and which impact was not expressly contemplated in Entergy s disclosure letter;
- by Entergy if:

ITC or any of its subsidiaries, representatives or affiliates willfully breaches in any material respect any of their non-solicitation obligations described under No Solicitation by ITC and Change of ITC Board of Directors Recommendation and such breach cannot or has not been cured prior to the earlier of 10 days after written notice of such breach and the outside date;

if there has been an ITC change of recommendation; or

any law makes the completion of the transactions illegal or otherwise prohibited (other than those having only an immaterial effect and that do not impose criminal liability or penalties) or any governmental authority takes any action permanently restraining, enjoining or otherwise prohibiting any material component of the transactions or imposing an Entergy burdensome condition and such action becomes final and non-appealable, unless the action is due to the failure of Entergy to perform the covenants described under Antitrust Matters and Efforts to Close .

Termination Fee

ITC has agreed to pay Entergy a termination fee of $113,570,800 in the event that the merger agreement is terminated:

by Entergy if there has been an ITC change of recommendation;

by ITC, at any time prior to obtaining the ITC shareholder approval of the merger proposals, in order to enter into a written definitive agreement for an ITC superior proposal, if ITC has complied with its obligations in the merger agreement regarding an ITC change of recommendation; or

by Entergy if ITC or any of its subsidiaries, representatives or affiliates willfully breach in any material respect any of their non-solicitation obligations described under No Solicitation by ITC and Change of ITC Board of Directors Recommendation , or by ITC or Entergy if the ITC shareholder meeting regarding the merger proposals has been concluded and the ITC shareholders did not approve the merger proposals; and, in either case, prior to any such termination any third party has made an ITC takeover proposal which has been publicly announced or disclosed and not publicly withdrawn or abandoned by such third party at least five business days prior to the ITC shareholders meeting and ITC has entered into an agreement to consummate or has consummated an ITC takeover transaction within 12 months of any such termination. For purposes of this provision only, ITC takeover transaction has the same meaning as defined under No Solicitation by ITC and Change of ITC Board of Directors Recommendation above, except that 15% or more is changed to more than 50% .

Fees and Expenses

The merger agreement generally provides that all fees and expenses incurred by a party in connection with the transactions will be paid by the party incurring such fees or expenses, with certain exception, including:

Entergy and its subsidiaries and ITC and its affiliates will share equally any costs incurred to comply with the terms and conditions of regulatory approvals, which are not sufficiently significant to result in an Entergy burdensome condition or an ITC burdensome condition;

Entergy and ITC will share equally any required filing fee in respect of any notice submitted under the HSR Act and the fees and expenses of printers used by Entergy and ITC in connection with the preparation of filings with the SEC;

Entergy will bear or reimburse ITC for all reasonable costs and expenses incurred in connection with the exchange trust transactions (see Exchange Trust), including the reasonable fees and expenses of counsel of ITC;

TransCo and the TransCo Subs will pay all underwriters or lenders fees and expenses incurred by TransCo and the TransCo Subs in connection with the financings (excluding any legal, underwriting or other fees and expenses of Entergy) and such fees and expenses will be transmission liabilities transferred under the separation agreement. However, all initial fees and expenses incurred or payable prior to the effective time of the merger with respect to the TransCo Subs 366-day bridge facility will be borne by TransCo prior to the effective time of the merger (out of cash not included in the transmission assets) or by Entergy and will be deemed to be an excluded liability under the separation agreement;

any fees and expenses (i) paid in connection with amendments or consents for indebtedness of Entergy and its affiliates that are reasonably necessary to effectuate the financings described under The Financings will be the obligation of Entergy and (ii) paid in connection with amendments or consents for indebtedness of ITC and its affiliates (excluding TransCo and its affiliates) that are

reasonably necessary to effectuate the financings described under The Financings will be the obligation of ITC; and

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in any action to enforce any provisions of the merger agreement, or where any provision of the merger agreement is validly asserted as a defense, the successful party will be entitled to recover reasonable attorneys fees and disbursements in addition to its costs and expenses and other available remedy.

Survival of Representations, Warranties and Agreements

In general, the representations and warranties contained in the merger agreement will not survive the closing of the merger, except the covenants that by their terms are to be performed in whole or part after the closing and a limited number of representations and warranties survive until the first anniversary of the closing. The representations and warranties which survive include (i) Entergy s representations and warranties concerning the rate base amount of Entergy s Transmission Business as of December 31, 2010 and Entergy s title to the transmission assets and the sufficiency of such transmission assets to operate Entergy s Transmission Business and (ii) Entergy s and ITC s representations and warranties concerning the accuracy of the information they provided each other for inclusion in their filings relating to the transactions with the SEC and other governmental authorities, compliance with law of Entergy s and ITC s filings with governmental authorities after the date of the merger agreement, and payment by Entergy and ITC of broker s or finder s fees in connection with the transactions. ITC s unconditional and irrevocable guarantee relating to payment and prompt performance of any post-closing obligations of TransCo or the TransCo Subs, will survive the closing indefinitely. See ITC Guarantee.

Amendment and Waiver

The merger agreement may be amended by the parties in writing. Any waiver of a provision of the merger agreement must be in writing and signed by the party against whom the waiver is to be effective.

Specific Performance

In addition to any other remedy that may be available to them, including monetary damages, the parties agree that the parties are entitled to an injunction or injunctions to prevent breaches of the merger agreement and to enforce specifically the terms and provisions of the merger agreement.

Governing Law

The merger agreement is governed by and will be constructed in accordance with the laws of the State of Delaware.

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THE SEPARATION AGREEMENT

The following is a summary of the material provisions of the separation agreement (as amended by Amendment No. 1 to the separation agreement). This summary is qualified in its entirety by the separation agreement and Amendment No. 1 to the separation agreement, each of which is incorporated by reference and included in this proxy statement/prospectus as Annex B. The rights and obligations of the parties are governed by the express terms and conditions of the separation agreement (as amended by Amendment No. 1 to the separation agreement) and not by this summary or any other information included in this proxy statement/prospectus. You are urged to read the separation agreement (as amended by Amendment No. 1 to the separation agreement) carefully and in its entirety.

Timing of the Transactions Contemplated by the Separation Agreement

The internal restructuring will occur before the distribution, which will occur immediately before the closing of the merger. See The Merger Agreement The Distribution.

The Separation

Transfer of Assets

Subject to the terms and conditions of the separation agreement, Entergy and certain of its subsidiaries will sell, assign, transfer, convey and deliver to TransCo or one or more TransCo Subs, all of Entergy s and its applicable subsidiaries right, title and interest in the assets of Entergy s Transmission Business, referred to as the transmission assets, including with certain exceptions:

- transmission line facilities operating at or above 69 kV together with related facilities;
- transmission substation facilities directly used for or exclusively in support of transmission;
- structures, equipment, facilities and other assets, other than interests in real property that are located at a substation where three or more separate transmission lines running from outside of such substation are interconnected within such substation and are used in support of both transmission and distribution functions within such substation;
- transmission land rights and certain specified real property rights;
- transmission control facilities and transmission control systems, including certain rights of use, which include a royalty-free license to use certain software and applications;
- certain real property and all the buildings, fixtures, structures and improvements erected or located on such real property;
- the rights and interests of the Utility Operating Companies under certain leases related to certain leased premises;
- all of the office equipment (including personal computers), furnishings and other tangible assets located at any TransCo real property, on certain leased premises, the transmission control facilities and allocated according to a schedule;

all the office equipment (including personal computers), furnishings and other tangible assets and all the machinery, equipment, tools and vehicles, in each case as used in the operation of the transmission assets and allocated according to a schedule;

permits (excluding franchises) granted to Entergy or any of its subsidiaries that are primarily used or held for use in Entergy s Transmission Business;

rights to causes of action, lawsuits, judgments, claims, counterclaims and demands of Entergy, its affiliates, TransCo or any of the TransCo Subs that relate to the transmission assets or transmission liabilities;

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

licenses of intellectual property rights held by Entergy or its subsidiaries exclusively used in Entergy s Transmission Business as of the separation time and a royalty free license to use all other intellectual property rights owned or licensed by Entergy and its subsidiaries that are used in Entergy s Transmission Business;

warranties pertaining to the transmission assets;

rights or interests related to Entergy s Transmission Business under any contract that is also related to another business function of Entergy or its subsidiaries, referred to as a multifunction contract;

any contracts not involving real property rights that are primarily related to Entergy s Transmission Business;

contracts that permit third parties to attach facilities to transmission lines;

collective bargaining agreements governing the terms and conditions of employment for the TransCo employees;

business records primarily related to the transmission assets or transmission liabilities, including with respect to TransCo employees and subject to any applicable collective bargaining obligations, employment and personnel records of TransCo employees, including performance reviews in respect of the period while employed by TransCo or a TransCo Sub, Forms I-9 and W-4, service credit records, vacation and other leave accrual/balance records, and employee benefit election records in effect as of the closing of the merger;

goodwill of the transmission assets;

right to enforce confidentiality provisions related to confidential information of Entergy s Transmission Business and rights to enforce the assignment provisions of any contract;

a copy of any database containing records related to transmission land rights, TransCo real property or transferred leased premises;

franchises related exclusively to Entergy s Transmission Business and, subject to certain limitations, any rights under any franchises that do not exclusively relate to Entergy s Transmission Business;

rights of TransCo and TransCo Subs under the separation agreement and the merger agreement or any ancillary agreement;

cash, plus the interest accrued, equal to the sum of (i) all customer deposits held by Entergy and its subsidiaries, excluding TransCo and the TransCo Subs, related to the provision of transmission service, construction of transmission or any provision under Entergy s Open Access Transmission Tariff, (ii) all customer payments exclusively for transmission assets or services, or the *pro rata* portion that is not for distribution assets or service; and transmission customer payments for specific customer funded projects (other than

that portion specifically for the tax gross up component) and (iii) accounts payable relating to the construction or investment in the transmission assets at the effective time of the merger, excluding any accounts payable in respect of expenses, including operating and maintenance and general and administrative expenses; together referred to as transactional cash;

cash in an amount equal to any unpaid interest on the Entergy exchangeable debt that is accrued on or before the effective time of the merger but not paid until after the effective time of the merger; and

any and all other assets owned or held immediately prior to the separation time by Entergy or any of its subsidiaries that are exclusively used in, held for use or future use in or related to, Entergy s Transmission Business, that are not part of the excluded assets.

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The separation agreement also identifies specific assets that will not be transferred to TransCo or the TransCo Subs as part of the separation, including:

- fiber optic communication lines and microwave communications systems, including related equipment and facilities, located on the transmission line facilities and owned or leased by Entergy or its affiliates;
- meters and instrument transformers exclusively for metering;
- all cash and cash equivalents, bank or other deposit accounts, accounts receivable and any income, sales, payroll or other tax receivables of Entergy and its affiliates, other than the transactional cash;
- certain intellectual property rights;
- any compensation, payment or other relief related to a condemnation or taking by eminent domain of any transmission asset in an action settled, consented to or finally adjudicated prior to the separation time;
- customer payments that are exclusively for distribution assets or services, or the pro-rata portion that is not for transmission assets or service;
- transmission customer payments specifically for the tax gross up component for specific customer funded projects;
- employment and personnel records of (i) employees that are not TransCo employees and (ii) TransCo employees the transfer of which is prohibited by collective bargaining obligations;
- all rights to insurance policies or practices of Entergy and its affiliates, any refunds paid or payable in connection with the cancellation or discontinuance of any such polices or practices, and any claims made under such policies;
- all equipment and facilities exclusively used for the movement of electricity to customers and having the nominal voltages below 69kV;
- rights to causes of action, lawsuits, judgments, claims, counterclaims or demands against a party other than ITC or its affiliates not relating to the transmission assets or Entergy s Transmission Business;
- certain financial and tax records and working papers of Entergy s auditors;
- Federal Communications Commission licenses;

other than rights to enforce certain confidentiality provisions, records relating to the potential separation of Entergy s Transmission Business and merger with ITC;

all permits of Entergy or its affiliates other than those permits primarily used or held for use in Entergy s Transmission Business;

any and all assets that are expressly specified by the separation agreement or any ancillary agreement as assets to be retained by Entergy or any of its subsidiaries, with the exception of TransCo and the TransCo Subs;

assets exclusively used, held for exclusive use in, or exclusively related to, businesses of Entergy other than Entergy s Transmission Business; and

assets listed on certain schedules to the separation agreement.

Assumption of Liabilities

At the same time as the transfer of the transmission assets to TransCo or one or more TransCo Subs, with certain exceptions, TransCo or one or more TransCo Subs will assume, perform and fulfill when due and, to the extent applicable, comply with certain liabilities of Entergy s Transmission Business described below and certain other liabilities described in the schedules to the separation agreement. Entergy s Transmission Business liabilities, referred to as the transmission liabilities, which TransCo will assume include, with certain exceptions:

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

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- liabilities, with respect to Entergy s Transmission Business and the transmission assets, relating to loss of life or injury to persons due to exposure to asbestos on or after the separation;
- environmental liabilities, with respect to Entergy s Transmission Business, relating to any violation or alleged violation of environmental laws and wetland mitigation arising from the permits primarily used or held for use in Entergy s Transmission Business;
- liabilities, with respect to Entergy s Transmission Business, for the off-site disposal, storage, transport, discharge or release of hazardous materials on or after the separation time;
- subject to certain exceptions, with respect to real property subject to the transmission land rights and transmission assets located thereon, liabilities caused by release or exposure to hazardous materials and investigation and/or remediation of hazardous materials released;
- liabilities that arise under the TransCo contracts and the assigned portions of any multifunction contract, any franchise, or any other contract that is assigned to TransCo or a TransCo Sub;
- liabilities related to the taxes applicable to the transmission assets with respect to any period beginning after the effective time of the merger;
- liabilities related to the TransCo debt securities and TransCo Subs Financing;
- liabilities related to leases for the transmission assets;
- transmission credits;
- customer deposits related to the provision of transmission service, construction of transmission or any provision under Entergy s Open Access Transmission Tariff;
- accounts payable related to the construction or investment in the transmission assets as of the effective time of the merger, excluding any accounts payable in respect of expenses, including operating and maintenance and general and administrative expenses; and
- liabilities of TransCo and the TransCo Subs to the extent arising primarily out of, primarily relating to or otherwise primarily in respect of, the ownership or use of the transmission assets or the operation or the conduct of Entergy s Transmission Business, whether before, at or after the separation time.

The separation agreement also identifies specific liabilities that will not be assumed by TransCo or the TransCo Subs as part of the separation, including the following liabilities:

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

certain environmental liabilities relating to, arising out of, resulting from, or otherwise in respect of, assets or activities outside of the operation or conduct of Entergy s Transmission Business;

liabilities related to the taxes applicable to the transmission assets with respect to any period ending on or before the effective time of the merger;

liabilities under intercompany accounts between TransCo or a TransCo Sub, on the one hand, and Entergy or any of its subsidiaries (excluding TransCo and the TransCo Subs), on the other hand, and liabilities that may arise in connection with settlement, satisfaction, cancellation, termination or extinguishment of such accounts in connection with the separation;

liabilities for indebtedness other than as incurred in connection with the financings, provided that certain interest and costs and expenses will be excluded liabilities;

current liabilities of Entergy and its affiliates, other than the assumed accounts payable and customer deposits to the extent they are current liabilities;

liabilities under any contract for the provision of services or otherwise that would cause ITC, TransCo or their applicable subsidiaries to be considered a customer of electricity transmission service or

electricity market participant under FERC rules or regulation, except as necessary to operate the transmission assets prior to TransCo s full Regional Transmission Organization membership and operation with respect to the transmission assets;

liabilities arising pursuant to environmental law, with respect to (i) Entergy s Transmission Business, for the off-site disposal, storage, transport, discharge or release of hazardous materials prior to the separation time and (ii) assets and properties no longer used in Entergy s Transmission Business as of the separation time to the extent that such assets and properties are not transferred to TransCo;

with respect to transmission assets located on real property not subject to the transmission land rights, liabilities caused by release of, or exposure to, hazardous materials prior to the separation time and investigation and/or remediation of hazardous materials released prior to the separation time;

with respect to real property subject to the transmission land rights at which assets and operations of Entergy or any of its subsidiaries (excluding TransCo and the TransCo Subs) will remain after the separation time, liabilities and investigation and/or remediation due to release of hazardous materials by any such entity after the separation time;

liabilities listed on a schedule to the separation agreement; and

liabilities that are expressly contemplated by the separation agreement or any ancillary agreements as liabilities retained or assumed by Entergy or any of Entergy s subsidiaries (excluding TransCo and the TransCo Subs), and all liabilities of such entities under the separation agreement or any of the ancillary agreements.

Third Party Consents

As promptly as practicable after the signing of the separation agreement and for a period of two (2) years following the closing, the parties will cooperate and each use reasonable best efforts to transfer or reissue to TransCo or a TransCo Sub all the permits related to Entergy s Transmission Business and to obtain all consents and governmental approvals required to consummate the transfer of the transmission assets and liabilities. Entergy and its subsidiaries (excluding TransCo and the TransCo Subs) are not required to obtain any consents related to any easement, servitude, license, right of way, permit or similar right affecting, or otherwise related to, any transmission land rights (except as described on a schedule to the separation agreement), including substation real estate, real estate owned by other utility companies, consents from land owners that own a significant amount of transmission land rights, government transmission land right consents and railroad rights of way. Furthermore, no party is required to make any material payments, incur a material liability or grant any material accommodation to any third party to obtain any such consents or approvals.

Deferred Assets; Subsequent Transfers

If the transfer of any transmission assets or excluded assets requires any consents or approvals which have not been obtained at the separation time, the transfer of such asset, with the exception of certain transmission land rights, will automatically be deferred. The party retaining the deferred asset will hold the asset in trust for the benefit of the party entitled to the asset until the asset is transferred. During such time, the parties will use reasonable best efforts to make arrangement to place the party entitled to such asset in the same position as if the asset had been transferred earlier. However, no such arrangement will be considered to have caused any closing condition related to the transfer of such deferred asset to have been satisfied unless TransCo would, without being in breach of applicable law or contract, still be able to own, operate or use the transmission assets in all material respects in the manner owned and operated by Entergy prior to the separation date. As soon as the legal impediment to the transfer of the asset in question is removed, or the necessary consents and/or governmental approvals are obtained, the transfer will be effected pursuant to the terms of the separation agreement and/or applicable ancillary agreement. The parties may elect to have such deferred assets immediately transferred if the required consent or approval is immaterial and the party electing to effect the transfer agrees to assume any related liability, or if the election is joint, then the liabilities will be shared evenly. The obligations related to the transfer of deferred assets will terminate on the second anniversary of the closing.

For a period of five (5) years after the closing, (i) Entergy will transfer to ITC (a) any transmission assets that Entergy acquires or constructs after the closing or (b) any of Entergy s assets that are reclassified as transmission assets due to future system modifications, and (ii) ITC will transfer to Entergy any assets in ITC s service territory that are reclassified as distribution assets due to future system modifications. Each party will use reasonable best efforts to obtain any consents or approvals from governmental authorities necessary to consummate the transactions contemplated by the foregoing. If the transferred assets have a net book value of less than $10 million, the price the receiving party will pay to the transferring party for the transferred assets will be equal to the net book value. If the transferred assets have a net book value of $10 million or greater, Entergy and ITC shall mutually agree upon the price for the transferred assets.

Franchises

Entergy and certain of its subsidiaries have been granted certain franchises, concessions or similar permits from governmental authorities that generally provide for the right to distribute, sell and supply electricity within a governmental authority s boundaries (and the right to erect, operate and maintain its facilities there for such purposes), referred to as franchises. Any franchise that does not relate solely to Entergy s Transmission Business will be partially assigned by Entergy and/or its subsidiaries to TransCo and/or a TransCo Sub. If any franchise cannot be partially assigned, from the date of the separation agreement until two (2) years after the closing, Entergy, ITC, TransCo and the TransCo Subs will use reasonable best efforts to obtain replacement franchises or similar permits for TransCo or the applicable TransCo Sub. The replacement franchises or permits are not conditions to the separation.

Multifunction Contracts

Entergy will use commercially reasonable efforts to separate and cause TransCo or the applicable TransCo Sub to enter into new agreements with the counterparties to any multifunction contract prior to the separation and if unable to enter into a new agreement, Entergy will partially assign the multifunction contract to TransCo if it is assignable, and if unable to partially assign such contracts, Entergy will use commercially reasonable efforts to provide for alternative arrangements to provide TransCo or the applicable TransCo Sub with the benefit of such contracts as though they had been partially assigned.

Allocation Matters

In connection with the migration of Entergy s Transmission Business to a regional transmission organization, certain operating and other systems will require new configurations or new systems. The parties have agreed that the costs and expenses of such configurations or to implement such new systems will be paid by the applicable Utility Operating Company. At the effective time of the merger, each Utility Operating Company will transfer as part of the transfer of specified transmission assets and liabilities the operating and other systems so that, after taking into account the ancillary agreements entered into in connection with the separation agreement, TransCo is capable of operating Entergy s Transmission Business. After the separation, any costs incurred in connection with the operation of Entergy s Transmission Business on a stand alone basis (i.e., after the expiration of the applicable ancillary agreement) will be borne by TransCo or the applicable TransCo Sub.

Non-Solicitation

ITC, TransCo and Entergy are restricted from soliciting or employing specified current and former employees for a period of twenty-four (24) months after the closing, subject to specified exceptions.

Termination of Intercompany Agreements

Effective as of the distribution date, Entergy and TransCo will terminate all contracts between Entergy and its subsidiaries (excluding TransCo and the TransCo Subs), on the one hand, and TransCo and the TransCo Subs, on the other hand (except any contract to which any person other than the parties to the separation agreement or their affiliates are party, the merger agreement, separation agreement and the ancillary agreements and any

contract expressly contemplated thereby or contemplated to survive thereby). All loans between Entergy and its subsidiaries, on the one hand, and TransCo and its subsidiaries, on the other hand, likewise will be terminated before the distribution date.

Taxes

The separation agreement contains certain additional covenants related to obtaining the private letter ruling, stating that the transactions will qualify for the intended tax-free treatment and preserving the tax treatment of the transactions. Provisions related to indemnification for tax provisions are described below in Mutual Releases; Indemnification Indemnification.

Except to the extent provided for in the agreements governing the transactions, none of ITC, TransCo or any ITC affiliate will undertake any of the following activities for period beginning with the date of the separation agreement and ending two years and one day after the distribution date:

(a) enter into or be a party to any transaction (or arrangement, negotiations or discussions with bankers with respect to a public offering, in each case within the meaning of Section 355(e) of the Code and Treasury Regulation Section 1.355-7 regarding a transaction or series of transactions) as a result of which (i) ITC or TransCo would merge or consolidate with any person or (ii) any person would acquire or have the right to acquire any ITC or TransCo capital stock;

(b) cause or permit any merger or consolidation of TransCo with or into any person;

(c) cause or permit the liquidation, dissolution or partial liquidation of ITC or TransCo;

(d) sell or transfer more than 60% of the fair market value of the transmission assets that were transferred to TransCo under the separation agreement;

(e) redeem, repurchase, or otherwise reacquire (directly or through an ITC affiliate) any ITC or TransCo capital stock, except for specified exceptions in the ordinary course in connection with the exercise or vesting of certain ITC, TransCo or ITC affiliate equity-based awards or pursuant to the ITC dividend reinvestment plan;

(f) issue any ITC or TransCo capital stock or any equity interest in an ITC affiliate, except for specified exceptions regarding (i) certain options or stock provided to employees, consultants, independent contractors or directors in connection with the performance of services; (ii) shares acquired by a retirement plan of Entergy or TransCo; and (iii) shares issued pursuant to a *pro rata* stock split with respect to all shareholders of ITC Common Stock provided, however, that ITC, TransCo and an ITC affiliate may not issue any such options or shares described in clause (i) above to any person if such person is a controlling shareholder (within the meaning of Treasury Regulation Section 1.355-7(h)(3)) or a ten percent (10%) shareholder (within the meaning of Treasury Regulation Section 1.355-7(h)(14)) of ITC or TransCo immediately after the merger;

(g) amend its certificate of incorporation (or other organizational documents) or take any recapitalization action that would affect the relative voting rights of the separate classes of ITC common stock or TransCo stock;

(h) make certain modifications, repurchases, defeasances, satisfactions or discharges to the TransCo Securities, other than in accordance with their terms;

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

(j) (A) take (or permit any ITC affiliate to take) any action that could reasonably be expected to cause or permit one or more persons (including persons acting in concert) to be treated under applicable tax rules as acquiring a fifty percent (50%) or greater interest in TransCo or (B) fail or omit to take (or permit any ITC or TransCo affiliate to fail or omit to take) any action where ITC or any ITC affiliate (or any of their respective

officers or directors) has actual knowledge that the failure or omission to take such action would reasonably be expected to cause or permit one or more persons (including persons acting in concert) to be treated under applicable tax rules as acquiring a fifty percent (50%) or greater interest in TransCo; or

(k) (A) take (or permit any ITC affiliate to take) certain actions that could reasonably be expected to cause the transactions to fail to qualify for certain aspects of the intended tax-free treatment or (B) fail or omit to take (or permit any ITC or TransCo affiliate to fail or omit to take) certain actions where ITC or any ITC affiliate (or any of their respective officers or directors) has actual knowledge that the failure or omission to take such action would reasonably be expected to cause the transactions to fail to qualify for certain aspects of the intended tax-free treatment.

Notwithstanding anything to the contrary in the separation agreement, ITC, TransCo and any ITC affiliate may engage in any of the foregoing prohibited acts if ITC first obtains a tax opinion (reasonably satisfactory to Entergy) stating that the applicable entity s engagement in such prohibited act will not cause the transactions to fail to qualify for certain aspects of the intended tax-free treatment. As described below under Mutual Releases; Indemnification Indemnification, regardless of whether ITC obtains a tax opinion with respect to any prohibited act, ITC will be obligated to indemnify Entergy and certain parties related to Entergy against all losses related to any tax liability resulting from a breach by ITC, TransCo, or any ITC affiliate of the foregoing covenants.

Guarantees

ITC has agreed to use its commercially reasonable efforts to novate, assign or replace certain Entergy guarantees entered into in the course of the conduct of Entergy s Transmission Business with an ITC guarantor or an affiliate of ITC as guarantor in order to release Entergy and its affiliates from any liability related to such Entergy guarantees. If prior to the closing the parties are unable to novate, assign or replace any such Entergy guarantees, after the closing ITC will continue to use commercially reasonable efforts to novate, assign or replace such Entergy guarantees with a TransCo guarantor or an affiliate of TransCo as guarantor and will indemnify, defend and hold harmless Entergy and its affiliates against, and reimburse Entergy and its affiliates for, any losses of Entergy and its affiliates incurred because any such Entergy guarantee is called upon and Entergy or its affiliate is required to make any material payment under any such Entergy guarantee. ITC s commercially reasonable efforts do not require ITC to take any action that would be reasonably expected to expose it, TransCo or any of the TransCo Subs to any material incremental expenses or losses of benefits.

Resignations

At or prior to the distribution date, Entergy will cause each employee and director of Entergy and its subsidiaries who will not be employed by TransCo or a TransCo Sub to resign, effective no later than the distribution date, from all boards of directors or similar governing bodies of TransCo or the TransCo Subs, and from all positions as officers of TransCo or TransCo Subs.

The Financings

The separation agreement provides that, prior to the distribution, Entergy, TransCo and the TransCo Subs will enter a series of financings transactions. The following paragraphs summarize the provisions of the separation agreement related to those financings.

Exchangeable Debt Financing

Entergy has agreed, subject to certain limitations and restrictions, to use its reasonable best efforts to issue new debt to unrelated creditors. In lieu of issuing new debt, the debt exchange may be effectuated with existing Entergy debt purchased by unrelated creditors, such purchased debt or such newly issued debt referred to as the Entergy exchangeable debt. Any new debt issued as Entergy exchangeable debt will be on terms and conditions reasonably acceptable to Entergy in its good faith commercial judgment.

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Issuance of TransCo Debt Securities

Pursuant to the separation agreement and in partial consideration for all of the equity interests in each TransCo Sub, referred to as the Entergy contribution, TransCo will issue to Entergy (in addition to TransCo common units) senior securities of TransCo, referred to as TransCo debt securities, in an aggregate principal amount equal to (i) $1.775 billion (as may be adjusted pursuant to the merger agreement), referred to as the transaction maximum principal amount, less (ii) the principal amount of the TransCo Subs Financing, described below. The terms, conditions and form of the TransCo debt securities will be at the then prevailing market terms for similar capital market issuances by companies of a size and with a credit rating or profile similar to TransCo s credit rating or profile, with minimum stated maturity terms necessary to ensure the treatment of the TransCo debt securities as securities for U.S. federal income tax purposes, to be mutually determined by Entergy and ITC using their respective commercially reasonable judgment. Entergy and ITC will jointly appoint the lead underwriter/placement agent with respect to the financing of the Entergy exchangeable debt and the TransCo securities.

Debt Exchange

At the time of the separation, Entergy will be permitted to exchange the Entergy exchangeable debt for the TransCo debt securities.

Working Capital Facility

At the request of ITC, Entergy will use its reasonable best efforts to cause TransCo to arrange a working capital revolving credit facility in a principal amount mutually determined by ITC and Entergy. The terms and conditions of the working capital facility will be at then prevailing market terms for similar working capital facilities by companies of a size and with a credit rating or profile similar to TransCo s credit rating or profile, as mutually determined by Entergy and ITC each using its respective commercially reasonable judgment. TransCo will not draw down on the working capital facility prior to the effective time of the merger without the consent of ITC.

TransCo Subs Financing

Entergy will use its reasonable best efforts to cause the TransCo Subs to arrange a 366-day bridge facility, referred to as the TransCo Subs Financing, based on the targeted capital structure for each TransCo Sub approved by FERC, intended to be 40% debt and 60% equity (provided that if the desired private letter ruling from the Internal Revenue Service with respect to the financings cannot be obtained without increasing or decreasing the principal amount of the TransCo Subs Financing, then the parties to the separation agreement will have the right to increase the principal amount of the TransCo Subs Financing up to, or reduce the principal amount of the TransCo Subs Financing to, an amount equal to the aggregate tax basis of the transmission assets). Subject to the discussion under the heading Control of Financings below, the TransCo Subs Financing will be at the then prevailing market terms for similar bridge facilities by companies of a size and with a credit rating or profile similar to TransCo s credit rating or profile, as mutually determined by Entergy and ITC, each using their respective commercially reasonable judgment. Entergy and ITC shall jointly appoint the lead arranger(s) with respect to the TransCo Subs Financing.

TransCo Maximum Principal Amount

Entergy and ITC have agreed to use commercially reasonable efforts to cause the aggregate principal amount to be incurred in the TransCo debt securities issuance and the TransCo Subs Financing to equal $1.775 billion, as may be adjusted pursuant to the merger agreement.

Control of Financings

ITC and Entergy have agreed to meet from time to time to discuss strategy and timing for seeking proposals from reputable lenders and/or underwriters to provide, arrange and/or underwrite the financings. Entergy and ITC will jointly solicit proposals from reputable financing sources in order to arrange the financings in a timely manner and will select from among the proposals received one or more which they reasonably mutually

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determine to be the most favorable in the aggregate. Entergy and ITC shall jointly conduct negotiations regarding the financings. Entergy and ITC have agreed to use all commercially reasonable efforts to finalize all documentation with respect to the financings in a timely manner in order to effect the closing as promptly as practicable. ITC will not be obligated to accept or execute and TransCo will not, without the consent of ITC, accept or execute, documentation related to any of the financings where (i) the terms or provisions of such financings would cause its incurrence or assumption by ITC in or as a result of the merger to be prohibited by or cause (with or without notice or the lapse of time) a default under the existing credit agreements or indentures of ITC or its subsidiaries (provided that ITC will use reasonable best efforts to seek any consents or waivers with respect to such defaults) or (ii) the aggregate effect of any covenants and other terms and conditions of the financings (other than the interest rate) would be materially adverse to ITC and each of its affiliates, including TransCo and the TransCo Subs (after giving effect to the merger).

Conditions to the Separation

The obligations of Entergy to effect the separation pursuant to the separation agreement are subject to fulfillment (or waiver by Entergy) at or prior to the separation date of the conditions that:

- each of the conditions to Entergy s obligation to effect the closing of the transactions contemplated by the merger agreement, as described in The Merger Agreement Conditions to the Merger, have been satisfied or waived (other than conditions that, by their nature, are to be satisfied between the separation time and closing or contemporaneously with closing);

- ITC shall have irrevocably confirmed to Entergy that each condition to ITC s obligation to effect the closing of the transactions contemplated by the merger agreement, as described in The Merger Agreement Conditions to the Merger, have been satisfied or waived (other than conditions that, by their nature, are to be satisfied between the separation time and closing or contemporaneously with closing); and

- the financings will have been completed in accordance with and subject to the terms of the separation agreement, and the sum of the principal amount of the TransCo debt securities issued to Entergy and the TransCo Subs Financing principal amount is at least equal to the $1.775 billion, subjected to specified adjustments pursuant to the merger agreement.

Additional Covenants

Each of Entergy and TransCo have undertaken specified covenants in the separation agreement restricting the conduct of their respective businesses and committing them to take specified actions. You are urged to read carefully the sections of the separation agreement entitled Confidentiality; Access to Information and Additional Agreements. The more significant of these covenants include:

- confidentiality and access to information agreements with respect to and access by each party to confidential information (including making witnesses available) in the possession or control of the other party;

- the use of Entergy trademarks after the closing; and

- the removal of tangible transmission assets located at any facilities of Entergy or any of Entergy s subsidiaries (excluding TransCo and the TransCo Subs).

Mutual Releases; Indemnification

Release of Pre-Distribution Date Claims

Subject to specified exceptions, TransCo on the one hand and Entergy, the Utility Operating Companies and ESI, on the other hand, agreed to release TransCo, Entergy and their respective subsidiaries, shareholders (excluding Entergy shareholders), directors, partners, managers,

managing members, officers, agents or

employees, from any and all liabilities, whether arising under any contract or by operation of law or otherwise, including in connection with the transactions and all other activities to implement the separation:

- existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur on or before the effective time of the merger; or

- arising from any conditions existing or alleged to have existed on or before the effective time of the merger.

The mutual release is subject to specified exceptions set forth in the separation agreement, including with respect to:

- any right or obligation that is assumed, transferred, assigned or allocated to TransCo or to Entergy or their respective subsidiaries in accordance with, or any other liability of any of them under, the separation agreement, the merger agreement or any ancillary agreement;

- any liability, with certain exceptions, the release of which would result in the release of any person other than TransCo, Entergy or their respective subsidiaries; and

- any indemnification to which a director, officer, manager, employee or agent of Entergy, TransCo or any of their subsidiaries is entitled, if such individual was entitled to a right of indemnification under the organizational documents of TransCo or any of its subsidiaries or pursuant to a contract.

Indemnification

Except as otherwise provided in the merger agreement or any ancillary agreement, ITC and TransCo, on a joint and several basis, agreed to indemnify Entergy against all losses, liabilities, damages, penalties, judgments, assessments, costs and expenses relating to any of the following, whether arising before or after the effective time of the merger:

- the transmission liabilities assumed by TransCo;

- any breach by ITC, TransCo or a TransCo Sub of any obligations under the separation agreement or the ancillary agreements after the effective time of the merger; and

- any breach by ITC or any of its affiliates of any covenant or inaccuracy of any representation and warranty made by ITC that survives the closing under the merger agreement.

Except as otherwise provided in the merger agreement or any ancillary agreement, Entergy has agreed to indemnify ITC and TransCo from and against all losses, liabilities, damages, penalties, judgments, assessments, costs and expenses relating to any of the following, whether arising before or after the effective time of the merger:

- the liabilities retained by Entergy or any Entergy subsidiary (excluding TransCo, the TransCo Subs and the Utility Operating Companies);

- any breach, by Entergy or any Entergy subsidiary (excluding TransCo and the TransCo Subs) of any obligations under the separation agreement or the ancillary agreements after the separation time; and

- any breach by Entergy or any of its affiliates of any covenant or inaccuracy of any representation and warranty made by Entergy that survives the closing under the merger agreement.

Except as otherwise provided in the merger agreement or any ancillary agreement, each of the Utility Operating Companies will indemnify TransCo and ITC against all losses, liabilities, damages, penalties, judgments, assessments, costs and expenses relating to any of the following, whether arising before or after the effective time of the merger:

- the excluded liabilities retained by such Utility Operating Company; and

- any breach by such Utility Operating Company of any obligations to be performed pursuant to the separation agreement or any ancillary agreement.

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The indemnification provisions set forth above and in the separation agreement will not apply to indemnification claims relating to taxes, which are covered separately in the separation agreement and are described below:

- From and after the closing, Entergy agrees to indemnify TransCo, the TransCo Subs, ITC (from and after the separation time), and all present or past shareholders, directors, partners, managers, managing members, officers, agents or employees of TransCo or the TransCo Subs, against all losses whether arising before or after the separation date, related to any:
  - tax liability of Entergy and its subsidiaries, with the exception of TransCo and its subsidiaries provided there is a final determination with respect to such tax liability; or
  - pre-distribution tax liability of TransCo or any of its subsidiaries provided there is a final determination with respect to such tax liability; or
  - tax liability for 50% of any sales or transfer taxes applicable to the transactions or relating to any transmission assets with respect to any period ending on or before the effective time of the merger, provided there is a final determination with respect to such tax liability; or
  - tax liability resulting from a breach by Entergy of certain covenants under the separation agreement.
  - ITC will indemnify Entergy, subsidiaries of Entergy, and all current or past shareholders, directors, partners, managers, managing members, officers, agents or employees of Entergy or subsidiaries of Entergy (excluding any shareholder of Entergy) against all losses related to any:
  - tax liability for 50% of any sales or transfer taxes applicable to the transactions or relating to any transmission assets with respect to any period beginning after the effective time of the merger, provided there is a final determination with respect to such tax liability; or
  - any tax liability resulting from a breach by ITC, TransCo or any ITC affiliate of its obligation not to take certain prohibited acts (regardless of whether ITC obtains a tax opinion with respect to such prohibited act) provided there is a final determination with respect to such tax liability.

Any liability that is subject to indemnification or contribution pursuant to the separation agreement will be net of any proceeds received by the indemnitee from any third party for indemnification for such liability, referred to as third-party proceeds, and will be determined on a net-tax basis. An indemnitee must use commercially reasonable efforts to seek to collect or recover any third party proceeds in connection with any liability for which the indemnitee seeks indemnification or contribution.

Survival

The ability to make a claim for indemnification related to the breach or inaccuracy of any representation and warranty made by ITC or Entergy will terminate after the end of the applicable survival period under the terms of the merger agreement as described in The Merger Agreement Survival of Representations, Warranties and Agreements. In the event that notice of any claim for indemnification related to the breach or inaccuracy of any representation and warranty made by ITC or Entergy is given within the applicable survival period, the representations and warranties that are the subject of such indemnification claim will survive until such time as such claim is finally resolved. For the purpose of the abovementioned indemnification provisions of the separation agreement, the determination of whether any representation or warranty is inaccurate, and the determination of the amount of losses, liabilities, damages, penalties, judgments, assessments, costs and expenses arising therefrom, will be made without regard of any exceptions and qualifiers related to materiality within the representation or

warranty at issue.

Baskets and Caps

ITC and TransCo s obligation to indemnify the Entergy indemnitees for losses related to a breach or inaccuracy of any representation and warranty made by ITC that survives the closing pursuant to the merger

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agreement and Entergy s obligation to indemnify TransCo and each of the TransCo Subs for losses related to a breach or inaccuracy of any representation and warranty made by Entergy that survives the closing pursuant to the merger agreement are subject to certain limitations. No indemnification will be made by ITC and TransCo, on the one hand, or Entergy, on the other hand, with respect to any claim unless the losses relating to the claim or series of related claims are greater than $250,000. If the losses are greater than $250,000 then such amounts are considered in the calculation of whether an $18,930,000 threshold has been met. Once the $18,930,000 threshold has been met, then at such point, ITC and TransCo or Entergy, as the case may be, will be liable for the amount of such losses in excess of $18,930,000. With respect to breaches or inaccuracies related to representations and warranties, ITC and TransCo s or Entergy s, as the case may be, obligations, in the aggregate, will not be greater than $757,000,000.

Termination

Prior to the closing, the separation agreement will terminate without any further action upon termination of the merger agreement. In the event of such termination, no party will have any further liability to the other party, except as provided in the merger agreement.

Insurance

Prior to the effective time of the merger, the transmission assets will continue to be covered by insurance policies of Entergy and its subsidiaries.

Following the effective time of the merger, TransCo will no longer be an insured party under Entergy insurance policies. TransCo, however, will have the right to access occurrence-based coverage (to the extent such coverage exists) for claims asserted after the effective time of the merger but arising out of an occurrence prior to the effective time of the merger. Entergy will maintain directors and officers liability and fiduciary liability insurance coverage for no less than six (6) years following the effective time of the merger.

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ADDITIONAL MATERIAL AGREEMENTS

The following is a summary of the material provisions of the employee matters agreement, generator interconnection agreement, the distribution-transmission interconnection agreement, the exchange trust agreement and the registration rights agreement. This summary is qualified in its entirety by reference to the complete text of each of these agreements, which are incorporated by reference to Exhibits 10.1, 10.2, 10.3, 10.4 and 10.5, respectively, of the registration statement on Form S-4 filed by ITC of which this proxy statement/prospectus forms a part. The rights and obligations of the parties are governed by the express terms and conditions of these agreements and not by this summary or any other information included in this proxy statement/prospectus. You are urged to read the agreements carefully and in their entirety.

Employee Matters Agreement

Entergy, ITC and TransCo have entered into the employee matters agreement, as it may be amended from time to time, that, among other things, allocates to Entergy and ITC (and their respective affiliates) pre-closing liabilities in respect of employees transferring to TransCo (including liabilities in respect of Entergy employee benefit plans) and establishes certain required treatment of those employees by ITC after the closing, including ITC s assumption of Entergy s collective bargaining agreements covering employees represented by third party unions.

Identification of Transferring Employees

Only active employees will become employees of TransCo. Transferring employees, referred to as TransCo Employees, will comprise:

- employees primarily employed in Entergy s Transmission Business;
- a certain number of employees who are employed in both Entergy s Transmission Business and Entergy s electricity distribution business, and
- a certain number of employees who provide administrative services to both Entergy s Transmission Business and Entergy s electricity distribution business.

Employees meeting the criteria above who are on a leave of absence at the time of the closing will become TransCo Employees only if and when they return to active employment within six months after closing (or such longer period as may be required by law). TransCo Employees will first become employees of TransCo and its subsidiaries immediately before the closing.

The parties have established an integration team with an equal number of Entergy and ITC employees to facilitate the identification of TransCo Employees. The integration team will work in good faith to resolve any dispute regarding the identity of TransCo Employees with a goal of providing TransCo with sufficient operational and management employees (together with existing employees of ITC) to operate and manage Entergy s Transmission Business on a reasonable basis and Entergy with sufficient operational and management employees to operate and manage its remaining business on a reasonable basis. To the extent the integration team is unable to agree on the identity of TransCo Employees by June 4, 2013 (or if earlier, thirty (30) days prior to the anticipated distribution date), the respective chief human resources officers of Entergy and ITC will act in good faith to resolve such disagreement not later than the closing date and, if they are unable to so agree, the chief human resources officer of Entergy will, in good faith and in accordance with the principles set forth in the employee matters agreement, make the final determination. In any event, the identification of TransCo Employees will be made subject to any applicable collective bargaining obligations, if any, and applicable laws.

Allocation of Liabilities In General

In general, ITC will assume as of the separation time all liabilities in respect of TransCo Employees for the period both before and after the closing. Entergy will retain all other liabilities (including all liabilities in respect of former employees and those employees who are not transferring to TransCo). Entergy and ITC will cause

TransCo continue to maintain or assume and honor (even where otherwise inconsistent with the terms of the employee matters agreement) all obligations under Entergy collective bargaining agreements to the extent they apply to TransCo Employees.

Service Crediting

TransCo Employees generally will be credited at ITC for all of their pre-closing service at Entergy. For at least 36 months after closing, ITC will provide nonunion employees with substantially comparable cash compensation opportunities and benefits with a substantially comparable aggregate value (exclusive of nonqualified deferred compensation and equity compensation benefits) and with a substantially comparable value for each benefit kind. Severance benefits for that 36-month period will not be less than a specified level.

Pension/401(k) Benefits

No qualified defined benefit pension plan assets or liabilities will be transferred from Entergy to TransCo or ITC. ITC will establish or maintain a qualified defined benefit pension plan as of the closing date for each TransCo Employee that is substantially identical to the terms of the Entergy qualified defined benefit pension plan in which the respective TransCo Employee participated before the closing and that credits service with Entergy before the closing for all purposes, including early retirement subsidy eligibility. However, the Entergy plan will remain liable for payment of the benefits attributable to pre-closing service, which benefit will be made fully vested by Entergy as of the date the TransCo Employees cease to be employed by Entergy; the ITC plan will determine the pension benefit based on the combined Entergy/ITC service of TransCo Employees, but the benefit actually payable under the ITC plan will be reduced by the value of the benefit payable under the Entergy plan in respect of such employee s pre-closing service.

The 401(k) plan accounts of TransCo Employees at Entergy will be transferred to the ITC 401(k) plan. Entergy will cause each TransCo Employee s 401(k) account balance to be fully vested as of the date the TransCo Employees cease to be employed by Entergy. Subject to any applicable fiduciary duty constraints, any Entergy or ITC common stock that is transferred to the ITC 401(k) plan will not be made subject to divestiture for at least 6 months after closing (or up to 12 months if approved by the FERC).

Welfare Benefit Plans

TransCo Employees will begin participation in ITC welfare benefit plans effective as of the closing date. Entergy generally will retain liability for medical claims incurred before the closing date, and ITC generally will assume liability for claims incurred on and after the closing date. ITC will assume the health and dependent care flexible spending account plan obligations of TransCo Employees, and net account balances will be transferred from the Entergy flexible spending account plan to the ITC flexible spending account plan. ITC will assume and honor accrued but unused vacation time and other paid time off benefits attributable to pre-closing service at Entergy. However, ITC may require that any carry-over amounts in excess of what could have been carried over under the applicable ITC vacation plan be used by March 31 of the year following closing.

ITC will assume Entergy s retiree welfare benefit obligations to TransCo Employees, including those of TransCo Employees already eligible for benefits as of closing. A proportional amount of Entergy s existing funding of those benefits will be transferred from the applicable Entergy trust to an ITC trust, and those assets may be used only to provide retiree welfare benefits to TransCo Employees. ITC may not amend or terminate the retiree benefits for TransCo Employees until the later of the third anniversary of the closing or the exhaustion of the transferred assets held in ITC s trust.

Nonqualified Deferred Compensation Plans

ITC will assume liabilities under Entergy s nonqualified deferred compensation plans for the three participants in those plans presently identified as TransCo Employees and ITC will establish or maintain nonqualified deferred compensation plans to perform, pay and discharge such liabilities when they become due.

Entergy will otherwise retain nonqualified deferred compensation plan liabilities. There will be no transfer of assets from Entergy s nonqualified deferred compensation plans to ITC s nonqualified deferred compensation plans. For purposes of determining when the Entergy plan benefit becomes payable, service at ITC will be treated as service at Entergy, such that the closing will not represent a distributable event under the Entergy plans for TransCo Employees.

Equity Incentive Awards

Entergy equity incentive awards (stock options, restricted stock and restricted stock units) held by TransCo Employees will be converted into ITC awards that have the same intrinsic value immediately after the closing (based on ITC common stock value) as they had immediately before the closing (based on Entergy common stock value). The substitute ITC awards will continue to vest and be exercisable on the same basis as applied at Entergy before the closing (treating ITC service as service for Entergy). The treatment of equity incentive awards held by individuals who are not TransCo Employees is not addressed in the employee matters agreement, and as of the date of this proxy statement/prospectus, the Entergy compensation committee has not made a determination regarding the nature of the adjustment to be made to those awards.

Annual and Long-Term Incentive Bonuses

Entergy will pay out at closing to TransCo Employees their annual and long-term incentive bonuses for any then pending performance periods at the target level of performance, pro-rated for the applicable portion of the performance period ending on the closing date. The treatment of bonuses held by individuals who are not TransCo Employees is not addressed in the employee matters agreement; bonuses held by such employees will be payable on their otherwise applicable schedule, and post-closing performance of ITC will be taken into account as applicable in an equitable way in determining the extent of performance achievement.

Miscellaneous

The indemnification and dispute resolution procedures in the employee matters agreement are generally consistent with those under the separation agreement. As noted above, however, there are special dispute procedures for the identification of TransCo Employees. The employee matters agreement is governed by Delaware law.

Generator Interconnection Agreement

In connection with the separation agreement, the TransCo Subs, the Utility Operating Companies and MISO will enter into generator interconnection agreements, referred to as the generator interconnection agreements, effective as of the separation date. These three-party agreements will govern the direct interconnection and operation of the Utility Operating Companies electricity generating assets to the TransCo Subs transmission system.

The term of the generator interconnection agreements will be for 20 years unless otherwise terminated by one of the parties as specified in the agreements (subject to notice and approval of the FERC). Unless terminated under the agreements, the generator interconnection agreements shall be automatically renewed for each successive one-year period after the expiration of the initial term.

Distribution-Transmission Interconnection Agreement

In connection with the separation agreement, each TransCo Sub will enter a distribution-transmission interconnection agreement with each Utility Operating Company whose distribution system is connected with its transmission system, referred to as the distribution-transmission interconnection agreement, effective as of the separation date. Each distribution-transmission interconnection agreement will provide for the continued interconnection of the Utility Operating Companies distribution system with the TransCo Subs transmission system and will define the continuing rights, responsibilities and obligations of the parties with respect to the use

of certain of their own and the other party s properties, assets and facilities. Under each distribution-transmission interconnection agreement, each TransCo Sub will agree to provide the applicable Utility Operating Company with interconnection service at the existing system interconnection points, and the parties will have mutual responsibility for maintaining their interconnection in accordance with good utility practice as well as any applicable federal or state standards.

The initial term of the distribution-transmission interconnection agreement will be twenty years with one-year automatic renewals thereafter, in each case unless otherwise terminated by one of the parties as specified in the agreement (subject to notice and FERC approval).

Agreements Related to the Exchange Trust and Exchange Offer

Pursuant to the terms of the merger agreement, Entergy may elect, at least thirty (30) business days prior to the closing to retain up to the number of TransCo common units that would convert in the merger to up to 4.9999% of the total number of shares of ITC common stock outstanding immediately following the consummation of the merger that otherwise would have been distributed in the distribution, such election is referred to as the exchange trust election. If Entergy makes an exchange trust election, and subject to the conditions in the merger agreement, Entergy, TransCo, ITC and a trustee will enter into a trust agreement, referred to as the exchange trust agreement. At the same time the exchange trust agreement is entered into, Entergy, ITC and the trustee will enter into a registration rights agreement. The following discussion summarizes the material provisions of the exchange trust agreement and the registration rights agreement.

Exchange Trust Agreement

Under the terms of the exchange trust agreement, at the time of the distribution, Entergy will transfer an amount of TransCo common units that would convert in the merger to up to 4.9999% of the total number of shares of ITC common stock outstanding immediately following the consummation of the merger to an irrevocable Delaware trust, referred to as the exchange trust. The TransCo common units transferred to the exchange trust will not be distributed to Entergy shareholders in the distribution and, at the closing, will convert into ITC common stock in the merger. After the transfer, the trustee of the exchange trust will own and hold unconditionally all right, title and interest in and to the TransCo common units transferred to the trust, and subsequently in and to the ITC common stock, for the benefit of Entergy and Entergy shareholders; provided, however, in no event will the ITC common stock held by the exchange trust be transferred to Entergy. Each Entergy shareholder s beneficial interest in the exchange trust is equal to and indivisible from such shareholder s *pro rata* ownership of shares of common stock of Entergy. Shares of Entergy common stock held by Entergy or any of its subsidiaries have no beneficial interest in the trust. Entergy shareholders will have no right to enforce any provision of the exchange trust agreement.

Dividends

The trust will receive any dividends ITC pays on its shares of ITC common stock with respect to the ITC common stock held by the trust. The trustee will elect, in its sole discretion, to either donate the proceeds of any such dividends to a qualified charity selected by the trustee or to distribute the proceeds of any such dividends to Entergy shareholders in connection with any exchange trust exchange offer or trust distribution.

Transferability of Beneficial Interest

Entergy shareholders will not be able to assign, sell or otherwise transfer or divide their beneficial interest in the exchange trust. When an Entergy shareholder sells or otherwise transfers its shares of Entergy common stock, the shares of Entergy common stock will automatically carry with them the seller s beneficial interest in the exchange trust. Entergy will not be able to assign, sell or otherwise transfer or divide its beneficial interest in the exchange trust.

Duration of Trust

The exchange trust terminates on the date on which all exchange trust shares have been exchanged or distributed to Entergy shareholders, as described below.

Voting Rights

The trustee will vote all TransCo common units or ITC common stock held in the exchange trust with respect to all matters to come before holders of TransCo common units or ITC shareholders at any meeting of holders of TransCo common units or ITC shareholders in the same proportion as all other TransCo common units or ITC common stock are voted. The trustee will not enter into any other voting agreement with any other party. Entergy and its affiliates will not take any actions to directly influence any vote of holders of TransCo common units or ITC common stock that occurs as long as the trust holds any TransCo common units or ITC common stock.

Release of Shares

The trustee will not distribute, sell or otherwise transfer the ITC common stock held by the trust except in connection with an exchange trust exchange offer or in connection with the trust distribution to Entergy s shareholders, each as provided by and subject to the conditions in the exchange trust agreement or the registration rights agreement. ITC will not record on its books any such distribution, sale or transfer that is not permitted below. In no event will the trustee deliver or return the ITC common stock held by the exchange trust to Entergy or any of its affiliates, except to an affiliate who otherwise receives shares as an Entergy shareholder. The trustee will release the shares in the following circumstances only:

Exchange Trust Exchange Offer. Upon written notice from Entergy, the trustee will use reasonable best efforts to promptly commence an exchange offer wherein the trustee will accept all Entergy common stock validly tendered in exchange for the corresponding number of ITC common stock under the exchange ratio established pursuant to irrevocable terms contained in the exchange trust agreement at the time it is entered into, subject to certain conditions specified in the exchange trust agreement.

Mandatory Trust Distribution of ITC Common Stock. If any ITC common stock remains in the trust on the 20th business day prior to the completion of the trust period, which is six months after the date of the distribution of TransCo common units to Entergy shareholders in the distribution, the trustee will effectuate a distribution. Each Entergy shareholder of record on the record date will receive a *pro rata* share of the remaining ITC common stock held by the exchange trust in such distribution. The record date will be the first business day that is 10 days prior to the end of the trust period. However, Entergy has sole discretion to determine an earlier record date and distribution date, provided that the record date is on a day the NYSE is open for trading and between 20 business days and 10 calendar days prior to the end of the trust period. In addition, Entergy must provide 10 days notice between the declaration of the record date and the record date.

Distribution of ITC Common Stock Prior to a Merger Event. In the event ITC or Entergy merges into a non-wholly owned subsidiary and ITC or Entergy, as applicable, is not the surviving entity in such merger or enters into any other transaction where ITC or Entergy, as applicable, ceases to exist for U.S. federal income tax purposes, the trustee will take all necessary action to facilitate a distribution to Entergy s shareholders of any remaining ITC common stock held by the exchange trust at least one day prior to ITC or Entergy, as applicable, effectuating such merger or other transaction. Each Entergy shareholder will receive a *pro rata* share of the remaining ITC common stock in such distribution.

Limitation on M&A Events

During the trust period, the trustee will be prohibited from participating in any tender offer for ITC common stock by ITC or any third party.

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No Right to Tendered Shares

The trustee will deliver to Entergy any shares of Entergy common stock that are tendered in an exchange trust exchange offer.

Expenses and Indemnification

Entergy will reimburse ITC for all documented fees or expenses reasonably paid or incurred by ITC in connection with the exchange trust agreement. With certain exceptions, Entergy will indemnify ITC from and against any liabilities to which ITC becomes subject by reason of its participation in an exchange trust exchange offer or a trust distribution, except to the extent such liability was caused by ITC s gross negligence or willful misconduct, or a breach of agreement.

Registration Rights Agreement

The shares of ITC common stock held by the exchange trust after the separation may be deemed restricted securities as defined in Securities Act Rule 144. Accordingly, Entergy and the exchange trust will not be able to participate in an exchange trust exchange offer or trust distribution pursuant to their obligations under the trust exchange arrangement without registration under the Securities Act (assuming, with respect to the trust distribution, an exemption from the registration requirements under the Securities Act is unavailable). At the same time the exchange trust agreement is entered into, ITC will enter into a registration rights agreement with Entergy and the trustee under which, at the request of Entergy, ITC will use its reasonable best efforts to register the shares of ITC common stock that are held by the exchange trust in connection with any exchange trust exchange offer (or the trust distribution, if necessary) under the Securities Act. As long as the exchange trust holds any shares of ITC common stock and until one exchange trust exchange offer has been completed, Entergy can request registration in connection with an exchange trust exchange offer.

The rights under the registration rights agreement will terminate once the exchange trust no longer holds any shares of ITC common stock. ITC has agreed to cooperate in these registrations and related offerings. Entergy will pay all reasonable and documented expenses payable in connection with such registrations.

In addition, ITC will indemnify each of Entergy and the trustee from and against any liabilities to which either Entergy or the trustee, as the case may be, becomes subject and which arise out of any alleged material misstatement or omission in any registration statement (including the prospectus contained therein), or information statement filed with the SEC pursuant to the registration rights agreement or any communications filed with the SEC in connection with such documents, except for any such material misstatement or omission included in information relating to Entergy or the trustee, as the case may be, that was furnished to ITC by or on behalf of Entergy or the trustee. Correspondingly, Entergy will indemnify ITC from and against any liabilities to which ITC becomes subject and which arise out of any alleged material misstatement or omission in any registration statement (including the prospectus contained therein) or information statement filed with the SEC pursuant to the registration rights agreement or any communications filed with the SEC in connection with such documents, provided that such material misstatement or omission was included in information relating to Entergy that was furnished to ITC by or on behalf of Entergy.

OTHER AGREEMENTS

In addition to the agreements described above, Entergy, ITC and/or their respective affiliates will also enter into other agreements in connection with the consummation of the transaction, which are described below.

Transition Services Agreements

In connection with the separation agreement, the TransCo Subs and the Utility Operating Companies and ESI will enter into two transition services agreements, referred to as the transition services agreements, each effective as of the separation date. In order to facilitate the transition of Entergy s Transmission Business to TransCo (which, after the merger, will be a wholly owned subsidiary of ITC), under these agreements each party will provide the other party, on a cost basis, with specified services for a limited time following the completion of the merger. The services to be provided under the transition services agreements include the following: field support services, engineering support services, site access services and corporate support services.

The transition services agreements also address certain matters with respect to the provision of such services, including the management of the relationship between the parties, the use of and access to each other s records, confidentiality and proprietary rights.

The initial term of each transition services agreement will be for a period of one year after the date of the agreement, unless earlier terminated as provided in the agreement. Each of the service recipients will have the option of extending the services (or as provided therein, a portion of the services) twice for a period of up to six months (with a maximum one year extension) by providing three months prior notice.

Each of the service recipients will generally be able to terminate any services provided by giving two months prior notice to the other party.

The parties to these agreements generally agree to indemnify each other and each other s related parties from claims related to the receipt of these services.

Software / IP License Agreement

On the separation date, ESI, each Utility Operating Company and each of their respective TransCo Subs will enter into a software/IP license agreement, under which each Utility Operating Company will grant to its respective TransCo Sub an irrevocable license to use (i) the computer programs, software and applications owned by Entergy or its subsidiaries that are used (but not exclusively used) in the operation of the systems and equipment necessary for the operation and control of the transmission line facilities and transmission substation facilities and (ii) certain intellectual property rights owned by Entergy or its subsidiaries that are used (but not exclusively used) in Entergy s Transmission Business, in each case as of the separation time. Each TransCo Sub, as licensee, may sublicense its rights under the software/IP license agreement to its affiliates; contractors, distributors and suppliers performing services solely for the purposes of performing such services for the applicable TransCo Sub or its affiliates; any joint venture in which such TransCo Sub has a 50% or more interest. The software/IP license agreement will be effective prior to the closing of the merger.

Pole Attachment Agreement for Electric Distribution Facilities

The pole attachment agreement for electric distribution facilities, referred to as the distribution attachment agreement, provides for the attachment of Entergy-owned distribution facilities to and upon certain ITC poles, towers, substations and other multi-use transmission structures in Entergy s service territory, including those transferred to ITC as a result of the transactions contemplated by the separation agreement and merger agreement. The distribution attachment agreement also provides for the over-building of ITC transmission facilities upon Entergy distribution structures and rights of way.

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The distribution attachment agreement will be effective as of the separation date and will continue for an initial term of twenty (20) years thereafter, and will then continue automatically thereafter unless a party delivers notice of intent to terminate at least eight (8) years before that party s proposed date of termination. Either party may terminate the distribution attachment agreement upon the other party s failure to cure any breach of any material condition therein, including failure to make any required payment, failure to grant access to the other party s facilities, failure to provide required information or data, a party s abandonment of its work or its facilities, a party s bankruptcy or insolvency, or a party s assignment of the distribution attachment agreement in a manner inconsistent with its terms.

The distribution attachment agreement (i) recognizes Entergy s reserved license and right to continue to attach its existing distribution facilities to and upon those multi-use transmission structures to which those facilities are currently attached and those multi-use transmission structures existing on the separation date and capable of accepting distribution attachments and (ii) grants a license and the right to make new distribution attachments to new multi-use transmission structures in Entergy s service territory constructed after the separation date. With respect to its reserved license to continue to attach to existing structures, Entergy will not be assessed a license fee for the duration of the term of the distribution attachment agreement. With respect to any newly granted licenses, Entergy will not be assessed a license attachment fee unless and until ITC has a rate for such fee on file at FERC. In either case, each party is generally responsible for the costs of maintaining, replacing or improving its own facilities.

The distribution attachment agreement also establishes a process by which ITC may request to over-build transmission upon existing distribution structure rights of way. After any such over-build, Entergy will retain a reserved license for the continued attachment of its facilities to any resulting new transmission structures.

The Transmission Structure Attachment Agreement for Telecommunications Facilities

The transmission structure attachment agreement for telecommunications facilities, referred to as the telecommunications attachment agreement, provides for the continued and future attachment of Entergy-owned telecommunications facilities to and upon certain ITC poles, towers, substations and other transmission structures in Entergy s service territory, including those transferred to ITC as a result of the transactions contemplated by the separation agreement and merger agreement. The telecommunications attachment agreement also provides ITC the right to use certain capacity on the Entergy telecommunications system and receive related support services (referred to as the designated telecommunications services) for purposes of supporting the transmission business acquired from Entergy.

The telecommunications attachment agreement will be effective as of the separation date and will continue for an initial term of twenty (20) years thereafter, and will then continue automatically thereafter unless a party delivers notice of intent to terminate at least eight (8) years before that party s proposed date of termination. Either party may terminate the telecommunications attachment agreement upon the other party s failure to cure any breach of any material condition therein, including failure to provide any required information or data, a party s abandonment of its work or its facilities, a party s bankruptcy or insolvency, or a party s assignment of the telecommunications attachment agreement in a manner inconsistent with its terms.

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ADVISORY VOTE ON MERGER-RELATED COMPENSATION FOR ITC S NAMED EXECUTIVE OFFICERS

Merger-Related Compensation Proposal

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and Rule 14a-21(c) of the Exchange Act, ITC is seeking approval of a non-binding, advisory proposal to approve the compensation of ITC s named executive officers that is based on or otherwise relates to the merger as disclosed above in the section entitled Interests of Certain Persons in the Merger. The proposal gives ITC s shareholders the opportunity to express their views on the merger-related compensation of ITC s named executive officers.

Accordingly, ITC is requesting shareholders to adopt the following resolution, on a non-binding, advisory basis:

RESOLVED, that the compensation that may be paid or become payable to ITC s named executive officers, in connection with the merger, and the agreements or understandings pursuant to which such compensation may be paid or become payable, in each case as disclosed pursuant to Item 402(t) of Regulation S-K in *Interests of Certain Persons in the Merger*, are hereby APPROVED.

Vote Required and ITC Board of Directors Recommendation

The vote on this proposal is a vote separate and apart from the vote to approve the merger proposals. Accordingly, you may vote against this proposal on merger-related executive compensation and vote to approve the merger proposals and vice versa. Because the vote is advisory in nature, it will not be binding on ITC, regardless of whether the merger proposals are approved. Approval of the non-binding, advisory proposal with respect to the compensation that may be received by ITC s named executive officers in connection with the merger is not a condition to completion of the merger, and failure to approve this advisory matter will have no effect on the vote to approve the merger proposals. Because the merger-related executive compensation that may be paid in connection with the merger is based on contractual arrangements with the named executives, such compensation will be payable, regardless of the outcome of this advisory vote, if the merger is completed (subject only to the contractual conditions applicable thereto).

The proposal to approve, by non-binding advisory vote, certain compensation arrangements for ITC s named executive officers in connection with the merger will be approved if a majority of the votes cast, in person or by proxy, at the special meeting vote **FOR** such proposal.

THE ITC BOARD OF DIRECTORS RECOMMENDS THAT ITC SHAREHOLDERS VOTE FOR THE APPROVAL, ON A NON-BINDING ADVISORY BASIS, OF THE COMPENSATION THAT MAY BE RECEIVED BY ITC S NAMED EXECUTIVE OFFICERS IN CONNECTION WITH THE MERGER.

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DESCRIPTION OF CAPITAL STOCK OF ITC AND THE COMBINED COMPANY

The following is a summary of the material terms of ITC s capital stock and the provisions of ITC s amended and restated articles of incorporation and third amended and restated bylaws. It also summarizes relevant provisions of the MBCA. Since the terms of ITC s articles of incorporation and bylaws and the MBCA are more detailed than the general information provided below, all shareholders are urged to read the actual provisions of those documents and the MBCA. The following summary of ITC s capital stock is subject in all respects to the MBCA, ITC s articles of incorporation and ITC s bylaws. ITC s articles of incorporation and bylaws are filed as exhibits to the registration statement of which this proxy statement/prospectus is a part. After the merger, ITC s articles of incorporation and bylaws will remain unchanged except for, to the extent authorized by the ITC shareholders at the special meeting, an increase in the number of authorized shares of common stock, and ITC s articles of incorporation (as so amended) and bylaws will be the articles of incorporation and bylaws of the combined company.

General

As of the date of this proxy statement/prospectus, ITC s authorized capital stock consisted of:

- 100,000,000 shares of common stock, without par value; and

- 10,000,000 shares of preferred stock, without par value.

If ITC shareholders at the special meeting approve the proposal to amend the articles of incorporation to increase the number of authorized shares of ITC common stock, the number of authorized shares of common stock will be increased to 300,000,000 pursuant to an amendment to the amended and restated articles of incorporation to be filed by ITC. As of the record date, there were approximately 52,272,984 shares of ITC common stock outstanding and no shares of preferred stock outstanding, and approximately 648 holders of record of ITC common stock.

Common Stock

All shares of ITC common stock to be outstanding upon consummation of the merger will be validly issued, fully paid and nonassessable.

Voting Rights

Each holder of ITC common stock, including holders of ITC common stock subject to restricted stock awards, is entitled to cast one vote for each share held of record on all matters submitted to a vote of shareholders, including the election of directors, subject to the restrictions on market participants described below. Holders of ITC common stock have no cumulative voting rights in the election of directors.

Dividends

Holders of ITC common stock, including holders of ITC common stock subject to restricted stock awards, are entitled to receive dividends or other distributions declared by the ITC board of directors. The right of the ITC board of directors to declare dividends is subject to the right of any holders of ITC s preferred stock, to the extent that any preferred stock is authorized and issued, and the availability under the MBCA of sufficient funds to pay dividends. ITC has not issued any shares of preferred stock. The declaration and payment of dividends is subject to the discretion of the ITC board of directors and depends on various factors, including ITC s net income, financial condition, cash requirements, future prospects and other factors deemed relevant by the ITC board of directors. As a holding company with no business operations, ITC s material assets consist primarily of the stock and membership interests in ITC s regulated operating subsidiaries (International Transmission Company, Michigan Electric Transmission Company, ITC Midwest LLC and ITC Great Plains, LLC) and any

other subsidiaries ITC may have and cash on hand. ITC s only sources of cash to pay dividends to ITC shareholders are dividends and other payments received by ITC from time to time from ITC s regulated operating subsidiaries and any other subsidiaries ITC may have and the proceeds raised from the sale of ITC s debt and equity securities. Each of ITC s regulated operating subsidiaries, however, is legally distinct from ITC and has no obligation, contingent or otherwise, to make funds available to us for the payment of dividends to ITC shareholders or otherwise. The ability of each of ITC s regulated operating subsidiaries and any other subsidiaries ITC may have to pay dividends and make other payments to ITC is subject to, among other things, the availability of funds, after taking into account capital expenditure requirements, the terms of its indebtedness, applicable state laws and regulations of the FERC and the FPA. The debt agreements to which ITC or its regulated operating subsidiaries is a party contain numerous financial covenants that could limit ITC s ability to pay dividends, as well as covenants that prohibit ITC from paying dividends if ITC is in default under its revolving credit facilities.

Liquidation Rights

If ITC is dissolved, the holders of ITC common stock will share ratably in the distribution of all assets that remain after ITC pays all of its liabilities and satisfies its obligations to the holders of any of ITC s preferred stock, to the extent that any preferred stock is authorized and issued.

Preemptive and Other Rights

Holders of ITC common stock have no preemptive rights to purchase or subscribe for any stock or other securities of ITC and, other than as described below, there are no conversion rights or redemption or sinking fund provisions with respect to ITC common stock.

Restrictions on Ownership by Market Participants

ITC s articles of incorporation include the following restrictions on issuance to, and ownership and voting of ITC s capital stock by, market participants, as defined below, which are provisions to ensure that ITC s regulated operating subsidiaries (International Transmission Company, Michigan Electric Transmission Company, ITC Midwest LLC and ITC Great Plains, LLC) remain independent transmission companies eligible for favorable regulatory treatment, consistent with FERC orders.

- ITC is restricted from issuing any shares of capital stock or recording any transfer of shares if the issuance or transfer would cause any market participant, either individually or together with members of its group (as defined in the SEC s beneficial ownership rules), to beneficially own 5% or more of any class or series of ITC capital stock, provided that ITC may issue shares in excess of 5% to underwriters or initial purchasers in underwritten offerings or private placements approved by the ITC board of directors. In addition, this restriction will not preclude settlement of any transfer that occurs on the NYSE (or another national securities exchange or automated inter-dealer quotation system on which the shares may trade).

- If a market participant, together with its group members, beneficially owns 5% or more of any class or series of ITC capital stock, that market participant, together with its group members, will not be permitted to exercise voting rights on shares constituting 5% or more of that class or series.

- ITC has the right to redeem shares of ITC capital stock beneficially owned by a market participant (or its group members) if that market participant, together with its group members, beneficially owns 5% or more of any class or series of ITC capital stock so that the market participant, together with its group members, ceases to beneficially own 5% or more of that class or series.

Prior to redeeming any shares, ITC will be required to give at least 45 days written notice to the holder of the shares. Prior to the redemption date, the shareholder may sell any shares that would otherwise be redeemed to avoid redemption of those shares. The redemption price for any shares redeemed will be the fair market value of

the shares, as determined by the ITC board of directors in good faith. If ITC shares of common stock are listed on the NYSE (or another national securities exchange or automated inter-dealer quotation system), the fair market value will be equal to the lesser of (x) the volume weighted average price for the shares over the 10 most recent trading days immediately prior to the delivery of the redemption notice and (y) the volume weighted average price for the shares over the 10 trading days immediately prior to the date the shares are redeemed. Shares of ITC common stock are currently listed on the NYSE.

A market participant has the meaning given to that term by the FERC and includes:

- an entity that, either directly or through an affiliate, sells or brokers electric energy, or provides ancillary services to ITC s regulated operating subsidiaries or MISO or SPP (unless the FERC finds that the entity does not have economic or commercial interests that would be significantly affected by the actions or decisions of the regulated operating subsidiary or MISO or SPP); or

- any other entity that the FERC finds to be a market participant because it has economic or commercial interests that would be significantly affected by the actions or decisions of ITC s regulated operating subsidiaries or MISO or SPP.

An affiliate, for these purposes, includes any person that directly or indirectly owns, controls or holds with the power to vote 5% or more of the outstanding voting securities of such specified company.

A determination by the ITC board of directors, acting in good faith, that a person or entity is a market participant will be binding on all ITC shareholders. In determining whether any shares of capital stock are beneficially owned by a market participant, or its group members, the ITC board of directors may rely solely on ITC s stock transfer records, public filings with the SEC on Schedule 13G or Schedule 13D by beneficial owners of ITC common stock and on the declarations described below.

Certain Shareholders Required to Certify as to Market Participant Relationships

ITC s articles of incorporation permit, and require if ITC requests, the following persons or entities to make certain declarations to ITC:

- any person or entity that, together with its group members, acquires beneficial ownership of 5% or more of any class or series of capital stock of ITC and which has made a filing with the SEC under Regulation 13D-G in respect of such beneficial ownership; or

- any person or entity (other than a depositary institution or broker-dealer who is not a beneficial owner for purposes of Regulation 13D-G) that is a record holder of 5% or more of any class or series of capital stock of ITC.

The declaration must be delivered to ITC within 10 days of any request and must include the following information:

- the number of shares of ITC capital stock beneficially owned by such person or entity, together with its group members, together with the name of the record holders of such shares; and

- a certification by such person or entity that neither it nor its group members is a market participant (or, in lieu of such certification, the shareholder may deliver a certified list of all of such person s or entity s activities and investments related to the sale, marketing, trading, brokering or distribution of electric energy or provision of ancillary services to ITC s regulated operating subsidiaries or to MISO or SPP, as applicable).

Any person, entity or group that fails to deliver the declaration when requested by ITC to do so will be deemed to be a market participant for purposes of the voting restrictions and redemption provisions described above, unless that person, entity or group subsequently delivers the required declaration to ITC and the ITC board of directors determines that such person, entity or group is not a market participant.

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Preferred Stock

ITC s articles of incorporation authorize the ITC board of directors to establish one or more series of preferred stock. Unless required by law or by any stock exchange on which ITC s common stock is listed, the authorized shares of preferred stock will be available for issuance without further action by ITC shareholders. The ITC board of directors is authorized to determine, with respect to any series of preferred stock, the terms and rights of that series including:

- the number of shares of the series;
- the designation of the series;
- the rights with respect to dividends, if any, of the series;
- the conversion and redemption rights, if any, of the series;
- the rights of holders of the series upon liquidation, dissolution or winding up of ITC, or in the event of any merger, consolidation or sale of assets;
- the terms of any sinking fund, redemption, repurchase or purchase account, if any, to be provided for shares of the series;
- the preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions of the series; and
- the voting rights, if any, of the holders of the series.

Provisions That May Discourage Takeovers

The MBCA and ITC s articles of incorporation and bylaws contain provisions that may have the effect of discouraging transactions involving an actual or threatened change of control. These provisions could protect the continuity of the ITC board of directors and management and possibly deprive ITC shareholders of an opportunity to sell their shares of ITC common stock at prices higher than the prevailing market prices. The following description is subject in its entirety to applicable provisions of the MBCA and ITC s articles of incorporation and bylaws.

Availability of Authorized but Unissued Shares

Under the terms of ITC s articles of incorporation, the ITC board of directors may issue shares of authorized common stock without ITC shareholder approval. However, the listing requirements of the NYSE, which would apply so long as ITC s common stock is listed on the NYSE, require shareholder approval of certain issuances equal to or exceeding 20% of the then-outstanding voting power or then-outstanding number of shares of common stock. If the ITC board of directors decides to issue shares to persons supportive of current management, this could render more difficult or discourage an attempt to obtain control of ITC by means of a merger, tender offer, proxy contest or otherwise.

Issuance of Preferred Stock

In addition, the ITC board of directors could issue shares of preferred stock having voting rights that adversely affect the voting power of holders of ITC common stock, which could have the effect of delaying, deferring or impeding a change in control of ITC. Authorized but unissued shares of common stock (as described above) or preferred stock also could be used to dilute the stock ownership of persons seeking to obtain

control of ITC, including dilution through a shareholder rights plan of the type commonly known as a poison pill, which the ITC board of directors could adopt without a shareholder vote.

No Cumulative Voting

Under the MBCA, shareholders do not have cumulative voting rights for the election of directors unless the articles of incorporation so provide. ITC s articles of incorporation do not provide for cumulative voting.

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Limitation on Calling Special Meetings of Shareholders

The MBCA allows the ITC board of directors or officers, directors or shareholders authorized in ITC s bylaws to call special meetings of shareholders. ITC s bylaws provide that a special meeting may be called by the ITC board of directors, the chairperson of the ITC board of directors (if the office is filled) or ITC s president, and shall be called by ITC s president or corporate secretary at the written request of ITC shareholders holding a majority of the outstanding shares of ITC common stock entitled to vote at the proposed special meeting. Business to be transacted at a special meeting is limited by ITC s bylaws to the purpose or purposes stated in the notice of the meeting.

Action Without Meeting of Shareholders

Any action required or permitted by the MBCA to be taken at a meeting of ITC shareholders, directors or a committee of directors may be taken without a meeting, without prior notice and without a vote, if all of the ITC shareholders, directors or committee members entitled to vote consent to such action in writing, or to the extent permitted by the MBCA, by electronic transmission, before or after the action is taken.

Advance Notice Requirements for Shareholder Proposals and Director Nominations

ITC s bylaws provide that ITC shareholders seeking to nominate candidates for election as directors or to bring business before an annual or special meeting of ITC shareholders must provide timely notice of their proposal in writing to the ITC corporate secretary. Generally, to be timely, a shareholder s notice must be received by the ITC corporate secretary at ITC s principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the previous year s annual meeting or, in the case of a special meeting, the date of the special meeting. ITC s bylaws also specify requirements as to the form and content of a shareholder s notice. These provisions may impede ITC shareholders ability to bring matters before an annual or special meeting of shareholders or make nominations for directors at an annual or special meeting of shareholders.

Business Combinations and Change of Control

The MBCA contains statutes which regulate business combinations and changes in control of Michigan corporations.

Chapter 7A of the MBCA provides that a business combination subject to Chapter 7A between a covered Michigan corporation or any of its subsidiaries and a beneficial owner of shares entitled to 10% or more of the voting power of such corporation generally requires the affirmative vote of 90% of the votes of each class of stock entitled to vote, and not less than two thirds of the votes of each class of stock entitled to vote (excluding voting shares owned by such 10% or more owner), voting as a separate class. These requirements do not apply if (1) the corporation s board of directors approves the transaction before the 10% or more owner becomes such or (2) the transaction satisfies certain fairness standards, certain other conditions are met and the 10% or more owner has been such for at least five years. Chapter 7A business combinations include, among other transactions, mergers, significant asset transfers, certain disproportionate issuances of shares to an interested shareholder, certain reclassifications and recapitalizations disproportionately favorable to such shareholder, and the adoption of a plan of liquidation or dissolution in which such a shareholder would receive anything other than cash. Chapter 7A does not restrict the purchase of shares from other shareholders in the open market, through private transactions or acquired through a tender offer.

As permitted by Chapter 7A of the MBCA, ITC s articles of incorporation provide that ITC is not governed by the provisions of that Chapter. In order for ITC to become subject to the provisions of Chapter 7A, ITC s shareholders would have to vote affirmatively to amend ITC s articles of incorporation.

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Amendment of the Articles of Incorporation

ITC s articles of incorporation provide that they may be amended in the manner prescribed by the MBCA.

Amendment of the Bylaws

Under ITC s bylaws, ITC s bylaws may be amended, altered, or repealed, in whole or in part, by the shareholders or by the ITC board of directors at any meeting duly held.

Listing

After the merger, shares of ITC common stock will continue to trade on the NYSE under the symbol ITC.

Limitation on Liability and Indemnification of Officers and Directors

As permitted by the MBCA, ITC s articles of incorporation and bylaws generally limit the personal liability of ITC s directors to ITC and ITC s shareholders for breach of their fiduciary duty and require ITC to indemnify ITC s directors and officers to the fullest extent permitted by the MBCA. Specifically, ITC s bylaws require ITC to indemnify its directors and officers against expenses (including actual and reasonable attorneys fees), judgments (other than in an action by or in the right of ITC), penalties, fines, excise taxes and settlements actually and reasonably incurred in connection with any threatened, pending or completed action or proceeding brought against a director or officer by reason of the fact that the person is or was a director or officer of ITC or, while serving as a director or officer, is or was serving at the request of ITC as a director, officer, member, partner, trustee, employee, fiduciary or agent of another enterprise to the maximum extent permitted by, and in accordance with the procedures and requirements specified in, the MBCA. ITC s bylaws also provide that indemnification is a contractual right between ITC and the officer or director, which may not be adversely affected by a repeal of the indemnification provisions of ITC s bylaws.

The MBCA and ITC s bylaws authorize ITC to purchase and maintain insurance from a third party insurer on behalf of a person who is or was a director, officer, employee or agent of ITC or who is or was serving at the request of ITC as a director, officer, partner, trustee, employee or agent of another enterprise, whether or not ITC would have the power to indemnify him or her under ITC s bylaws or Michigan law. ITC maintains a directors and officers insurance policy. The policy insures directors and officers against unindemnified losses from certain wrongful acts in their capacities as directors and officers and provides that the insurer will pay on behalf of ITC for those losses for which ITC has lawfully indemnified the directors and officers.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to officers and directors pursuant to the provisions described above or otherwise, ITC has been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Transfer Agent and Registrar

Computershare Trust Company, N.A. is the transfer agent and registrar for ITC common stock.

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DESCRIPTION OF TRANSCO COMMON UNITS

The following summary of the material terms of the TransCo common units and the material provisions of TransCo s amended and restated limited liability company agreement, referred to as the TransCo operating agreement, in each case which will be in effect upon the consummation of the distribution, but does not purport to describe all of the terms thereof.

TransCo Common Units

TransCo s capital structure consists of one class of common units representing limited liability company interests in TransCo. All TransCo common units are identical with each other in every respect. Currently, there are 1,000 common units issued, all of which are held by Entergy, the sole member of TransCo prior to the distribution. In connection with the separation, distribution and merger, TransCo will issue a number of additional TransCo common units to Entergy, such number not to be less than the number which will be necessary for the Entergy shareholders (and, if applicable, the exchange trust) immediately prior to the merger to constitute the holders of at least 50.1% of the outstanding ITC common stock immediately following the merger. Entergy will distribute 100% of the TransCo common units (excluding any TransCo common units to be contributed to the exchange trust in the event Entergy makes the exchange trust election) to Entergy s shareholders in the distribution.

At the closing of the distribution, the TransCo common units will be delivered to the distribution agent, who will hold such shares for the benefit of Entergy shareholders, or to the exchange trust, as described above. In the merger, the TransCo common units held by the distribution agent or exchange trust will be converted into ITC common stock. Following the merger, and the conversion of the TransCo common units into ITC common stock, the distribution agent will distribute shares of ITC common stock and cash in lieu of fractional share interests to Entergy shareholders on a *pro rata* basis in accordance with the terms of the merger agreement. Entergy shareholders will not physically receive any TransCo common units. For additional information, see the section titled The Transactions The Separation and Distribution.

General

Upon consummation of the distribution, all of the outstanding TransCo common units will be duly issued. No holder of TransCo common units will be entitled to preemptive, redemption or conversion rights.

Voting Rights

Generally, TransCo s board of managers has broad powers to conduct TransCo s business and affairs without approval or voting of the members, except for matters expressly reserved under the TransCo operating agreement or under the Delaware Limited Liability Company Act (the Delaware LLC Act) to the members for decision. Whenever member approval is required for any action, either by the terms of the TransCo operating agreement or under the Delaware LLC Act, the general rule is that the affirmative vote of members holding TransCo common units representing 50.1% or more of the outstanding TransCo common units will be required. Under the TransCo operating agreement, members are entitled to vote upon all matters upon which members have the right to vote under the TransCo operating agreement or pursuant to the Delaware LLC Act, ratably in proportion to such member s respective percentage interest in TransCo. A member s percentage interest is the quotient obtained by dividing (i) the number of TransCo units held by the member by (ii) the total number of outstanding TransCo common units. Matters requiring an act of the members include: electing managers to the board of managers, approving certain mergers or consolidations of TransCo or certain sales, exchanges or dispositions of substantially all of TransCo s assets (as more fully described below under TransCo Operating Agreement Merger, Sale or Other Disposition of Assets), approving any dissolution of TransCo and amending the TransCo operating agreement.

Should Entergy make the exchange trust election, pursuant to the exchange trust agreement, the trustee will vote all TransCo common units held in the exchange trust with respect to all matters to come before holders of TransCo common units at any meeting of holders of TransCo common units in the same proportion as all other

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TransCo common units are voted. For additional information, see Additional Material Agreements Agreements Related to the Exchange Trust and Exchange Offer Exchange Trust Agreement.

Dividend and Distribution Rights

The TransCo board of managers shall, in its sole discretion and at any time, declare and pay distributions with respect to the TransCo common units to the members from assets lawfully available for such distribution as determined by the board of managers. Distributions shall be distributed to the members in proportion to their percentage interest in TransCo.

Liquidation Rights

Upon TransCo s dissolution, liquidation or winding up, TransCo s assets shall be distributed in accordance with Section 18-804 of the Delaware LLC Act as follows: (i) to creditors in satisfaction of liabilities of the limited liability company; (ii) to members and former members in satisfaction of liabilities for distributions under Section 18-601 and Section 18-604 of the Delaware LLC Act; and (iii) to members first for the return of their contributions to TransCo and second respecting their limited liability company interests in TransCo, in the proportions to their percentage interest in TransCo.

Trading Market

There currently is no trading market for the TransCo common units, and no such trading market will be established in the future.

TransCo Operating Agreement

Organization; Purpose

TransCo was formed on December 2, 2011, under the Delaware LLC Act. TransCo is permitted to engage in any activity that a limited liability company formed under Delaware law may lawfully conduct.

Agreement to be Bound by Operating Agreement; Power of Attorney

Any person who (i) receives TransCo common units pursuant to the distribution (including TransCo common units held by the distribution agent for the account of such person under the terms of the merger agreement) or (ii) purchases or otherwise lawfully acquires any TransCo common units will be admitted as a member to TransCo and become bound by the terms of the TransCo operating agreement. Pursuant to the TransCo operating agreement, each member and each person who acquires TransCo common units from a member grants to persons specifically authorized by the board of managers a power of attorney to, among other things, execute and file documents (i) required for TransCo s qualification, continuance or dissolution, (ii) related to the admission, withdrawal, removal or substitution of members in accordance with the TransCo operating agreement, (iii) related to the determination of rights, preferences or privileges of any class or series of TransCo securities, or (iv) related to a merger, consolidation or conversion of TransCo, including the merger with ITC.

Board of Managers

The TransCo operating agreement provides that, subject to matters which are expressly reserved under the TransCo operating agreement or the Delaware LLC Act to the members for decision, the business and affairs of TransCo shall be managed by the board of managers. The TransCo operating agreement provides that at the time of the distribution, the initial board of managers will consist of three individuals. Each manager will be elected annually by the affirmative vote of members holding TransCo common units representing 50.1% or more of the outstanding TransCo common units, and will serve until his or her successor has been duly elected and qualified, or until his or her earlier removal, resignation, death or disability. Managers may be removed at any time, with or without cause, by action of a majority of the board of managers. Any vacancy on the board of managers, including a vacancy caused by any such removal, will be filled by a majority of the remaining managers.

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Indemnification and Exculpation

The TransCo operating agreement eliminates the personal liability of its managers and Entergy and Entergy s officers, directors, employees, affiliates, representatives or agents, and TransCo s officers, employees, representatives and agents (each, referred to as a covered person) to TransCo, its members or managers or any other person for any act or omission (relating to TransCo, its property or the conduct of its business and affairs, the TransCo operating agreement or any related document or any transaction contemplated thereby) taken or omitted by the covered person in good faith in the reasonable belief that such act or omission was not contrary to the best interests of TransCo and is within the scope of the authority granted to the covered person by the TransCo operating agreement, provided that such act or omission does not constitute fraud, willful misconduct or gross negligence.

To the fullest extent permitted by the Delaware LLC Act, the Transco operating agreement requires that TransCo indemnify covered persons from and against any and all losses arising from claims in which the covered person may be involved, or threatened to be involved, as a party or otherwise, by reason of the fact that he, she or it is a covered person or which relates to or arises out of TransCo or its property, business or affairs. A covered person shall not be entitled to indemnification under the operating agreement with respect to (i) any claim with respect to which such covered person has been adjudged in a final, non-appealable order, by a court of competent jurisdiction to have engaged in fraud, willful misconduct or gross negligence or (ii) any claim initiated by such covered person unless such claim (A) was brought to enforce such covered person s rights to indemnification hereunder or (B) was authorized or consented to by the board of managers. Expenses incurred in defending any claim by any covered person shall be paid by TransCo in advance of the final disposition of such claim upon receipt by TransCo of an undertaking by or on behalf of such covered person to repay such amount if it shall be ultimately determined that such covered person is not entitled to be indemnified by TransCo as authorized by the TransCo operating agreement.

Capital Contributions

Except with the approval of the board of managers, members are not required or permitted to make additional capital contributions to TransCo, except as described below under Limited Liability.

Limited Liability

The Delaware LLC Act provides that a member of a Delaware limited liability company who receives a distribution from such company and knew at the time of the distribution that the distribution was in violation of the Delaware LLC Act shall be liable to the company for the amount of the distribution for three years. Under the Delaware LLC Act, a limited liability company may not make a distribution to a member if, after the distribution, all liabilities of the company, other than liabilities to members on account of their shares and liabilities for which the recourse of creditors is limited to specific property of the company, would exceed the fair value of the assets of the company. The fair value of property subject to liability for which recourse of creditors is limited shall be included in the assets of the company only to the extent that the fair value of that property exceeds the nonrecourse liability. Under the Delaware LLC Act, an assignee who becomes a substituted member of a company is liable for the obligations of his assignor to make contributions to the company, except the assignee is not obligated for liabilities unknown to him at the time the assignee became a member and that could not be ascertained from the operating agreement.

Issuance of Additional TransCo Common Units

The TransCo operating agreement authorizes TransCo to issue additional TransCo common units at any time for the consideration and on the terms and conditions the board of managers determines, without the approval of the members.

Amendment of the Operating Agreement

The TransCo operating agreement may be amended only if approved by the board of managers and the affirmative vote of members holding TransCo common units representing 50.1% or more of the outstanding TransCo common units.

Merger, Sale or Other Disposition of Assets

The board of managers is generally prohibited from selling, exchanging or otherwise disposing of all or substantially all of TransCo s assets in a single transaction or a series of related transactions, or merging or consolidating TransCo without the prior approval of members holding TransCo common units representing 50.1% or more of the outstanding TransCo common units; provided, that nothing in the TransCo operating agreement shall affect the validity and effectiveness of any action, agreement or consent of the board of managers, TransCo or Entergy, as the sole member of TransCo, prior to the distribution date, including, without limitation, the consent previously provided by Entergy, as the sole member of TransCo in connection with the merger with ITC or the other transactions contemplated by the merger agreement or the separation agreement and the other agreements and documents contemplated thereby.

The members are not entitled to dissenters rights of appraisal in the event of a merger, consolidation or conversion, a sale of all or substantially all of the assets of TransCo or TransCo s subsidiaries, or any other transaction or event.

Termination and Dissolution

TransCo will continue as a limited liability company until terminated under the TransCo operating agreement. TransCo will dissolve upon (i) a vote by the board of managers for dissolution and approval of such vote by the members or (ii) a judicial dissolution of the company under Section 18-802 of the Delaware LLC Act.

Election to be Treated as a Corporation

When the TransCo operating agreement described above takes effect, TransCo shall elect to be treated as a corporation for federal income tax purposes.

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COMPARISON OF RIGHTS OF SHAREHOLDERS BEFORE AND AFTER THE MERGER

ITC is incorporated in the State of Michigan and the rights of ITC shareholders are governed by Michigan law and by ITC s amended and restated articles of incorporation and third amended and restated bylaws. Entergy is incorporated in the State of Delaware and the rights of Entergy shareholders are governed by Delaware law and by Entergy s restated certificate of incorporation and bylaws. After the merger, shareholders of Entergy will also become shareholders of ITC, and their rights as such will be governed by Michigan law and ITC s articles of incorporation and bylaws.

The following is a summary of the material differences between the rights of ITC shareholders and the rights of Entergy shareholders. Although ITC and Entergy believe that this summary covers the material differences between the two, this summary may not contain all of the information that is important to you. This summary is not intended to be a complete discussion of the respective rights of ITC shareholders and Entergy shareholders, and it is qualified in its entirety by reference to Michigan law, Delaware law, and the various documents of ITC and Entergy referenced in this summary. You should carefully read this entire proxy statement/prospectus and the other documents referenced in this proxy statement/prospectus for a more complete understanding of the differences between being a shareholder of ITC and being a shareholder of Entergy. Copies of the respective companies constituent documents have been filed with the SEC. To find out where copies of these documents can be obtained, see the section entitled Where You Can Find More Information; Incorporation By Reference.

ITC	Entergy
Authorized and Outstanding Capital Stock	
The authorized capital stock of ITC currently is (1) 100,000,000 shares of common stock, without par value, and (2) 10,000,000 shares of preferred stock, without par value. Because it is a condition to the merger that the proposal to approve the amendment of the articles of incorporation is approved by ITC shareholders, the authorized shares of ITC common stock upon completion of the merger will be 300,000,000.	The authorized capital stock of Entergy currently is 500,000,000 shares of common stock, par value $0.01 per share.
ITC s articles of incorporation provide that the relative rights, preferences and limitations of preferred stock may be determined by the board of directors.	As of the record date, there were approximately 178,093,521 shares of Entergy common stock outstanding and approximately 33,294 holders of record of Entergy common stock.
As of the record date, there were approximately 52,272,984 shares of ITC common stock outstanding and no shares of preferred stock outstanding, and approximately 648 holders of record of ITC common stock.	
Dividends	
Michigan law permits a corporation to pay dividends subject to certain limitations. A corporation may not make a distribution to its shareholders if, after giving effect to the distribution, the corporation would not be able to pay its debts as they become due in the usual	Delaware law permits a corporation to pay dividends out of surplus, which is the excess of net assets of the corporation over capital, or, if the corporation does not have adequate surplus, out of net profits for the current or immediately preceding fiscal year, unless

course of business, or if the corporation s total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution.

such payment will reduce capital below the capital of any classes of shares having a preference upon distribution of assets.

The declaration and payment of dividends is subject to the discretion of the ITC board of directors and depends on various factors, including ITC s net income, financial condition, cash requirements, future prospects and other factors deemed relevant by the ITC board of directors. As a holding company with no business operations, ITC s material assets consist primarily of the common stock or ownership interests in its subsidiaries and cash. ITC s material cash inflows are only from dividends and other payments received from time to time from its subsidiaries and the proceeds raised from the sale of debt and equity securities. The ability of ITC s subsidiaries to make dividend and other payments to ITC is subject to the availability of funds after taking into account the ITC subsidiaries funding requirements, the terms of the ITC subsidiaries indebtedness, the regulations of the FERC under the FPA, and applicable state laws. The debt agreements to which ITC or its regulated operating subsidiaries is a party contain numerous financial covenants that could limit ITC s ability to pay dividends, as well as covenants that prohibit ITC from paying dividends if ITC is in default under its revolving credit facilities. Further, each of ITC s subsidiaries is legally distinct from ITC and has no obligation, contingent or otherwise, to make funds available to ITC. For more information on ITC s dividend policy, see The Transactions ITC s Dividend Policy and $700 Million Recapitalization.

The declaration and payment of dividends is subject to the discretion of the Entergy board of directors and depends on various factors, including Entergy s earnings, financial strength, and future investment opportunities. Entergy is a holding company with no material assets other than the stock of its subsidiaries. Accordingly, all of its operations are conducted by its subsidiaries. Entergy s ability to pay dividends on its common stock depends on the payment to it of dividends or distributions by its subsidiaries. The payments of dividends or distributions to Entergy by its subsidiaries in turn depend on their results of operations and cash flows and other items affecting retained earnings, and on any applicable legal, regulatory, or contractual limitations on the subsidiaries ability to pay such dividends or distributions. Provisions in the organizational documents, indentures for debt issuances, and other agreements of certain of Entergy s subsidiaries restrict the payment of cash dividends to Entergy.

Voting Rights

Under Michigan law, an action to be taken by the vote of shareholders is authorized by the affirmative vote of the majority of votes cast by the holders of shares entitled to vote on the action, unless the MBCA or the articles of incorporation of the corporation specify a different voting requirement. Under the MBCA, abstaining or submitting a ballot marked abstain is not considered a vote cast on the action.

Under Delaware law, the affirmative vote of the majority of shares present in person or represented by proxy at a duly held meeting at which a quorum is present and entitled to vote on the subject matter is deemed to be the act of the shareholders, unless the DGCL, the certificate of incorporation or the bylaws of the corporation specify a different voting requirement.

Each holder of ITC common stock is entitled to cast one vote for each share held of record on all matters submitted to a vote of shareholders, including the

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election of directors, subject to the restrictions on market participants described below. Holders of ITC common stock have no cumulative voting rights in the election of directors.

If a market participant, together with its group members, beneficially owns 5% or more of any class or series of ITC capital stock, that market participant, together with its group members, will not be permitted to exercise voting rights on shares constituting 5% or more of that class or series.

A market participant has the meaning given to that term by the FERC and includes an entity that sells or brokers electric energy, or provides ancillary services to ITC s regulated operating subsidiaries or MISO or SPP (unless the FERC finds that the entity does not have economic or commercial interests that would be significantly affected by the actions or decisions of the regulated operating subsidiary or MISO or SPP), or any other entity that the FERC finds to be a market participant because it has economic or commercial interests that would be significantly affected by the actions or decisions of ITC s regulated operating subsidiaries or MISO or SPP.

Number of Directors; Election; Classified Board; Removal; Vacancies

Number of Directors. Under Michigan law, the minimum number of directors a corporation may have is one.

Number of Directors. Under Delaware law, the minimum number of directors a corporation may have is one.

ITC s bylaws provide that the total number of ITC directors will be not less than two and not more than ten, as determined by the ITC board of directors from time to time. ITC currently has ten directors.

Entergy s certificate of incorporation provides that the total number of Entergy directors will be not less than nine and not more than nineteen, as determined by the Entergy board of directors from time to time. Entergy currently has 11 directors.

The merger agreement provides that ITC will take all necessary corporate action to cause there to be, at the effective time of the merger, at least two vacancies on the ITC board of directors (either through resignations of existing directors, by increasing the size of the board or a combination thereof), which vacancies will be filled immediately after the effective time of the merger with two independent directors nominated by ITC s nominating/corporate governance committee (after engaging an executive search firm to assist the nominating/corporate governance committee in identifying two such candidates). See the section entitled The Transactions Board of Directors and Management of ITC Following the Merger.

Election. ITC s board members are elected by plurality voting, meaning that the number of director nominees equal to the number of board seats subject to the election who receive the greatest number of votes are elected.

Election. Each Entergy board member is elected by the vote of a majority of the votes cast for such director (excluding abstentions) at any meeting for the election of directors at which a quorum is present; provided, however, that if the number of nominees for any election of directors nominated (i) by the board of directors, (ii) any shareholder or (iii) a combination of nominees by the board of directors and any shareholder exceeds the number of directors to be elected, the nominees receiving a plurality of the votes cast by holders of shares entitled to vote at any meeting for the election of directors at which a quorum is present will be elected.

Classified Board. ITC does not have a classified board.

Classified Board. Entergy does not have a classified board.

Removal. The MBCA provides that, unless otherwise provided in the articles of incorporation, directors may be removed with or without cause by affirmative vote of a majority of the shares entitled to vote at an election.

Removal. Delaware law provides that directors may be removed with or without cause by holders of a majority of the shares which would be entitled to vote at an election, unless the board is classified.

ITC s articles of incorporation do not provide for a different voting requirement.

Entergy s certificate of incorporation does not provide for a different voting requirement.

Vacancies. Under Michigan law, unless otherwise limited by the articles of incorporation, vacancies and newly created directorships may be filled by the shareholders, the board of directors, or a majority of directors remaining in office, although less than a quorum.

ITC s articles of incorporation do not provide for any limitations.

Vacancies. Under Delaware law, vacancies and newly created directorships may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director, unless otherwise provided in the certificate of incorporation or bylaws. If, at the time of filling any vacancy or newly created directorship, the directors then in office constitute less than a majority of the whole board of directors as constituted immediately prior to the increase, the Delaware Court of Chancery may, upon application of shareholders holding at least ten percent of the total number of shares outstanding having the right to vote for directors, order an election to be held to fill any vacancies or newly created directorships or to replace the directors chosen by the directors then in office.

Entergy s bylaws provide that vacancies or newly created directorships on the Entergy board of directors may be filled by a majority of the remaining directors (excluding any director elected by any class or series of preferred stock) though less than a quorum of the board, or by a majority of the votes cast in the election of directors at a meeting of shareholders.

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Shareholder Action by Written Consent

Under Michigan law, any action required or permitted to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote, if before or after the action all the shareholders entitled to vote consent in writing. The articles of incorporation may provide that any action required or permitted to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote, if consents in writing, setting forth the action so taken, are signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote on the action 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 shareholders who would have been entitled to notice of the shareholder meeting if the action had been taken at a meeting and who have not consented to the action in writing.	Under Delaware law, unless otherwise provided in a corporation s certificate of incorporation, any action that may be taken at any annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote if a consent in writing, which sets forth the action taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting of shareholders 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 shareholders who would have been entitled to notice of the shareholder meeting if the action had been taken at a meeting and who have not consented to the action in writing.
ITC s articles of incorporation do not currently modify the unanimity standard under Michigan law.	Entergy s certificate of incorporation permits shareholders to take action by written consent signed by the holders of not less than the greater of (a) a majority of the outstanding stock of Entergy entitled to vote thereon and (b) that number of shares of stock of Entergy that would be required to take such action at a special or annual meeting of shareholders where holders of all outstanding shares of Entergy were present, setting forth the action to be taken.

Special Meetings of Shareholders

Under the MBCA, special meetings of shareholders may be called by the board of directors or by the officers, directors or shareholders as may be authorized in the bylaws. In addition, upon application of the holders of not less than 10% of all shares entitled to vote at a meeting, the circuit court may upon a special showing of good cause, order a special meeting.	Under the DGCL, special meetings of shareholders may be called by the board of directors or by such persons as may be authorized in the certificate of incorporation or bylaws.
ITC s bylaws provide that special meetings may be called by the board of directors, the chairperson of the board of directors (if the office is filled) or the president and shall be called by the president or corporate secretary at the written request of shareholders holding a majority of the outstanding shares of stock of ITC entitled to vote.	Entergy s certificate of incorporation provides that special meetings may be called by the board of directors, the chairman of the board of directors, the person, if any, designated by the board of directors as the chief executive officer, a majority of the members of the entire executive committee of the board of directors, if there shall be one, or by the holders of not less than a majority of the outstanding shares of Entergy entitled to vote at the special meeting.

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Amendments to Articles or Certificate of Incorporation

Under the MBCA, an amendment to ITC s articles of incorporation, other than certain types of immaterial amendments specified in the MBCA, must be proposed by the board of directors and approved by (unless the articles provide for a higher voting requirement) the holders of a majority of the outstanding stock entitled to vote upon the proposed amendment and, if any class or series of shares is entitled to vote on the amendment as a class, the approval of a majority of the outstanding shares of that class or series.

Under the DGCL, an amendment to the certificate of incorporation of a corporation requires the approval of the corporation s board of directors and the approval of holders of a majority of the outstanding stock entitled to vote upon the proposed amendment, unless a higher vote is required by the corporation s certificate of incorporation.

Entergy s certificate of incorporation does not require a higher vote.

ITC s articles of incorporation do not require a higher vote.

Amendments to Bylaws

Under Michigan law, the shareholders or the board of directors may amend or repeal the bylaws or adopt new bylaws unless the articles of incorporation or bylaws provide that the power to adopt new bylaws is reserved exclusively to the shareholders or that the bylaws or any particular bylaw shall not be altered or repealed by the board.

Under Delaware law, shareholders entitled to vote have the power to adopt, amend or repeal bylaws. In addition, a corporation may, in its certificate of incorporation, confer this power on the board of directors. The shareholders always have the power to adopt, amend or repeal the bylaws, even though the board may also be delegated the power.

ITC s bylaws may be amended, altered, or repealed, in whole or in part, by the shareholders or by the board of directors at any meeting duly held in accordance with the bylaws, provided that notice of the meeting includes notice of the proposed amendment, alteration, or repeal. ITC s articles of incorporation and bylaws do not contain any restrictions on adopting, altering or repealing any bylaws.

Entergy s bylaws may be altered, amended or repealed, and new bylaws may be adopted, by a majority of the shareholders entitled to vote or by a majority of the board of directors at any meeting duly held, provided notice of the proposed amendment shall have been given.

Notice of Shareholder Nominations and Proposals

The MBCA provides that a corporation s bylaws may establish reasonable procedures for the submission of proposals to the corporation in advance of a shareholders meeting. ITC s bylaws provide that any shareholder who was a shareholder of record both at the time of giving of notice and at the time of the shareholders meeting, who is entitled to vote at the meeting and who timely complies with the specified notice provisions, may nominate persons for election to the board of directors or bring other matters before the meeting if the shareholder attends the meeting (personally or by qualified representative) and makes the nomination(s) or brings such other matter(s) before the meeting.

Entergy s bylaws provide that any shareholder who was a shareholder of record both at the time of giving of notice and on the record date for the determination of shareholders entitled to vote for the election of directors and who complies with the specified notice procedures may nominate persons for election to the board of directors at any annual or special meeting of the shareholders, if the shareholder provides timely notice.

Entergy s bylaws further provide that a shareholder may bring other business before the annual meeting of shareholders, if the shareholder provides timely notice.

For annual meetings, to be timely, the notice must be given to ITC s corporate secretary not earlier than 120 days and not later than 90 days prior to the one-year anniversary of the preceding year s annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 70 days from such anniversary date or if ITC did not hold an annual meeting in the preceding fiscal year, notice to be timely must be so delivered not earlier than 120 days and not later than 90 days prior to such annual meeting, or, if later, the tenth day following the day on which a public announcement of the date of such meeting is first made.

For shareholders seeking to bring business before or to nominate persons for election to the board of directors at an annual meeting, to be timely, the notice must be given to the secretary of Entergy not earlier than 85 days and not later than 60 days prior to the one-year anniversary of the preceding year s annual meeting; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice to be timely must be so delivered or received not later than the close of business on the tenth day following the earlier of the date on which such notice or public disclosure of the date of the meeting was given or made.

For special meetings, to be timely, the notice must be given to ITC s corporate secretary not earlier than 120 days and not later than 90 days prior to such special meeting, or, if later, the tenth day following the day on which a public announcement of the date of the special meeting is first made.

For shareholders seeking to nominate persons for election to the board of directors at a special meeting, to be timely, the notice must be given to the secretary of Entergy not later than the close of business on the tenth day following the earlier of the date on which notice or public disclosure of the date of the special meeting was given or made.

If the number of directors to be elected to the board of directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased board of directors at least 100 days prior to the first anniversary of the preceding year s annual meeting, notice shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if given to ITC s corporate secretary not later than ten days following the day on which such public announcement is first made.

The notice must contain specific information concerning the person to be nominated or the business proposed, as well as specific information concerning the shareholder making the nomination or proposal.

The notice must contain specific information concerning the person to be nominated or the business proposed, as well as specific information concerning the shareholder making the nomination or proposal.

Limitation of Personal Liability of Directors and Officers

Under Michigan law, a corporation may adopt a provision in its articles of incorporation eliminating or limiting the personal liability of a director to the corporation or its shareholders for monetary damages for any action taken, or any failure to take any action as a director, except liability for the following: (i) the amount of a financial benefit received by a director to which he or she is not entitled; (ii) intentional infliction of harm on the corporation or its shareholders; (iii) a declaration of a share dividend or distribution to shareholders contrary to the restrictions of the MBCA and any restrictions contained in the corporation s articles of incorporation for which the director voted for

Under Delaware law, a corporation may adopt a provision in its certificate of incorporation eliminating or limiting the personal liability of a director to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except liability for the following: (i) breaches of the director s duty of loyalty to the corporation or its shareholders; (ii) acts or omissions not in good faith or involving intentional misconduct or knowing violations of law; (iii) the payment of unlawful dividends or unlawful stock repurchases or redemptions; or (iv) transactions in which the director received an improper personal benefit.

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or concurred in; (iv) distribution to shareholders during or after dissolution of the corporation without paying or providing for debts, obligations, and liabilities of the corporation for which the director voted for or concurred in; (v) making a loan to a director, officer, or employee of the corporation or of a subsidiary of the corporation contrary to the MBCA; or (vi) an intentional violation of criminal law.

ITC s articles of incorporation include such a provision and further provide that ITC directors liability shall be limited to the fullest extent permitted by the MBCA if the relevant MBCA provision is amended to authorize further limitation of liability. Any repeal or modification of this provision will be prospective only and will not adversely affect any limitation on personal liability existing at the time of such repeal or modification.

Entergy s certificate of incorporation provides that, to the fullest extent authorized by Delaware law, a director of Entergy shall not be liable to Entergy or its shareholders for monetary damages for breach of fiduciary duty as a director. Any repeal or modification of this provision will be prospective only and will not adversely affect any limitation on personal liability existing at the time of such repeal or modification.

Indemnification of Directors and Officers

Under the MBCA, a corporation has the power to indemnify a person who was or is a party or is threatened to be made a party to a threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, other than an action by or in the right of the corporation, by reason of the fact that he or she 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, partner, trustee, employee, or agent of another entity, against expenses, including attorneys fees, judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit, or proceeding, if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. In an action by or in the right of the corporation, the corporation has the power to indemnify to the same extent except that indemnification may not be made if the person has been found liable to the corporation unless a court determines that the person is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, in which case indemnification may be made but only to the extent of reasonable expenses incurred. A corporation may pay or reimburse reasonable expenses in advance of final disposition if the person furnishes the corporation a written

Delaware law permits a corporation to indemnify a person made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding because such person is or was an officer, director, employee or agent of the corporation, or serves or served, at the request of the corporation, as director or officer of another entity. The DGCL permits a corporation to indemnify an officer, director, employee or agent for fines, judgments or settlements, as well as for expenses, in the context of actions other than derivative actions, if such person acted in good faith and reasonably believed that such person s actions were in, or not opposed to, the best interests of the corporation and, in a criminal proceeding, if such person had no reasonable cause to believe that such person s conduct was unlawful.

Indemnification against expenses incurred by a director or officer in connection with a proceeding against such person for actions in such capacity is mandatory to the extent that such person has been successful on the merits or otherwise. A corporation may also indemnify a person made or threatened to be made a party to any threatened, pending or completed derivative action because such person was serving as a director, officer, employee or agent of the corporation, or was serving in such capacity in another entity at the request of the corporation, for expenses actually and reasonably incurred by such person in connection with the defense or settlement of such derivative action, if the person acted in good

undertaking to repay the advance if it is determined that he or she did not meet the applicable standard of conduct, if any, required for indemnification. A provision in the articles of incorporation, bylaws, board resolution or agreement making indemnification mandatory shall also make the advancement of expenses mandatory unless the provision specifically provides otherwise. The MBCA also provides that to the extent the corporation has a provision in its articles of incorporation eliminating or limiting liability of directors to the corporation and its shareholders, as ITC does, the corporation may indemnify a director without a determination that the director met the required standard of conduct unless one of the statutory exceptions to the limitation on liability applies.

ITC s articles of incorporation and bylaws provide that ITC shall indemnify directors and officers to the maximum extent permitted by the MBCA. ITC s bylaws also require that ITC shall advance expenses to directors and officers as provided in the MBCA. Indemnification rights continue for a person who has ceased to be a director or officer and shall inure to the benefit of their heirs, executors, and administrators.

faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation. In the case of such derivative suits, the corporation may not make any indemnification if such person shall have been adjudged to be liable to the corporation unless, and only to the extent that, the Court of Chancery (or other court in which the action was brought) determines that such person is fairly and reasonably entitled to indemnity for such expenses that the relevant court deems proper.

Under Delaware law, a corporation may advance expenses incurred in defending any action as long as the person agrees to repay the amount advanced if it is ultimately determined that such person is not entitled to indemnification.

Entergy s certificate of incorporation provides that Entergy shall indemnify its directors and officers to the fullest extent authorized or permitted by the DGCL and such right to indemnification shall continue as to a person who has ceased to be a director or officer of Entergy, provided, however, that, except for proceedings to enforce rights to indemnification, Entergy shall not be obligated to indemnify any director or officer in connection with a proceeding initiated by such person unless such proceeding was authorized by the board of directors.

Entergy s bylaws provide that Entergy shall indemnify any person who was or is a party or is threatened to be made a party to or witness or other participant in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of Entergy by reason) of the fact that he is or was a director or officer of Entergy, or is or was a director or officer of Entergy serving at the request of Entergy as a director, officer, employee or agent of another entity, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, to the maximum extent permitted by the DGCL.

Entergy s bylaws provide that Entergy shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of Entergy to procure a judgment in its favor by reason of the fact that he is or was a director or officer of Entergy, or is or was a director or officer of

	Entergy serving at the request of Entergy as a director, officer, employee or agent of another entity, against expenses actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of Entergy; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to Entergy unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.
Transfer Restrictions	
ITC is restricted from issuing shares and recording any transfer of shares if the issuance or transfer would cause any market participant, either individually or together with members of its group (as defined in the SEC s beneficial ownership rules), to beneficially own 5% or more of any class or series of ITC capital stock. This restriction does not preclude the settlement of transfers that occur on the NYSE (or another national securities exchange or automated inter-dealer quotation system on which the shares may trade), but such transferred shares remain subject to all of the provisions and limitations relating to market participants contained in the articles of incorporation. Nor does the restriction apply to the issuance of shares or recording any transfer of shares to an investment banking institution, in its capacity as an underwriter or initial purchaser of a public offering or private placement, respectively, of shares of capital stock of the corporation if such offering or placement has been approved by the board of directors.	Entergy s common stock is not subject to any transfer restrictions.
A market participant has the meaning given to that term by the FERC as previously described in this proxy statement/prospectus.	
Shareholder Rights Plans	
ITC does not currently have a shareholder rights plan.	Entergy does not currently have a shareholder rights plan.

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Voting on Mergers; Transactions with Interested Shareholders; Control Share Acquisitions

Voting on Mergers and Similar Transactions. The MBCA generally requires (i) the affirmative vote of a majority of a constituent corporation s outstanding shares entitled to vote, unless the articles of incorporation or the board s authorizing resolutions require a greater vote, and (ii) if a class or series is entitled to vote on the plan as a class, the affirmative vote of the holders of a majority of the outstanding shares of the class or series, to authorize a:

plan of merger;

plan of share exchange;

dissolution; or

disposition of all or substantially all of its assets.

However, unless the articles of incorporation require otherwise or the merger is an upside down merger, no shareholder vote is required of a corporation surviving a merger if the corporation s articles of incorporation are not amended by the merger and each share of stock of the corporation will be an identical share of the surviving corporation after the merger. An upside down merger is a merger, such as the one between ITC, Merger Sub and TransCo, in which the securities to be issued or delivered in the merger are or may be converted into shares of the acquiring corporation s common stock and the number of the acquiring corporation s common shares to be issued or delivered, plus those initially issuable upon conversion or exchange of any other securities to be issued or delivered, will exceed 100% of the number of its common shares outstanding immediately prior to the acquisition plus the number of its common shares, if any, initially issuable upon conversion or exchange of any other securities then outstanding. In addition, no shareholder vote is required for the acquiring corporation in a share exchange.

ITC s articles of incorporation do not require a greater proportion than a majority affirmative vote to approve a plan of merger.

Transactions with Interested Shareholders. Chapter 7A of the MBCA provides that a business combination subject to Chapter 7A between a

Voting on Mergers. Under Delaware law, after adoption of a resolution by the board of directors, the affirmative vote of a majority of the outstanding stock entitled to vote is required for:

mergers;

consolidations;

dissolutions and revocations of dissolutions; and

sales of substantially all of the assets of the corporation.

However, unless the certificate of incorporation requires otherwise, no vote will be required in connection with a merger where either:

the corporation s certificate of incorporation is not amended, the shares of stock of the corporation remain outstanding and the common stock of the corporation to be issued in the merger plus the common stock initially issuable upon conversion of any other shares to be issued under the merger does not exceed 20% of the previously outstanding common stock; or

the merger is with a wholly-owned subsidiary of the corporation for the purpose of forming a holding company and, among other things, the certificate of incorporation and bylaws of the holding company immediately following the merger will be identical to the certificate of incorporation and bylaws of the corporation prior to the merger.

Entergy s certificate of incorporation does not require a greater proportion than a majority affirmative vote to approve a merger.

Transactions with Interested Shareholders. Subject to specific exceptions, Section 203 of the DGCL prohibits a publicly-held

covered Michigan corporation or any of its subsidiaries and a beneficial owner of shares entitled to 10% or more of the voting power of such corporation generally requires the

Delaware corporation from engaging in a business combination with an interested shareholder (each term as defined below) for a period of three years after the date that the

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affirmative vote of 90% of the votes of each class of stock entitled to vote, and not less than two thirds of the votes of each class of stock entitled to vote (excluding voting shares owned by such 10% or more owner), voting as a separate class. These requirements do not apply if (1) the corporation s board of directors approves the transaction before the 10% or more owner becomes such or (2) the transaction satisfies certain fairness standards, certain other conditions are met and the 10% or more owner has been such for at least five years. Chapter 7A business combinations include, among other transactions, mergers, significant asset transfers, certain disproportionate issuances of shares to an interested shareholder, certain reclassifications and recapitalizations disproportionately favorable to such shareholder, and the adoption of a plan of liquidation or dissolution in which such a shareholder would receive anything other than cash. Chapter 7A does not restrict the purchase of shares from other shareholders in the open market, through private transactions or through a tender offer.

As permitted by Chapter 7A, ITC s articles of incorporation provide that ITC is not governed by the provisions of that Chapter. In order for ITC to become subject to the provisions of Chapter 7A, ITC s shareholders would have to vote affirmatively to amend ITC s articles of incorporation.

person became an interested shareholder, unless: (1) the board of directors of the corporation has approved, prior to that acquisition time, either the business combination or the transaction that resulted in the person becoming an interested shareholder; (2) upon consummation of the transaction that resulted in the person becoming an interested shareholder, that person owned at least 85% of the corporation s voting stock outstanding at the time the transaction commenced (excluding shares owned by persons who are directors and also officers and shares owned by employee stock plans in which participants do not have the right to determine confidentially whether shares will be tendered in a tender or exchange offer); or (3) the person became an interested shareholder on or after the time the business combination is approved by the board of directors and authorized by the affirmative vote (at an annual or special meeting of the shareholders and not by written consent) of at least 66 2/3% of the outstanding voting stock not owned by the interested shareholder.

For purposes of the DGCL, business combinations include mergers, asset sales and other transactions resulting in a financial benefit to the interested shareholder. Subject to various exceptions, in general, an interested shareholder is a person who, together with such person s affiliates and associates, owns, or within 3 years did own, 15% or more of the corporation s outstanding voting stock.

Entergy has not opted out of the protections of Section 203 of the DGCL.

Appraisal Rights

The MBCA generally provides that a shareholder is entitled to dissent from, and obtain payment of the fair value of his or her shares in the event of, certain corporate actions on which shareholders are entitled to vote, including mergers, share exchanges, sales of all or substantially all of a corporation s assets and certain articles amendments. However, a shareholder will generally not have dissenters rights if the corporation s shares are traded on a national securities exchange, such as the NYSE, on the record date, or if shareholders receive in the transaction cash or shares that are listed on a national securities exchange on the effective date of the transaction. As a result, ITC shareholders will not have dissenters rights under the MBCA.

Under the DGCL, a shareholder of a corporation participating in certain major corporate transactions may, under varying circumstances, be entitled to appraisal rights pursuant to which the shareholder may receive cash in the amount of the fair value of his or her shares in lieu of the consideration he or she would otherwise receive in the transaction. Unless a corporation s certificate of incorporation provides otherwise, these appraisal rights are not available:

with respect to the sale, lease or exchange of all or substantially all of the assets of the corporation;

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with respect to a merger or consolidation by a corporation the shares of which either are listed on a national securities exchange or are held of record by more than 2,000 holders, if the terms of the merger or consolidation allow the shareholders to receive only shares of the surviving corporation or shares of any other corporation that either are listed on a national securities exchange or are held of record by more than 2,000 holders, plus cash in lieu of fractional shares; or

to shareholders of the corporation surviving a merger if no vote of the shareholders of the surviving corporation is required to approve the merger and if some other conditions are met.

Entergy s certificate of incorporation does not deviate from the above.

Derivative Actions

The MBCA provides that a shareholder may not commence or maintain a derivative proceeding unless the shareholder meets all of the following criteria: (i) the shareholder was a shareholder of the corporation at the time of the act or omission complained of or became a shareholder through transfer by operation of law from one who was a shareholder at that time; (ii) the shareholder fairly and adequately represents the interests of the corporation in enforcing the right of the corporation; and (iii) the shareholder continues to be a shareholder until the time of judgment, unless the failure to continue to be a shareholder is the result of corporate action in which the former shareholder did not acquiesce and the derivative proceeding was commenced prior to the termination of the former shareholder s status as a shareholder. In addition, a shareholder may not commence a derivative proceeding until such shareholder has made a written demand upon the corporation to take suitable action and 90 days have expired from the date the demand was made unless the shareholder has earlier been notified that the demand has been rejected by the corporation or unless irreparable injury to the corporation would result by waiting for the expiration of the 90-day period.

Under Delaware Law, Entergy shareholders may bring derivative actions on behalf of, and for the benefit of, Entergy. The plaintiff in a derivative action on behalf of Entergy either must be or have been a shareholder of Entergy at the time of the transaction regarding which the shareholder complains or must be a shareholder who became a shareholder by operation of law thereafter. A shareholder may not sue derivatively on behalf of Entergy unless the shareholder first makes a demand on Entergy that it bring suit and the demand is refused, unless it is shown that making such a demand would have been a futile act.

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MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTIONS

Material U.S. Federal Income Tax Consequences to U.S. Holders of Entergy Common Stock of the Separation, Distribution, Merger, Exchange Trust Exchange Offer, and Mandatory Trust Distribution

The following discussion summarizes the material U.S. federal income tax consequences of the separation, distribution, merger, exchange trust exchange offer, mandatory trust distribution and related transactions to certain beneficial owners of Entergy common stock that hold their Entergy common stock as a capital asset for tax purposes. This discussion is based on the Code, the Treasury regulations promulgated thereunder, judicial opinions, published positions of the Internal Revenue Service (IRS), and all other applicable authorities as of the date of this prospectus, all of which are subject to change, possibly with retroactive effect.

For purposes of this summary, a U.S. holder means any beneficial owner that for U.S. federal income tax purposes is an individual U.S. citizen or resident; a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; an estate the income of which is subject to U.S. federal income taxation regardless of its source; a trust that (1) is subject to the primary supervision of a court within the United States and subject to the authority of one or more U.S. persons to control all substantial trust decisions, or (2) was in existence on August 20, 1996, and has properly elected under applicable Treasury regulations to be treated as a U.S. person; and any person or entity otherwise subject to U.S. federal income tax on a net income basis in respect of Entergy common stock. For the avoidance of doubt, non-U.S. individuals and non-U.S. corporations that are subject to U.S. federal income tax on a net income basis in respect of Entergy common stock, including by virtue of holding their common stock in connection with, as applicable, a U.S. trade or business or a U.S. permanent establishment, are treated as U.S. holders for purposes of this summary.

This discussion does not address the U.S. federal income tax consequences of the separation, distribution, merger, exchange trust exchange offer, mandatory trust distribution and related transactions to a beneficial owner of Entergy common stock that is not a U.S. holder. In addition, this discussion does not address the tax consequences of these transactions under applicable U.S. federal estate, gift or alternative minimum tax laws, or any state, local, foreign or other laws.

This summary is of a general nature and does not purport to deal with all tax considerations that may be relevant to persons in special tax situations, including but not limited to:

- tax exempt entities;
- foreign entities;
- foreign trusts and estates and beneficiaries thereof;
- holders who acquired their shares pursuant to the exercise of employee stock options or otherwise as compensation, or holders of employee stock options;
- insurance companies;
- financial institutions;
- dealers or traders in securities;

holders who hold their shares as part of a hedge, straddle, conversion, synthetic security, integrated transaction, constructive sa
other risk-reduction transaction;

mutual funds and exchange traded funds;

partnerships or other pass-through entities for U.S. federal income tax purposes, and investors in such entities;

U.S. holders that are non-U.S. corporations and subject to the potential application of the branch profits tax; or

U.S. holders whose functional currency is not the U.S. dollar.

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Entergy shareholders should consult their own tax advisors concerning the tax consequences of the separation, the distribution, the merger, an exchange trust exchange offer, a mandatory trust distribution and related transactions to them, including the application of U.S. federal, state, local, foreign and other tax laws in light of their particular circumstances.

IRS Private Letter Rulings and Closing Tax Opinions Regarding the Separation, Distribution, Merger, Exchange Trust Exchange Offer, Mandatory Trust Distribution and Related Transactions

The separation, distribution, exchange trust exchange offer and mandatory trust distribution and related transactions are conditioned upon Entergy s receipt of the IRS private letter rulings and an opinion of Cooley LLP, counsel to Entergy, that the transactions will qualify as tax-free to Entergy, TransCo and the shareholders of Entergy. Although a private letter ruling from the IRS generally is binding on the IRS, the IRS has a no-ruling policy on some requirements for a tax-free section 355 transaction. The parties will rely solely on the opinion of counsel for comfort that the requirements subject to the no-ruling policy are satisfied. The opinion of Entergy s counsel will rely on the favorable IRS rulings with respect to the issues for which rulings have been or will be requested.

The merger is also conditioned on the receipt by ITC of an opinion from Simpson Thacher & Bartlett LLP, counsel to ITC, and the receipt by Entergy of an opinion from Cooley LLP that the merger will qualify for U.S. federal income tax purposes as a reorganization within the meaning of section 368(a) of the Code.

The IRS rulings and the opinions of ITC s and Entergy s counsel will be based on, among other things, certain representations and assumptions as to factual matters made by Entergy, TransCo, ITC and Merger Sub, including, in the case of the IRS rulings and the opinion of Entergy s counsel, assumptions concerning section 355(e) of the Code (discussed below). The failure of any factual representation or assumption to be true, correct and complete in all material respects could adversely affect the validity of IRS rulings or the opinions. None of Entergy, TransCo, ITC and Merger Sub are currently aware of any facts or circumstances that would cause these assumptions and representations to be untrue or incorrect in any material respect or that would jeopardize the conclusions requested or reached in the IRS rulings or the opinions. An opinion of counsel represents counsel s best legal judgment, is not binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion. In addition, the IRS rulings and the opinions of ITC s and Entergy s counsel will be based on law that is current at the time such rulings or opinions are issued, and cannot be relied on if such current law changes with retroactive effect.

The Separation, Distribution, Exchange Trust Exchange Offer, and Mandatory Trust Distribution

In addition to the opinion of Entergy s counsel upon which the completion of the merger is conditioned, in connection with the effectiveness of the registration statement of which this document is a part, Cooley LLP is rendering its opinion to the effect that the separation, distribution, exchange trust exchange offer and mandatory trust distribution, taken together, will qualify under sections 368(a) and 355 of the Code and as to certain related tax consequences. The opinion assumes that the IRS will rule favorably on the issues for which rulings have been or will be sought and is based on representations and assumptions as to factual matters made by Entergy, TransCo, ITC and Merger Sub and on current law.

1. Material Federal Income Tax Consequences to Entergy

As set forth in the opinion of Cooley LLP that is issued in connection with the effectiveness of the registration statement of which this document is a part, which opinion is attached to such registration statement, Entergy will recognize no material amount of income, gain or loss as a result of the separation, distribution, exchange trust exchange offer and mandatory trust distribution. However, Entergy may recognize income, gain of loss as a result of certain intercompany transactions. Entergy will not recognize income gain, loss or deduction as a result of exchange of the TransCo debt securities for the Entergy securities.

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2. Material Federal Income Tax Consequences to Entergy Shareholders

As set forth in the opinion of Cooley LLP that is issued in connection with the effectiveness of the registration statement of which this document is a part, which opinion is attached to such registration statement, the separation, distribution, exchange trust exchange offer and mandatory trust distribution will have the following tax consequences to Entergy shareholders who receive TransCo common units (in the distribution) or ITC common stock (in an exchange trust exchange offer or a mandatory trust distribution):

- no gain or loss will be recognized by, and no amount included in the income of, Entergy shareholders upon the receipt of TransCo common units in the distribution, or ITC common stock in an exchange trust exchange offer or a mandatory trust distribution (except with respect to cash received in lieu of fractional shares of ITC common stock, as described below);

- the tax basis of the TransCo common units issued to an Entergy shareholder in a spin-off or of ITC common stock received in a mandatory trust distribution (including fractional shares of ITC common stock for which cash is received) will be determined by allocating the tax basis of such shareholder in the shares of Entergy common stock with respect to which TransCo common units or shares of ITC common stock are received between such shares of Entergy common stock and the TransCo common units or ITC common stock in proportion to the relative fair market value of each; the tax basis of the TransCo common units issued to an Entergy shareholder in a split-off exchange offer, and of the ITC common stock received by the Entergy shareholders in an exchange trust exchange offer (including fractional shares of ITC common stock for which cash is received) will equal the tax basis of the shares of Entergy common stock exchanged therefor;

- the holding period of the TransCo common units or ITC common stock received by an Entergy shareholder will include the holding period of the shares of Entergy common stock with respect to which the TransCo common units or ITC common stock was received;

- gain or loss will be recognized by Entergy shareholders who receive cash instead of fractional shares of ITC common stock equal to the difference between the amount of cash received and their tax basis in their fractional shares of ITC common stock. The character of such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the fractional shares of ITC common stock are treated (pursuant to the preceding bullet) as having been held for more than one year when the fractional shares are sold on the open market. The deductibility of capital losses is subject to limitation;

- cash, if any, received by an Entergy shareholder in addition to the shares of ITC common stock in an exchange trust exchange offer (other than cash received instead of fractional shares, as discussed above), will, if the holder has sufficiently decreased its actual and constructive percentage ownership of Entergy common stock in the exchange, be treated as gain recognized by the Entergy shareholder in an amount equal to the lesser of (1) the amount of cash received, and (2) the excess of the fair market value of the shares of ITC common stock received over the shareholder s tax basis in the surrendered shares of Entergy common stock. If the holder has not sufficiently decreased its actual and constructive percentage ownership of Entergy in the exchange, the amount of gain recognized, as determined above, will be treated as (1) a dividend to the extent of the shareholder s *pro rata* share of Entergy s current and accumulated earnings and profits as determined under U.S. federal income tax principles, then (2) as capital gain from exchange of property. Regardless of whether the cash is subject to tax, and whether it is taxed as capital gain or dividend, the shareholder s tax basis in the shares of ITC common stock received will be (1) decreased by the amount of cash received by the shareholder, and (2) increased by the amount of gain and dividend income recognized by the shareholder; and

- the amount of cash, if any, that is distributed in addition to the shares of ITC common stock in a mandatory trust distribution to a holder of Entergy common stock (other than cash distributed instead of fractional shares, as discussed above), will be taxed (1) as a dividend to the extent of the holder s *pro rata* share of Entergy s current and accumulated earnings and profits as determined under U.S. federal income tax principles, then (2) as a non-taxable return of capital to the extent of the holder s tax

basis in the shares of Entergy common stock with respect to which the distribution was made (the return of capital would thereby reduce the holder s tax basis in such shares of Entergy common stock), and finally (3) as capital gain with respect to the remaining value. The shareholder s tax basis in the shares of Entergy common stock will be (1) decreased by the amount of cash received by the shareholder, and (2) increased by the amount of gain and dividend income recognized by the shareholder, in each case before such tax basis is allocated between such shareholder s shares of Entergy common stock and ITC common stock.

3. Material Federal Income Tax Consequences to Entergy and Entergy Shareholders if the Separation, Distribution, Exchange Trust Exchange Offer and Mandatory Trust Distribution Were Taxable

If the separation, distribution, exchange trust exchange offer and mandatory trust distribution were to fail to qualify for U.S. federal income tax purposes as a tax-free section 355 transaction, then:

- the consolidated group of which Entergy is the common parent would recognize gain equal to the excess of the fair market value of the assets transferred to TransCo plus liabilities assumed by TransCo over Entergy s tax basis in such assets;

- each holder that receives TransCo common units in a spin-off, or ITC common stock (and cash, if any) in a mandatory trust distribution, will be treated as if the holder received a taxable distribution equal to the fair market value of the TransCo common units or ITC common stock (and cash, if any) received; this amount will be taxed (1) as a dividend to the extent of the holder s pro rata share of Entergy s current and accumulated earnings and profits as determined under U.S. federal income tax principles (including earnings and profits attributable to the after-tax gain to Entergy described in the immediately preceding bullet point), then (2) as a non-taxable return of capital to the extent of the holder s tax basis in the shares of Entergy common stock with respect to which the distribution was made (the return of capital would thereby reduce the holder s tax basis in such shares of Entergy common stock), and finally (3) as capital gain with respect to the remaining value;

- the exchange of Entergy common stock for TransCo common units in a split-off exchange offer, and the exchange of Entergy common stock for ITC common stock (and cash, if any) in an exchange trust exchange offer would each be a taxable exchange, and each holder that participated in the exchange would be treated as if Entergy redeemed its common stock from such holder. In that case, each such holder would generally recognize capital gain or loss equal to the difference between the fair market value of the TransCo common units or ITC common stock (and cash, if any) received and the holder s tax basis in the shares of Entergy common stock exchanged therefor, unless the holder has not sufficiently decreased its actual and constructive percentage ownership of Entergy common stock as a result of the exchange; in that case, redemption would be considered to be essentially equivalent to a dividend, and the holder would be treated as having received a taxable distribution equal to the fair market value of the TransCo common units or ITC common stock (and cash, if any) received, which would be taxed as described in the immediately preceding bullet point; and

- an individual holder would generally be subject to U.S. federal income tax at the prevailing tax rate that applies to long-term capital gains (assuming holding period and other requirements are met) with respect to the portion of the transactions that are treated as a capital gain, subject to exceptions for certain short-term positions (including positions held for one year or less, in the case of a capital gain), which could give rise to tax at ordinary income rates; if the holder is treated as having received a corporate distribution and not a capital gain, qualified dividends are also subject to U.S. federal income tax at the prevailing tax rate that applies to long-term capital gains (assuming holding period and other requirements are met).

4. Material Federal Income Tax Consequences to Entergy and Entergy Shareholders if the Separation, Distribution, Exchange Trust Exchange Offer and Mandatory Trust Distribution Were Subject to Section 355(e)

The separation, distribution, exchange trust exchange offer and mandatory trust distribution would be taxable to Entergy (but not to the Entergy shareholders, assuming the other requirements in sections 355 and 368 of the Code are satisfied) pursuant to section 355(e) of the Code if 50% or more (by vote or value) of Entergy common stock or TransCo common units were treated as acquired directly or indirectly (including, without limitation, through acquisitions of ITC common stock after the merger) by certain persons as part of a plan or series of related transactions that included these transactions. Because Entergy shareholders will be treated as owning more than 50% of ITC s common stock following the merger, the merger, by itself, will not cause the separation, distribution, exchange trust exchange offer and mandatory trust distribution to be taxable to Entergy under section 355(e) of the Code. In connection with the opinion of Entergy s tax counsel, Entergy and TransCo have represented that the separation, distribution, exchange trust exchange offer and mandatory trust distribution are not part of any plan or series of related transactions pursuant to which one or more persons will acquire, directly or indirectly, a 50% or greater interest in Entergy or TransCo. However, if the IRS were to determine that other acquisitions of Entergy common stock, TransCo common units or ITC common stock, as the case may be, either before or after the separation, distribution, exchange trust exchange offer and mandatory trust distribution and the merger, were part of a plan or series of related transactions that included the separation, distribution, exchange trust exchange offer and mandatory trust distribution for purposes of section 355(e) of the Code, Entergy could be required to recognize gain under section 355(e) of the Code. In such case, Entergy would recognize taxable gain as if it had sold the TransCo common units distributed to Entergy shareholders in the distribution, and the shares of ITC common stock distributed to Entergy shareholders in an exchange trust exchange offer and a mandatory trust distribution, for an amount equal to the fair market value of such common units and shares of stock, respectively, and this would likely produce substantial income tax liabilities to Entergy. The process for determining whether a change in control prohibited under the foregoing rules has occurred is complex and inherently factual.

5. Indemnification Obligations of Entergy and ITC if the Separation, Distribution, Exchange Trust Exchange Offer and Mandatory Trust Distribution Were Taxable

Under the separation agreement, ITC and its affiliates must indemnify Entergy against certain tax-related losses (e.g., increased taxes, penalties and interest required to be paid by Entergy) resulting from the failure of the separation, distribution, exchange trust exchange offer and mandatory trust distribution to qualify under section 355 (including section 355(e)) of the Code to the extent that such failure is attributable to certain actions or omissions of ITC or its affiliates, other than actions or omissions taken in reliance on a covenant, representation or warranty by Entergy described in the separation agreement that was breached or incorrect. If ITC or its affiliates are required to indemnify Entergy in the event of a taxable transaction, this indemnification obligation would be substantial and could have a material adverse effect on ITC.

If Entergy recognizes gain on the separation, distribution, exchange trust exchange offer and mandatory trust distribution attributable solely to Entergy s breach of any representation and/or covenant described in the separation agreement, Entergy may not be indemnified. Except as described above, Entergy may not be indemnified under the separation agreement with respect to any gain recognized in the transactions. To the extent that ITC has any liability for any taxes of Entergy, TransCo or any of their affiliates with respect to the transactions that do not result from actions or omissions for which ITC and its affiliates are liable as described above, Entergy must indemnify ITC for such tax-related losses.

6. Information Reporting and Backup Withholding

Holders of at least 5% (by vote or value) of the total outstanding shares of Entergy common stock and holders of Entergy securities who have a tax basis in the Entergy securities of at least $1 million, who receive TransCo common units in the distribution or ITC common stock in an exchange trust exchange offer or a

mandatory trust distribution, must attach to their U.S. federal income tax return for the year in which the distribution, exchange trust exchange offer or mandatory trust distribution occur a detailed statement setting forth the data appropriate to show the applicability of section 355 of the Code to the distribution, exchange trust exchange offer, or mandatory trust distribution. Entergy and/or ITC will provide the appropriate information to each holder upon request, and each such holder is required to retain permanent records of this information.

Non-corporate holders of shares of Entergy common stock that receive ITC common stock in an exchange trust exchange offer or a trust distribution may be subject to backup withholding tax on any cash payments received in lieu of a fractional share of ITC common stock. Any such holder will not be subject to backup withholding tax, however, if such holder furnishes a correct taxpayer identification number and certifies that such holder is not subject to backup withholding tax on the substitute Form W-9 (or successor form) included in the letter of transmittal to be delivered to the holder following the completion of the merger or is otherwise exempt from backup withholding tax. Any amounts withheld under the backup withholding tax rules will be allowed as a refund or credit against the applicable holder s U.S. federal income tax liability, provided that the holder timely furnishes the required information to the IRS.

The Merger

In addition to the opinions of ITC s and Entergy s counsel upon which the completion of the merger is conditioned, in connection with the effectiveness of the registration statement of which this document is a part, each of Simpson Thacher & Bartlett LLP and Cooley LLP is rendering its respective opinion to the effect that the merger will qualify as a reorganization within the meaning of section 368(a) of the Code and as to certain related tax consequences. Such opinions are based on representations and assumptions as to factual matters made by Entergy, TransCo, ITC and Merger Sub and on current law.

1. Material Federal Income Tax Consequences to TransCo

As set forth in the opinions of Simpson Thacher & Bartlett LLP and Cooley LLP that are issued in connection with the effectiveness of the registration statement of which this document is a part, which opinions are attached to such registration statement, TransCo will recognize no gain or loss, and include no amount in income, as a result of the merger.

2. Material Federal Income Tax Consequences to TransCo Common Unit Holders

As set forth in the opinions of Simpson Thacher & Bartlett LLP and Cooley LLP that are issued in connection with the effectiveness of the registration statement of which this document is a part, which opinions are attached to such registration statement, the transactions will have the following tax consequences to holders of TransCo common units who receive ITC common stock in the merger:

- no gain or loss will be recognized by, and no amount will be included in the income of, holders of TransCo common units upon the receipt of ITC common stock in the merger (except with respect to cash received in lieu of fractional shares of ITC common stock, as described below);

- the tax basis of ITC common stock received by a TransCo common unit holder in the merger (including fractional shares for which cash is received) will equal the tax basis of the TransCo common units exchanged therefor;

- the holding period of the ITC common stock received by an Entergy shareholder in the merger will include the holding period of the TransCo common units with respect to which the ITC common stock was received; and

- gain or loss will be recognized by TransCo common unit holders who receive cash instead of fractional shares of ITC common stock in the merger equal to the difference between the amount of cash received and their tax basis in their fractional shares of ITC common stock. The character of such gain or loss

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will be capital gain or loss, and will be long-term capital gain or loss if the fractional shares of ITC common stock are treated as having been held (pursuant to the preceding bullet) for more than one year when the fractional shares are sold on the open market. The deductibility of capital losses is subject to limitation.

3. Material Federal Income Tax Consequences to ITC Shareholders

ITC shareholders will not receive any stock or other consideration in respect of their ITC common stock pursuant to the merger. Accordingly, as set forth in the opinion of Simpson Thacher & Bartlett LLP that is issued in connection with the effectiveness of the registration statement of which this document is a part, which opinion is attached to such registration statement, ITC shareholders will not realize any gain or loss in respect of their ITC common stock pursuant to the merger.

4. Material Federal Income Tax Consequences to TransCo and TransCo Common Unit Holders if the Merger Were Taxable

If the merger were taxable, TransCo common unit holders would recognize taxable gain or loss on their receipt of ITC common stock in the merger.

An individual holder would generally be subject to U.S. federal income tax at the prevailing tax rate that applies to long-term capital gains (assuming holding period and other requirements are met) with respect to the portion of the transactions that are treated as a capital gain, subject to exceptions for certain short-term positions (including positions held for one year or less, in the case of a capital gain), which could give rise to tax at ordinary income rates.

5. Indemnification Obligations of Entergy and ITC if the Merger Were Taxable

Under the separation agreement, ITC and its affiliates must indemnify Entergy against certain tax-related losses (e.g., increased taxes, penalties and interest required to be paid by Entergy) resulting from the failure of the merger to qualify as a reorganization under section 368(a) of the Code to the extent that such failure is attributable to certain actions or omissions of ITC or its affiliates, other than actions or omissions taken in reliance on a covenant, representation or warranty by Entergy described in the separation agreement that was breached or incorrect. If ITC or its affiliates are required to indemnify Entergy in the event of a taxable transaction, this indemnification obligation would be substantial and could have a material adverse effect on ITC.

6. Information Reporting and Backup Withholding

Holders of at least 1% (by vote or value) of the total outstanding units of the TransCo, who receive shares of ITC common stock in the merger, must attach to their U.S. federal income tax return for the year in which the merger occurs a detailed statement setting forth the data appropriate to show the applicability of section 368 of the Code to the merger. Entergy and/or ITC will provide the appropriate information to each holder upon request, and each such holder is required to retain permanent records of this information.

Non-corporate holders of shares of Entergy common stock that receive ITC common stock in the merger may be subject to backup withholding tax on any cash payments received in lieu of a fractional share of ITC common stock. Any such holder will not be subject to backup withholding tax, however, if such holder furnishes a correct taxpayer identification number and certifies that such holder is not subject to backup withholding tax on the substitute Form W-9 (or successor form) included in the letter of transmittal to be delivered to the holder following the completion of the merger or is otherwise exempt from backup withholding tax. Any amounts withheld under the backup withholding tax rules will be allowed as a refund or credit against the applicable holder s U.S. federal income tax liability, provided that the holder timely furnishes the required information to the IRS.

SECURITY OWNERSHIP OF ITC COMMON STOCK

The following table sets forth certain information regarding the ownership of ITC common stock as of February 22, 2013 except as otherwise indicated, by:

each current ITC director;

each of the persons named in ITC s 2012 Definitive Proxy Statement on Schedule 14A, incorporated herein by reference, in the Summary Compensation Table under the heading Compensation of Executive Officers and Directors;

all current ITC directors and executive officers as a group; and

each person who is known by ITC to own beneficially 5% or more of ITC s outstanding shares of common stock, each of whom we refer to as a 5% Owner.

The number of shares beneficially owned is determined under rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire on February 22, 2013 or within 60 days thereafter through the exercise of any stock option or other right.

Unless otherwise indicated, each holder has sole investment and voting power with respect to the shares set forth in the following table:

Name of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percent of Class
Joseph L. Welch	991,310	1.90%
Cameron M. Bready	76,509	*
Linda H. Blair	197,895	*
Jon E. Jipping	137,465	*
Daniel J. Oginsky	72,110	*
Christopher H. Franklin	1,374	*
Edward G. Jepsen	59,640	*
William J. Museler	7,189	*
Hazel R. O Leary	7,189	*
M. Michael Rounds	1,374	*
Thomas G. Stephens	121	*
G. Bennett Stewart, III	8,553	*
Lee C. Stewart	9,468	*
J.C. Watts, Jr.	1,374	*
All current directors and executive officers as a group (14 persons)	1,571,571	3.01%
Baron Capital Group, Inc., BAMCO, Inc., Baron Capital Management, Inc. and Ronald Baron(2)	4,931,905	9.44%
FMR LLC(3)	4,079,241	7.80%
BlackRock, Inc.(4)	3,568,073	6.83%

* Less than one percent

(1) Includes restricted shares subject to forfeiture to us under certain circumstances, shares that may be acquired upon exercise of options that are currently exercisable or become exercisable prior to April 23, 2013 and shares pledged by the holder as security for loans, as set forth below:

Name	Restricted Shares	Option Shares	Shares Pledged As Security
Joseph L. Welch	55,492	416,874	
Cameron M. Bready	23,562	50,483	
Linda H. Blair	11,375	149,090	
Jon E. Jipping	10,564	112,242	
Daniel J. Oginsky	5,371	39,569	
Christopher H. Franklin	1,374		
Edward G. Jepsen	3,322		
William J. Museler	3,322		
Hazel R. O Leary	3,322		
M. Michael Rounds	1,374		
Thomas G. Stephens	121		
G. Bennett Stewart, III	3,322		
Lee C. Stewart	3,322		
J.C. Watts, Jr.	1,374		
All directors and executive officers as a group	127,217	768,258	

(2) Based on information contained in a Schedule 13G/A filed on February 14, 2013, with information as of December 31, 2012, Baron Capital Group, Inc., or BCG, and Ronald Baron are parent holding companies and disclaim beneficial ownership of shares held by their controlled entities to the extent such shares are held by persons other than BCG or Mr. Baron. BAMCO, Inc. and Baron Capital Management, Inc., or BCM, are registered investment advisors and subsidiaries of BCG. Mr. Baron owns a controlling interest in BCG. BCG and Mr. Baron have shared voting power with respect to 4,649,305 shares, as well as shared dispositive power with respect to and beneficial ownership of 4,931,905 shares. BAMCO has shared voting power with respect to 4,175,709 shares, as well as shared dispositive power with respect to and beneficial ownership of 4,458,309 shares. BCM has shared voting power with respect to 473,596 shares, as well as shared dispositive power with respect to and beneficial ownership of 473,596 shares. Baron Capital Group, Inc. has shared voting power with respect to 4,649,305 shares, as well as shared dispositive power with respect to and beneficial ownership of 4,931,905 shares. The business address of BCG, BAMCO, BCM and Mr. Baron is 767 Fifth Avenue, 49th Floor, New York, NY 10153.

(3) Based on information contained in a Schedule 13G filed on February 14, 2013, with information as of December 31, 2012. FMR LLC states that it has sole voting power over 567,471 shares and sole dispositive power over 4,079,241 shares directly or through various entities over which it has control. The business address of FMR LLC is 82 Devonshire Street, Boston, Massachusetts 02109.

(4) Based on information contained in a Schedule 13G/A filed on February 6, 2013, with information as of December 31, 2012. The business address of BlackRock, Inc. is 40 East 52nd Street, New York, NY 10022.

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LEGAL MATTERS

The validity of the issuance of common stock by ITC pursuant to the merger agreement will be passed upon for ITC by Dykema Gossett PLLC. Simpson Thacher & Bartlett LLP will provide to ITC a legal opinion regarding certain federal income tax matters relating to the merger. Cooley LLP will provide to Entergy legal opinions regarding certain federal income tax matters relating to the spin-off and the merger.

EXPERTS

The consolidated financial statements and the related financial statement schedule, incorporated in this proxy statement/prospectus by reference from ITC s Annual Report on Form 10-K, as amended by the Annual Report on Form 10-K/A, for the year ended December 31, 2011, and the effectiveness of ITC Holdings Corp. s and its subsidiaries internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such consolidated financial statements and financial statement schedule have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The combined financial statements of the Transmission Business of Entergy Corporation and Subsidiaries as of December 31, 2011 and 2010, and for each of the three years in the period ended December 31, 2011, included in this proxy statement/prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such combined financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

FUTURE SHAREHOLDER PROPOSALS

Shareholder Proposals

Any proposal by an ITC shareholder to be considered for inclusion in the proxy statement for the 2013 ITC annual meeting must have been received by Wendy McIntyre, ITC s Corporate Secretary, by the close of business on December 13, 2012. Such proposals should have been addressed to her at ITC s principal executive offices and should have satisfied the informational requirements applicable to shareholder proposals contained in the relevant SEC rules. If the date for the 2013 ITC annual meeting is significantly different than the first anniversary of the 2012 ITC annual meeting, SEC Rule 14a-8 under the Exchange Act provides for an adjustment to the notice period described above.

For shareholder proposals not sought to be included in ITC s annual meeting proxy statement, Section 4.11 of ITC s bylaws provides that, in order to be properly brought before the 2013 ITC annual meeting, written notice of such proposal, along with the information required by Section 4.11, must have been received by ITC s Corporate Secretary at ITC s principal executive offices no earlier than the close of business on January 23, 2013 and no later than February 22, 2013. If the 2013 ITC annual meeting date has been significantly advanced or delayed from the first anniversary of the date of the 2012 ITC annual meeting, then notice of such proposal must be given not earlier than the close of business on the 120th day before the meeting and not later than the 90th day before the meeting or, if later, the 10th day after the first public disclosure of the date of the annual meeting. A proponent must also update the information provided in or with the notice at the times specified in ITC s bylaws.

Director Nominees

ITC shareholders proposing director nominees at the 2013 ITC annual meeting must have provided written notice of such intention, along with the other information required by Section 4.11 of ITC s bylaws, to ITC s Corporate Secretary at ITC s principal executive offices no earlier than the close of business on January 23, 2013

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and no later than the close of business on February 22, 2013. If the 2013 ITC annual meeting date has been significantly advanced or delayed from the first anniversary of the date of the 2012 ITC annual meeting, then the notice and information must be given not earlier than the close of business on the 120th day before the meeting and not later than the 90th day before the meeting or, if later, the 10th day after the first public disclosure of the date of the annual meeting. With respect to an election to be held at a special meeting of ITC shareholders, such notice must be given in accordance with the procedures set forth in ITC s bylaws no earlier than the close of business on the 120th day before and not later than the close of business on the 90th day before the date of such special meeting or, if later, the 10th day after the first public disclosure of the date of such special meeting. Notwithstanding the foregoing, if the number of directors to be elected is increased and there is no public disclosure regarding such increase or naming all of the nominees for director at least 100 days prior to the first anniversary of the prior year s annual meeting, then shareholder notice with regard to nomination of directors shall be considered timely if received by ITC s Corporate Secretary no later than the 10th day following public disclosure of the increase in the number of directors to be elected. A proponent must also update the information provided in or with the notice at the times specified by ITC s bylaws.

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WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION BY REFERENCE

ITC files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy materials that ITC has filed with the SEC at the SEC s public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. ITC s SEC filings are also available to the public on the SEC s internet website at www.sec.gov. Copies of documents filed by ITC are also available at the offices of the NYSE, 20 Broad Street, New York, New York 10005. In addition, ITC s SEC filings are also available to the public on ITC s website, www.itc-holdings.com. ITC s website address is provided as an inactive textual reference only. Information contained on ITC s website is not incorporated by reference into this document, and you should not consider information contained on that website as part of this document.

The SEC permits ITC to incorporate by reference information into this proxy statement/prospectus. This means that ITC can disclose important information to you by referring to another document filed separately with the SEC. The information incorporated by reference is considered a part of this proxy statement/prospectus, except for any information superseded by information contained directly in this proxy statement/prospectus or by information contained in documents filed with or furnished to the SEC after the date of this proxy statement/prospectus that is incorporated by reference in this proxy statement/prospectus.

This proxy statement/prospectus incorporates by reference the documents set forth below that have been previously filed with the SEC. These documents contain important information about ITC and its financial condition.

ITC SEC Filings (SEC File Number 001-32576)	Period or Date Filed
Annual Report on Form 10-K, as amended by the Annual Report on Form 10-K/A	Fiscal year ended December 31, 2011, as amended on September 13, 2012
Quarterly Reports on Form 10-Q	Quarter ended March 31, 2012, quarter ended June 30, 2012 and quarter ended September 30, 2012
Definitive Proxy Statement on Schedule 14A	Filed April 12, 2012
Current Reports on Form 8-K or 8-K/A	Filed January 18, 2012, January 20, 2012, January 31, 2012, February 16, 2012, May 29, 2012, June 1, 2012, August 1, 2012, August 21, 2012, August 27, 2012, September 4, 2012, October 29, 2012, November 6, 2012, November 14, 2012, December 7, 2012, December 26, 2012, January 23, 2013, January 31, 2013, February 15, 2013 and February 19, 2013

In addition, ITC also incorporates by reference additional documents that ITC may file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act between the date of this proxy statement/prospectus and the date of the special meeting. These documents include Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as well as proxy statements.

ITC will not, however, incorporate by reference in this proxy statement/prospectus any documents or portions thereof that not are deemed filed with the SEC, including any information furnished pursuant to Item 2.02 or Item 7.01 of ITC s Current Reports on Form 8-K after the date of this proxy statement/prospectus unless, and except to the extent, specified in such Current Reports.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this proxy statement/prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be

incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this proxy statement/prospectus.

Documents incorporated by reference are available from ITC without charge, excluding all exhibits unless an exhibit has been specifically incorporated by reference into this proxy statement/prospectus. You can obtain documents incorporated by reference in this proxy statement/prospectus from the SEC s website or from ITC s website as described above or by requesting them in writing or by telephone from ITC at the following address and telephone number:

ITC Holdings Corp.

27175 Energy Way

Novi, Michigan 48377

Attention: Investor Relations

Telephone: (248) 946-3000

If you would like to request documents, please do so by April 9, 2013 to receive them before the special meeting. If you request any of these documents from ITC, ITC will mail them to you by first-class mail, or similar means.

ITC has not authorized anyone to give any information or make any representation about the merger or the special meeting that is different from, or in addition to, that contained in this proxy statement/prospectus or in any of the materials that are incorporated by reference into this proxy statement/prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it. This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this proxy statement/prospectus, or the solicitation of a proxy, in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer, solicitation of an offer or proxy solicitation in such jurisdiction. Neither the delivery of this proxy statement/prospectus nor any distribution of securities pursuant to this proxy statement/prospectus shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated into this proxy statement/prospectus by reference or in ITC s or Entergy s Transmission Business s affairs since the date of this proxy statement/prospectus. The information contained in this proxy statement/prospectus speaks only as of the date of this proxy statement/prospectus unless the information specifically indicates that another date applies.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

Entergy Corporation and Subsidiaries

We have audited the accompanying combined balance sheets of the Transmission Business of Entergy Corporation and Subsidiaries (the Business) as of December 31, 2011 and 2010, and the related combined statements of income, comprehensive income, cash flows, and equity for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Business s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Business is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Business s internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the Business as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the combined financial statements, the Business is comprised of the assets and liabilities, and certain revenues and expenses, attributable to the transmission business of Entergy Corporation and Subsidiaries (Entergy). The combined financial statements also include revenue and expense allocations from Entergy. These combined financial statements are not indicative of the financial position, results of operations and cash flows that would have existed had the Business operated as a separate entity for the three years in the period ended December 31, 2011.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana

June 28, 2012

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DEFINITIONS

Abbreviation or Acronym	Term
AFUDC	Allowance for Funds Used During Construction
APSC	Arkansas Public Service Commission
ASU	Accounting Standards Update issued by the FASB
City Council or Council	Council of the City of New Orleans, Louisiana
Entergy	Entergy Corporation and its direct and indirect subsidiaries
Entergy Corporation	Entergy Corporation, a Delaware corporation
Entergy Gulf States, Inc.	Predecessor company for financial reporting purposes to Entergy Gulf States Louisiana that included the assets and business operations of both Entergy Gulf States Louisiana and Entergy Texas
Entergy Gulf States Louisiana	Entergy Gulf States Louisiana, L.L.C., a company formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. and the successor company to Entergy Gulf States, Inc. for financial reporting purposes. The term is also used to refer to the Louisiana jurisdictional business of Entergy Gulf States, Inc., as the context requires.
Entergy Services	Entergy Services, Inc., a wholly owned subsidiary that provides management, technical, advisory, operating, and administrative services to Entergy s subsidiaries.
Entergy Texas	Entergy Texas, Inc., a company formally created as part of the jurisdictional separation of Entergy Gulf States, Inc. The term is also used to refer to the Texas jurisdictional business of Entergy Gulf States, Inc., as the context requires.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
IRS	Internal Revenue Service
ISO	Independent System Operator
kV	Kilovolt
LPSC	Louisiana Public Service Commission
MISO	Midwest Independent Transmission System Operator, Inc., a regional transmission organization
MPSC	Mississippi Public Service Commission
PUCT	Public Utility Commission of Texas
RTO	Regional transmission organization
SEC	Securities and Exchange Commission
Utility	Entergy s business segment that generates, transmits, distributes, and sells electric power, with a small amount of natural gas distribution

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TRANSMISSION BUSINESS OF ENTERGY CORPORATION AND SUBSIDIARIES

COMBINED BALANCE SHEETS

	(Amounts in thousands) December 31, 2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,256	$ 1,248
Accounts receivable, net	22,287	27,797
Materials and supplies at average cost	28,372	27,393
Total Current Assets	51,915	56,438
Property, Plant and Equipment		
Utility plant in service	5,318,334	4,911,219
Construction work in progress	265,710	287,011
Total Property, Plant and Equipment	5,584,044	5,198,230
Less Accumulated depreciation and amortization	(1,917,657)	(1,829,205)
Property, Plant and Equipment Net	3,666,387	3,369,025
Regulatory and Other Assets		
Regulatory asset for income taxes	166,468	154,733
Other regulatory assets	80,876	41,025
Other assets	49,758	48,367
Total Other Assets	297,102	244,125
TOTAL ASSETS	$ 4,015,404	$ 3,669,588
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 62,156	$ 77,813
Customer deposits	6,211	4,431
Taxes accrued	28,910	26,407
Pension and other postretirement liabilities	1,006	855
Other current liabilities	1,373	682
Total Current Liabilities	99,656	110,188
Non-Current liabilities		
Accumulated deferred income taxes and taxes accrued	860,265	812,441
Accumulated deferred investment tax credits	17,805	18,980
Regulatory liabilities	58,899	58,857
Pension and other postretirement liabilities	96,896	52,413
Other non-current liabilities	19,418	65,612
Total Non-Current Liabilities	1,053,283	1,008,303
Total Liabilities	1,152,939	1,118,491
Equity		

Net parent investment	2,865,008	2,552,799
Accumulated other comprehensive loss	(2,543)	(1,702)
Total Equity	2,862,465	2,551,097
TOTAL LIABILITIES AND EQUITY	$ 4,015,404	$ 3,669,588

See notes to the combined financial statements

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TRANSMISSION BUSINESS OF ENTERGY CORPORATION AND SUBSIDIARIES

COMBINED STATEMENTS OF INCOME

	(Amounts in thousands) For the Years Ended December 31,		
	2011	2010	2009
Operating Revenues	$ 652,792	$ 631,742	$ 582,847
Operating Expenses			
Operating and maintenance:			
Operation expenses	171,465	163,200	143,682
Maintenance expenses	47,464	48,913	43,052
Taxes other than income taxes	45,751	42,052	38,346
Depreciation and amortization	132,302	127,738	110,294
Total Operating Expenses	396,982	381,903	335,374
Operating income	255,810	249,839	247,473
Other Income			
Allowance for equity funds used during construction	15,122	8,388	6,195
Miscellaneous other income (expense) net	1,599	(1,459)	4,697
	16,721	6,929	10,892
Interest Expense			
Interest expense	71,516	83,995	83,169
Allowance for borrowed funds used during construction	(8,269)	(4,954)	(3,435)
Total Interest Expense	63,247	79,041	79,734
Income before Income Taxes	209,284	177,727	178,631
Income taxes	74,460	67,166	68,205
NET INCOME	$ 134,824	$ 110,561	$ 110,426

See notes to the combined financial statements

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TRANSMISSION BUSINESS OF ENTERGY CORPORATION AND SUBSIDIARIES

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	(Amounts in thousands) For the Years Ended December 31,		
	2011	**2010**	**2009**
Net income	$ 134,824	$ 110,561	$ 110,426
Other comprehensive income (loss)			
Pension and other postretirement liabilities (net of tax of $717, ($224), and ($228))	(841)	447	325
Total other comprehensive income (loss)	(841)	447	325
TOTAL COMPREHENSIVE INCOME	$ 133,983	$ 111,008	$ 110,751

See notes to the combined financial statements

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TRANSMISSION BUSINESS OF ENTERGY CORPORATION AND SUBSIDIARIES

COMBINED STATEMENTS OF CASH FLOWS

	(Amounts in thousands) For the Years Ended December 31,		
	2011	**2010**	**2009**
Operating Activities			
Net income	$ 134,824	$ 110,561	$ 110,426
Adjustments to reconcile net income to net cash flow provided by operating activities:			
Depreciation and amortization	132,302	127,738	110,294
Deferred income taxes, investment tax credits, and non-current taxes accrued	57,400	26,948	27,004
Allowance for equity funds used during construction	(15,122)	(8,388)	(6,195)
Changes in working capital:			
Receivables	5,510	(1,817)	(2,272)
Accounts payable	(15,657)	31,045	(10,116)
Taxes accrued	2,503	2,458	284
Other working capital accounts	1,492	(84)	3,208
Change in regulatory assets	(51,586)	16,195	15,020
Change in pension and other postretirement liabilities	44,634	(15,474)	1,194
Change in other long-term liabilities	(46,194)	(38,531)	(12,560)
Other assets and liabilities	(11,862)	28,011	52,313
Net cash flow provided by operating activities	238,244	278,662	288,600
Investing Activities			
Construction/capital expenditures	(415,621)	(377,781)	(268,316)
Net cash flow used in investing activities	(415,621)	(377,781)	(268,316)
Financing Activities			
Contribution from (distribution to) Parent, net	177,385	99,421	(20,624)
Net cash flow provided by (used in) financing activities	177,385	99,421	(20,624)
Net increase (decrease) in cash and cash equivalents	8	302	(340)
Cash and cash equivalents at beginning of period	1,248	946	1,286
Cash and cash equivalents at end of period	$ 1,256	$ 1,248	$ 946
Supplemental Disclosure of Cash Flow Information			
Interest paid (considered remitted to Parent in the period recorded)	$ 71,516	$ 83,995	$ 83,169
Income taxes paid (considered remitted to Parent in the period recorded)	$ 17,060	$ 40,218	$ 41,201

See notes to the combined financial statements

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TRANSMISSION BUSINESS OF ENTERGY CORPORATION AND SUBSIDIARIES

COMBINED STATEMENTS OF EQUITY

	(Amounts in thousands) For the Years Ended December 31,		
	Net Parent Investment	Accumulated Other Comprehensive Loss	Total Equity
Balance at December 31, 2008	$ 2,253,015	$ (2,474)	$ 2,250,541
Net income	110,426		110,426
Pension and other postretirement liabilities		325	325
Transactions with parent net	(20,624)		(20,624)
Balance at December 31, 2009	2,342,817	(2,149)	2,340,668
Net income	110,561		110,561
Pension and other postretirement liabilities		447	447
Transactions with parent net	99,421		99,421
Balance at December 31, 2010	2,552,799	(1,702)	2,551,097
Net income	134,824		134,824
Pension and other postretirement liabilities		(841)	(841)
Transactions with parent net	177,385		177,385
Balance at December 31, 2011	$ 2,865,008	$ (2,543)	$ 2,862,465

See notes to the combined financial statements

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TRANSMISSION BUSINESS OF ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. BACKGROUND AND BASIS OF PRESENTATION

Background

In December 2011, Entergy announced that its board of directors approved a plan to spin off its transmission business (Entergy Transmission or the Business) and merge it with a newly formed subsidiary of ITC Holdings Corp. (ITC). The Business is not currently a separate stand-alone legal entity, and consists of the interconnected transmission lines at voltages of 69kV and above and the associated substations and other property and equipment that make up the electric transmission operations of the following companies (collectively referred to as the Utility operating companies):

Entergy Arkansas, Inc. (Entergy Arkansas),

Entergy Gulf States Louisiana, L.L.C. (Entergy Gulf States Louisiana),

Entergy Louisiana, LLC (Entergy Louisiana),

Entergy Mississippi, Inc. (Entergy Mississippi),

Entergy New Orleans, Inc. (Entergy New Orleans) and

Entergy Texas, Inc. (Entergy Texas)

The Utility operating companies electric utility businesses consist of integrated generation, transmission, distribution, and electric power sales operations.

Entergy plans to contribute the Business to Mid South TransCo LLC (TransCo), a wholly owned subsidiary of Entergy, and to spin-off TransCo and merge it with the newly formed ITC subsidiary in a tax-free, all-stock transaction, which will result in Entergy s shareholders holding at least 50.1% of ITC s common stock. The transaction is expected to be completed in 2013 subject to the satisfaction of certain closing conditions, including obtaining the necessary approvals of Entergy s state regulators, the FERC, and ITC shareholders.

Basis of Presentation

Entergy did not account for the Business, and the Business was not operated, as a stand-alone company for the periods presented. The accompanying combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) from the accounting records of Entergy using the historical results of operations and cost basis of the assets and liabilities of Entergy that comprise the Business. The Business s financial statements present the historical financial position, results of operations, and cash flows of the transmission-related business of Entergy s Utility operating segment as it has been historically operated and regulated, and are not indicative of the financial position, results of operations, or net cash flows that would have existed had the Business operated as an independent stand-alone company for the three years ended December 31, 2011.

The accompanying combined financial statements include assets and liabilities that are specifically attributable to the Business, and revenues and costs directly related to the operations and maintenance of the Business. The Business also receives services and support functions from Entergy. The Business s operations are dependent on Entergy s ability to perform these services and support functions which include accounting, finance, investor relations, planning, legal, communications, governmental and regulatory affairs, and human resources, as well as information

technology services and other shared services such as corporate security, facilities management, office support services, and purchasing and logistics.

Specific identification of transmission-related costs and various allocation methodologies were used to disaggregate service and support functions between the Business and Entergy s non-transmission operations.

Costs were primarily allocated based on either the Business s share of revenue, net plant-in-service, or payroll expense, depending on the nature of the costs. Interest expense was calculated using a methodology that allocated to the Business financing costs from Entergy in proportion to the Business s share of utility plant assets. The Business believes this method of allocating interest expense produces reasonable results because funding utility plant investments is a significant factor in determining the amount of debt outstanding at Entergy s Utility operating companies. Taxes other than income for the Business consist of ad valorem and payroll taxes. Ad valorem taxes accrued were allocated based on net plant balances because these tax obligations are primarily property based. Payroll taxes were allocated to the Business based on payroll and incentive dollars allocated to the Business. Depreciation and AFUDC were identified based on actual depreciation and AFUDC recorded for identified transmission assets. For 2011, 2010, and 2009, revenues were either specifically identified with the Business for Utility customers who were charged transmission-specific rates or were allocated to the Business for Utility customers that were not charged transmission-specific rates. This revenue allocation was done by unbundling the revenue related to the Business from total Entergy Utility revenue based on the underlying transmission-specific proportion of the Utility operating companies cost of service. Management believes that these allocation methodologies are reasonable.

Entergy has provided the necessary capital to finance the Business s operations. Net parent investment on the combined balance sheet represents the amount of capital investments made by Entergy in its transmission-related operations, the Business s accumulated net earnings after taxes, and the net effect of transactions with and allocations from Entergy. All Entergy funding to the Business since inception has been accounted for as capital contributions from Entergy and all cash remittances from the Business to Entergy have been accounted for as distributions to Entergy. None of Entergy s outstanding indebtedness can be specifically identified with the Business, but interest expense was allocated as described above. For all periods presented, the Business had net positive operating cash flow, which has been accounted for as distributions to Entergy.

The financial statements and the related financial statement disclosures reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective periods.

2. SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Significant accounting policies

Use of Estimates The preparation of the combined financial statements in accordance with US GAAP requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from the estimates. In addition to these estimates, see Note 1 for a discussion of the estimates used and methodologies employed to derive the Business s historical financial statements.

Accounting for the Effects of Regulation The Business is a rate-regulated enterprise with rates that meet three criteria specified in accounting standards. The Business has rates that (i) are approved by a body (its regulators) empowered to set rates that bind customers; (ii) are cost-based; and (iii) can be charged to and collected from customers. Because the Business meets each of these criteria, it records regulatory assets or regulatory liabilities to reflect future cost recoveries or credits, respectively, that it has a right or potential obligation to pass through to its customers. Regulatory assets represent capitalized costs that would otherwise be charged to expense that are probable of being recovered in future revenue based on the rate actions of the Business s regulators. Regulatory liabilities represent amounts collected in rates to cover costs that are expected to be incurred in the future.

Revenues Entergy s Utility operating companies transmit electric power primarily to retail customers in Arkansas, Louisiana, Mississippi, and Texas. The Business recognizes revenue from electric power sales when Entergy delivers the power to customers. Revenue is recorded from sales under rates implemented subject to

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refund less estimated amounts accrued for probable refunds when it is probable that revenues will be refunded to customers based upon the status of the rate proceeding as of the date the financial statements are prepared. Revenues were either specifically identified with the Business or allocated to the Business based on the methodology discussed in Note 1.

Property, Plant and Equipment Property, plant, and equipment is stated at original cost and primarily consists of transmission station equipment, towers, poles, and lines. Depreciation is computed on the straight-line basis at rates based on the applicable estimated service lives. Depreciation rates on average depreciable property for the Business s property, plant, and equipment approximated 2.15% in 2011, 2.11% in 2010, and 2.08% in 2009. The portion of depreciation expense related to asset removal costs is added to regulatory liabilities and removal costs incurred are deducted from regulatory liabilities. The original cost of plant retired or removed, less salvage, is charged to accumulated depreciation. Normal maintenance, repairs, and minor replacement costs are charged to operating expenses. Construction expenditures included in accounts payable are $22.2 million at December 31, 2011, and $24.6 million at December 31, 2010. Substantially all of the Business s property, plant, and equipment is subject to the Utility operating companies mortgage liens.

Removal costs In accordance with ratemaking treatment and as required by regulatory accounting standards, the depreciation provisions for the Business include a component for removal costs that are not asset retirement obligations under US GAAP. The Business has recorded the following regulatory assets or liabilities to reflect the difference between incurred removal costs and estimated removal costs recovered in rates:

	(In thousands) December 31,	
	2011	**2010**
Regulatory Assets		
Entergy Mississippi	$ 1,536	$ 648
Entergy Texas	493	625
Total	$ 2,029	$ 1,273
Regulatory Liabilities		
Entergy Arkansas	$ 21,187	$ 25,693
Entergy Gulf States Louisiana	10,831	8,230
Entergy Louisiana	26,346	24,449
Entergy New Orleans	535	485
Total	$ 58,899	$ 58,857

See Note 3 for further information on removal costs.

Allowance for Funds Used During Construction (AFUDC) AFUDC represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction by the Business. AFUDC increases both the plant balance and earnings and is realized in cash through depreciation provisions included in the rates charged to customers. The average rates for AFUDC are as follows:

	2011	**2010**	**2009**
Debt Weighted Percentage	3.00%	3.17%	2.93%
Equity Weighted Percentage	5.34%	5.16%	5.05%

Contributions in Aid of Construction Third parties reimburse the Business for all or a portion of expenditures for certain transmission capital projects. The Business collects a contribution in aid of construction from the third party for the cost of the facilities and offsets the contribution against the plant investment recorded to property, plant and equipment. If a tax gross-up applies, the Business recognizes the gross-up as income as construction progresses.

Income Taxes The Business does not file a tax return and is included in Entergy s consolidated tax return. The income tax provision included in the Business s financial statements is calculated based on a separate return methodology as if the Business was a separate taxpayer.

Deferred income taxes are recognized for the expected future tax consequences of events that have been recognized in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the financial statements and tax bases of various assets and liabilities using the tax rates expected to be in effect for the year in which the differences are expected to reverse.

The Business does not maintain income taxes payable to/from Entergy and deems that the annual current tax balances will be settled immediately with the legal tax-paying entities in the respective jurisdictions. These deemed settlements are reflected as changes in net parent investment. Accrued taxes on the balance sheet represent accrued payroll and ad valorem taxes.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates in the period in which the tax or rate was enacted.

Investment tax credits are deferred and amortized based upon the average useful life of the related property, in accordance with ratemaking treatment.

Taxes Imposed on Revenue-Producing Transactions Governmental authorities assess taxes that are both imposed on and concurrent with a specific revenue-producing transaction between a seller and a customer, including, but not limited to, sales, use, value-added, and some excise taxes. The Business presents these taxes on a net basis, excluding them from revenues, unless required to report them differently by a regulatory authority.

Share-Based Payment Entergy grants stock options to key employees, including certain of the Business s employees, which is described more fully in Note 8 to the financial statements. The Business accounts for stock options using the fair value-based method. Awards under Entergy s plans vest over three years.

Fair Values The estimated fair values of the Business financial instruments held in pension and postretirement benefit plans are determined using bid prices and market quotes. Considerable judgment is required in developing the estimates of fair value. Therefore, the estimates are not necessarily indicative of the amounts that the Business could realize in a current market exchange. The carrying amounts of current assets and liabilities approximate fair value.

Cash and Cash Equivalents The Business considers all unrestricted highly-liquid temporary investments with an original maturity of three months or less at the date of purchase to be cash equivalents, including cash and special deposits. Cash and cash equivalents on the balance sheet represent bank accounts specifically identifiable with the Business and special deposits held by the Business to construct transmission improvements for customers.

Impairment of Long-Lived Assets Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If the carrying amount of the asset exceeds the expected undiscounted future cash flows generated by the asset, an impairment loss is recognized resulting in the asset being written down to its estimated fair value. No impairments were recorded during the periods covered by these financial statements.

Goodwill The Business has goodwill recorded relating to Entergy s acquisition of Gulf States Utilities Company in 1993. The goodwill was allocated to the Business based on the estimated fair values of the Business and Entergy s Utility business at the time of the acquisition. Goodwill is not subject to amortization, but is instead tested annually for impairment and whenever facts or circumstances indicate that the carrying amounts

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may not be recoverable. Fair value valuation techniques such as discounted future cash flows and estimates of market-based valuation multiples are used for these assessments. To date our analysis shows that no impairment exists, nor does management believe there is material risk of impairment in the near term. There were no events subsequent to 2011 that indicated impairment of the goodwill. Goodwill of $38 million is included in other assets on the Business s combined balance sheet for both periods presented.

Subsequent Events

The Business evaluated subsequent events through June 28, 2012, the date the financial statements were available to be issued.

New Accounting Pronouncements

The accounting standard-setting process, including projects between the FASB and the International Accounting Standards Board (IASB) to converge US GAAP and International Financial Reporting Standards (IFRSs), is ongoing and the FASB and the IASB are each currently working on several projects that have not yet resulted in final pronouncements. Final pronouncements that result from these projects could have a material effect on the Business future net income, financial position, or cash flows.

In May 2011 the FASB issued ASU No. 2011-4, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, which states that the ASU explains how to measure fair value. The ASU states that: 1) the amendments in the ASU result in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards; 2) consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements; 3) for many of the requirements, the FASB does not intend for the ASU to result in a change in the application of the requirements of current U.S. GAAP; 4) some of the amendments clarify the FASB s intent about the application of existing fair value measurement requirements; and 5) other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. ASU No. 2011-4 is effective for the Business for the first quarter of 2012. The Business does not expect ASU No. 2011-4 to affect materially its results of operations, financial position, or cash flows.

In September 2011 the FASB issued ASU No. 2011-8, Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment. The amendments permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative goodwill impairment assessment. ASU No. 2011-8 is effective for the Business for the first quarter of 2012. The adoption of ASU No. 2011-8 will have no effect on the Business results of operations, financial position, or cash flows.

3. RATE AND REGULATORY MATTERS

Regulatory Asset for Income Taxes

Accounting standards for income taxes provide that a regulatory asset be recorded if it is probable that the currently determinable future increase in regulatory income tax expense will be recovered from customers through future rates. The primary source of the Business s regulatory asset for income taxes is book depreciation of AFUDC equity that has been capitalized to property, plant and equipment but for which there is no corresponding tax basis. AFUDC equity is a component of property, plant and equipment that is included in rate base when the plant is placed in service.

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Other Regulatory Assets and Liabilities

The following tables summarize the regulatory asset and liability balances at December 31, 2011 and 2010:

Other Regulatory Assets

	(In thousands)	
	2011	**2010**
Removal costs recovered through depreciation rates (Note 2)(a)	$ 2,029	$ 1,273
Pensions and postretirement benefits (Note 7)(a)	78,420	39,534
Other regulatory assets	427	218
TOTAL	$ 80,876	$ 41,025

(a) Does not earn a return on investment but the pensions and postretirement benefits regulatory asset is offset by related liabilities.

Other Regulatory Liabilities

	(In thousands)	
	2011	**2010**
Removal costs accumulated through depreciation rates (Note 2)	$ 58,899	$ 58,857
TOTAL	$ 58,899	$ 58,857

Regulatory Rate Proceedings

The Business is a component of the Utility business of Entergy, and the revenues specifically identified with or allocated to the Business are affected by the regulatory proceedings that affect the Utility operating companies rates and resulting revenues. The Utility s rate proceedings and cost recoveries included the Business as a part of Entergy s integrated Utility operations.

Open Access Transmission Tariff (OATT)

The OATT determines the service charges for Point-to-Point Transmission and Network Integration Transmission Service for the use of Entergy s transmission facilities. These rates are updated and filed annually with the FERC in May of each year based on actual data for the immediately preceding calendar year.

In May 2012, Entergy submitted the 2012 annual rate update under the Entergy OATT, which reflected an estimated increase in revenues of approximately $5.2 million. The update adjusts the charges applicable for OATT service from June 2012 through May 2013 based on historical 2011 cost data and other actual historical inputs.

In May 2011, Entergy submitted the 2011 annual rate update under the Entergy OATT, which reflected an estimated increase in revenues of approximately $16.6 million. The update adjusts the charges applicable for OATT service for June 2011 through May 2012 based on historical 2010 cost data and other actual historical inputs. In September 2011 five parties filed a complaint challenging the rates and charges proposed by Entergy on various grounds. In October 2011, Entergy filed an answer to the complaint responding to the complainants allegations and asking that the complaint be dismissed. In January 2012 the FERC issued an order setting the rates for hearing and establishing settlement judge proceedings. A hearing has not been scheduled, the case is still in settlement judge proceedings, and on June 22, 2012, the settlement judge recommended that settlement judge proceedings continue.

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In May 2010, Entergy submitted the 2010 annual rate update under the Entergy OATT, which reflected an estimated increase in revenues of approximately $9.5 million. Prior to FERC action on the filing, the parties conducted settlement discussions and, in October 2010, the parties reached a settlement in principle on the rate as filed. The FERC approved the settlement in March 2011.

Retail Rate Proceedings

The following chart summarizes the Utility operating companies retail base rates effective as of December 31, 2011:

Company	Authorized Return on Common Equity	
Entergy Arkansas	10.2%	Retail base rates implemented in the July 2010 billing cycle pursuant to a settlement approved by the APSC.
Entergy Gulf States Louisiana	9.9%-11.4%	Retail base rates based on Entergy Gulf States Louisiana s 2010 test year formula rate plan filing approved by the LPSC.
Entergy Louisiana	9.45%-11.05%	Retail base rates based on Entergy Louisiana s 2010 test year formula rate plan filing approved by the LPSC.
Entergy Mississippi	10.54%-12.72%	Retail base rates reflect Entergy Mississippi s 2010 test year formula rate plan filing and a stipulation approved by the MPSC.
Entergy New Orleans	10.7%-11.5%	Retail base rates reflect Entergy New Orleans s 2010 test year formula rate plan filing and a settlement approved by the City Council.
Entergy Texas	10.125%	Retail base rates reflect Entergy Texas s 2009 base rate case filing and a settlement approved by the PUCT.

Filings with the APSC

In September 2009, Entergy Arkansas filed with the APSC for a general change in rates, charges, and tariffs. In June 2010 the APSC approved a settlement and subsequent compliance tariffs that provide for a $63.7 million rate increase, effective for bills rendered for the first billing cycle of July 2010. The settlement provides for a 10.2% return on common equity.

Formula Rate Plan Filings with the LPSC

In March 2005 the LPSC approved a settlement proposal to resolve various dockets covering a range of issues for Entergy Gulf States Louisiana and Entergy Louisiana. The settlement included the establishment of a three-year formula rate plan for Entergy Gulf States Louisiana that, among other provisions, established a return on common equity mid-point of 10.65% for the initial three-year term of the plan and permits Entergy Gulf States Louisiana to recover incremental capacity costs outside of a traditional base rate proceeding. Under the formula rate plan, over- and under-earnings outside an allowed range of 9.9% to 11.4% are allocated 60% to customers and 40% to Entergy Gulf States Louisiana. Entergy Gulf States Louisiana made its initial formula rate plan filing in June 2005. The formula rate plan was subsequently extended one year.

Entergy Louisiana made a rate filing with the LPSC requesting a base rate increase in January 2004. In May 2005 the LPSC approved a settlement that included the adoption of a three-year formula rate plan, the terms of

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which included an ROE mid-point of 10.25% for the initial three-year term of the plan and permit Entergy Louisiana to recover incremental capacity costs outside of a traditional base rate proceeding. Under the formula rate plan, over- and under-earnings outside an allowed regulatory range of 9.45% to 11.05% will be allocated 60% to customers and 40% to Entergy Louisiana. The initial formula rate plan filing was made in May 2006.

The formula rate plans for Entergy Gulf States Louisiana and Entergy Louisiana have subsequently been extended, with return on common equity provisions consistent with the previously approved provisions, to cover the 2008, 2009, 2010, and 2011 test years.

Entergy Gulf States Louisiana

In October 2009 the LPSC approved a settlement that resolved Entergy Gulf States Louisiana s 2007 test year filing and provided for a formula rate plan for the 2008, 2009, and 2010 test years. 10.65% is the target midpoint return on equity for the formula rate plan, with an earnings bandwidth of +/- 75 basis points (9.90% 11.40%). Entergy Gulf States Louisiana, effective with the November 2009 billing cycle, reset its rates to achieve a 10.65% return on equity for the 2008 test year. The rate reset, a $44.3 million increase that includes a $36.9 million cost of service adjustment, plus $7.4 million net for increased capacity costs and a base rate reclassification, was implemented for the November 2009 billing cycle, and the rate reset was subject to refund pending review of the 2008 test year filing that was made in October 2009. In May 2010, Entergy Gulf States Louisiana and the LPSC staff submitted a joint report on the 2008 test year filing and requested that the LPSC accept the report, which resulted in a $0.8 million reduction in rates effective in the June 2010 billing cycle and a $0.5 million refund. At its May 19, 2010 meeting, the LPSC accepted the joint report.

In May 2010, Entergy Gulf States Louisiana made its formula rate plan filing with the LPSC for the 2009 test year. The filing reflected a 10.25% return on common equity, which is within the allowed earnings bandwidth, indicating no cost of service rate change is necessary under the formula rate plan. In August 2010, Entergy Gulf States Louisiana made a revised 2009 test year filing. The revised filing reflected a 10.12% earned return on common equity, which is within the allowed earnings bandwidth resulting in no cost of service adjustment. Entergy Gulf States Louisiana and the LPSC staff subsequently submitted a joint report on the 2009 test year filing and the LPSC approved the joint report in January 2011.

In May 2011, Entergy Gulf States Louisiana made its formula rate plan filing with the LPSC for the 2010 test year. The filing reflected an 11.11% earned return on common equity, which is within the allowed earnings bandwidth, indicating no cost of service rate change is necessary under the formula rate plan. Entergy Gulf States Louisiana and the LPSC Staff subsequently filed a joint report that also stated that no cost of service rate change is necessary under the formula rate plan, and the LPSC approved it in October 2011.

In November 2011, the LPSC approved a one-year extension of Entergy Gulf States Louisiana s formula rate plan. In addition, Entergy Gulf States Louisiana is required to file a full rate case by January 2013.

In May 2012, Entergy Gulf States Louisiana made its formula rate plan filing with the LPSC for the 2011 test year. The filing reflects an 11.94% earned return on common equity, which is above the earnings bandwidth and indicates a $6.5 million cost of service rate change is necessary under the formula rate plan. The filing is currently subject to LPSC review.

Entergy Louisiana

In October 2009, the LPSC approved a settlement that resolved Entergy Louisiana s 2006 and 2007 test year filings and provided for a new formula rate plan for the 2008, 2009, and 2010 test years. 10.25% is the target midpoint return on equity for the formula rate plan, with an earnings bandwidth of +/- 80 basis points (9.45% 11.05%).

Entergy Louisiana was permitted, effective with the November 2009 billing cycle, to reset its rates to achieve a 10.25% return on equity for the 2008 test year. The rate reset, a $2.5 million increase that included a $16.3 million cost of service adjustment less a $13.8 million net reduction for decreased capacity costs and a base rate reclassification, was implemented for the November 2009 billing cycle, and the rate reset was subject to refund pending review of the 2008 test year filing that was made in October 2009. In April 2010, Entergy Louisiana and the LPSC staff submitted a joint report on the 2008 test year filing and requested that the LPSC accept the report, which resulted in a $0.1 million reduction in rates effective in the May 2010 billing cycle and a $0.1 million refund. At its April 21, 2010 meeting, the LPSC accepted the joint report.

In May 2010, Entergy Louisiana made its formula rate plan filing with the LPSC for the 2009 test year. The filing reflected a 10.82% return on common equity, which is within the allowed earnings bandwidth, indicating no cost of service rate change is necessary under the formula rate plan. In August 2010, Entergy Louisiana made a revised 2009 test year formula rate plan filing. The revised filing reflected a 10.82% earned return on common equity, which is within the allowed earnings bandwidth resulting in no cost of service adjustment. The rates reflected in the revised filing became effective beginning with the first billing cycle of September 2010. Entergy Louisiana and the LPSC staff subsequently submitted a joint report on the 2009 test year filing consistent with these terms and the LPSC approved the joint report in December 2010.

In May 2011, Entergy Louisiana made its formula rate plan filing with the LPSC for the 2010 test year. The filing reflected an 11.07% earned return on common equity, which is just outside of the allowed earnings bandwidth and results in no cost of service rate change under the formula rate plan. Entergy Louisiana and the LPSC Staff subsequently filed a joint report that reflects an 11.07% earned return and results in no cost of service rate change under the formula rate plan, and the LPSC approved the joint report in October 2011.

In November 2011 the LPSC approved a one-year extension of Entergy Louisiana s current formula rate plan. Entergy Louisiana is required to file a full rate case by January 2013.

In May 2012, Entergy Louisiana made its formula rate plan filing with the LPSC for the 2011 test year. The filing reflects a 9.63% earned return on common equity, which is within the earnings bandwidth and results in no cost of service rate change under the formula rate plan. The filing is currently subject to LPSC review.

Formula Rate Plan Filings with the MPSC

In September 2009, Entergy Mississippi filed with the MPSC proposed modifications to its formula rate plan rider. In March 2010 the MPSC issued an order: (1) providing the opportunity for a reset of Entergy Mississippi s return on common equity to a point within the formula rate plan bandwidth and eliminating the 50/50 sharing that had been in the plan, (2) modifying the performance measurement process, and (3) replacing the revenue change limit of two percent of revenues, which was subject to a $14.5 million revenue adjustment cap, with a limit of four percent of revenues, although any adjustment above two percent requires a hearing before the MPSC. The MPSC did not approve Entergy Mississippi s request to use a projected test year for its annual scheduled formula rate plan filing and, therefore, Entergy Mississippi will continue to use a historical test year for its annual evaluation reports under the plan.

In March 2010, Entergy Mississippi submitted its 2009 test year filing, its first annual filing under the new formula rate plan rider. In June 2010 the MPSC approved a joint stipulation between Entergy Mississippi and the Mississippi Public Utilities Staff that provides for no change in rates.

In March 2011, Entergy Mississippi submitted its formula rate plan 2010 test year filing. The filing reflected an earned return on common equity of 10.65% for the test year, which is within the earnings bandwidth and resulted in no change in rates. In November 2011 the MPSC approved a joint stipulation between Entergy Mississippi and the Mississippi Public Utilities Staff that provides for no change in rates.

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In March 2012, Entergy Mississippi submitted its formula rate plan 2011 test year filing. The filing shows an earned return on common equity of 10.92% for the test year, which is within the earnings bandwidth and results in no change in rates. The filing is currently subject to MPSC review.

Formula Rate Plan Filings with the City Council (Entergy New Orleans)

On July 31, 2008, Entergy New Orleans filed an electric and gas base rate case with the City Council. On April 2, 2009, the City Council approved a comprehensive settlement. The settlement provided for a net $35.3 million reduction in combined fuel and non-fuel electric revenue requirement, including conversion of a $10.6 million voluntary recovery credit, implemented in January 2008, to a permanent reduction and substantial realignment of Grand Gulf cost recovery from fuel to electric base rates, and a $4.95 million gas base rate increase, both effective June 1, 2009, with adjustment of the customer charges for all rate classes. A new three-year formula rate plan was also adopted, with terms including an 11.1% benchmark electric return on common equity (ROE) with a +/- 40 basis point bandwidth. Earnings outside the bandwidth reset to the midpoint benchmark ROE, with rates changing on a prospective basis depending on whether Entergy New Orleans is over- or under-earning.

In May 2010, Entergy New Orleans filed its electric formula rate plan evaluation report. The filing requested a $12.8 million electric base revenue decrease. Entergy New Orleans and the City Council s Advisors reached a settlement that resulted in an $18.0 million electric base revenue decrease effective with the October 2010 billing cycle. The City Council approved the settlement in November 2010.

In May 2011, Entergy New Orleans filed its electric formula rate plan evaluation report for the 2010 test year. The filings requested a $6.5 million electric rate decrease. Entergy New Orleans and the City Council s Advisors reached a settlement that results in an $8.5 million incremental electric rate decrease. The City Council approved the settlement in September 2011. The new rates were effective with the first billing cycle of October 2011.

In May 2012, Entergy New Orleans filed its electric formula rate plan evaluation report for the 2011 test year. The filing requests a $3.0 million electric base revenue increase. If approved, the new rates would be effective with the first billing cycle in October 2012. The City Council s and its Advisors review of the filing is pending.

Filings with the PUCT and Texas Cities

2009 Rate Case

In December 2009, Entergy Texas filed a rate case requesting a $198.7 million increase reflecting an 11.5% return on common equity based on an adjusted June 2009 test year. Beginning in May 2010, Entergy Texas implemented a $17.5 million interim rate increase, subject to refund. The parties filed a settlement in August 2010 intended to resolve the rate case proceeding. The settlement provides for a $59 million base rate increase for electricity usage beginning August 15, 2010, with an additional increase of $9 million for bills rendered beginning May 2, 2011. The settlement stipulates an authorized return on equity of 10.125%. The PUCT approved the settlement in December 2010.

2011 Rate Case

In November 2011, Entergy Texas filed a rate case requesting a $112 million base rate increase reflecting a 10.6% return on common equity based on an adjusted June 2011 test year. On April 3, 2012 the PUCT Staff filed direct testimony recommending a base rate increase of $66 million and a 9.6% return on common equity. The PUCT Staff, however, subsequently filed a statement of position in the proceeding indicating that it was still evaluating the position it will ultimately take in the case regarding the Entergy Texas s recovery of purchased

power capacity costs and Entergy Texas s proposal to defer its MISO transition expenses. On April 13, 2012, Entergy Texas filed rebuttal testimony indicating a revised request for a $105 million base rate increase. A hearing was held in late-April through early-May 2012 and a decision is pending. During the hearing and in its post-hearing brief the PUCT Staff revised its recommendation to a base rate increase of $27 million.

4. TRANSACTIONS WITH AFFILIATES

The Business receives management, administrative, accounting, legal, engineering, and other services from Entergy Services, which is a wholly-owned subsidiary of Entergy. The Business s expenses for such services were $117.8 million in 2011, $116.7 million in 2010, and $106.5 million in 2009. These costs are allocated to the Business based on the actual costs incurred by Entergy Services and to the extent that the activities related to or benefited the Business, whether directly or indirectly. Management believes that the cost allocations are reasonable for the services provided.

The Business s operations are bundled with Entergy Utility s production and distribution operations. As described in Notes 1 and 2 to the financial statements, the majority of Entergy s customers are billed collectively for services that include all functions. With the exception of certain wholesale transmission customers, customer billings are not segregated between the Utility s functions. Likewise, no intercompany billings exist between the Business and the Utility s other functions. Refer to Note 1 to the financial statements for a description of the revenue allocation process used in these combined financial statements.

Entergy uses a centralized approach for cash management and to finance its operations. During the periods covered by these combined financial statements, cash receipts were remitted to Entergy on a regular basis and are reflected within net parent investment in the combined balance sheets. Similarly, the Business s cash disbursements were funded through Entergy s cash accounts.

5. PROPERTY, PLANT AND EQUIPMENT

The components of utility plant in service at December 31, 2011 and 2010 are as follows:

	(In thousands)	
	2011	**2010**
Land and land rights	$ 278,348	$ 257,771
Structures and improvements	147,101	136,206
Station equipment	2,159,238	1,958,224
Towers, poles and fixtures	1,458,833	1,350,131
Conductors, conduits and devices	1,053,360	982,481
Other	221,454	226,406
Total utility plant in service	**$ 5,318,334**	**$ 4,911,219**

Additions to utility plant in service and construction work in progress during 2011 and 2010 were primarily for projects to upgrade or replace existing transmission plant to improve the reliability of the transmission system. Certain transmission projects at Entergy Arkansas have been granted an incentive to include construction work in progress balances in rate base, and AFUDC has not been accrued on those projects.

6. INCOME TAXES

Each Utility operating company s activity was used to compute income taxes on a separate return basis as if each entity had been a separate legal entity and taxpayer in each of the respective jurisdictions. As a result, tax transactions that would not have occurred had the Business been a separate entity have been eliminated in the preparation of these financial statements.

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Components of the income tax provision were as follows:

	(In thousands)		
	2011	2010	2009
Current:			
Federal	$ 11,162	$ 34,783	$ 35,061
State	5,898	5,435	6,140
Total	17,060	40,218	41,201
Deferred and non-current net	58,575	28,099	28,155
Investment tax credit adjustments net	(1,175)	(1,151)	(1,151)
Total income tax provision	$ 74,460	$ 67,166	$ 68,205

The effective tax rate varied from the statutory federal income tax rate due to differences between the book and tax treatment of various transactions as follows:

	(In thousands)		
	2011	2010	2009
Combined net income	$ 134,824	$ 110,561	$ 110,426
Income taxes	74,460	67,166	68,205
Income before income taxes	$ 209,284	$ 177,727	$ 178,631
Computed at statutory rate (35%)	$ 73,249	$ 62,204	$ 62,521
Increases (reductions) in tax resulting from:			
State income taxes net of federal income tax effect	5,024	5,207	5,604
Regulatory differences utility plant items	3,026	4,142	3,667
Allowance for equity funds used during construction	(5,293)	(2,936)	(2,168)
Amortization of investment tax credits	(1,175)	(1,151)	(1,151)
Flow-through/permanent differences	(374)	(302)	(270)
Other net	3	2	2
Total income taxes as reported	74,460	67,166	68,205
Effective income tax rate	35.6%	37.8%	38.2%

Deferred tax assets and liabilities are recognized for the estimated future tax effect of temporary differences between the tax basis of assets or liabilities and the reported amounts in the financial statements. Deferred tax assets and liabilities are classified as current or noncurrent according to the classification of the related assets or liabilities. Deferred tax assets and liabilities not related to assets or liabilities are classified according to the expected reversal date of the temporary differences.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of the Business, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates in the period in which the tax or rate was enacted. There are no valuation allowances recorded on the Business s deferred tax assets.

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Deferred income tax assets (liabilities) consisted of the following at December 31:

	(In thousands)	
	2011	**2010**
Deferred tax liabilities:		
Plant-related basis differences net	$ (801,131)	$ (750,298)
Regulatory asset for income taxes net	(63,833)	(58,960)
Other	(1,937)	
Total	$ (866,901)	$ (809,258)
Deferred tax assets:		
Accumulated deferred investment tax credit	$ 6,887	$ 7,339
Pension-related items	9,912	6,933
Net operating loss carryforwards	5,535	
Other	26	17
Total	22,360	14,289
Noncurrent accrued taxes (including unrecognized tax benefits)	(15,724)	(17,472)
Accumulated deferred income taxes and taxes accrued	$ (860,265)	$ (812,441)

The Business s estimated tax attribute carryovers and their expiration dates as of December 31, 2011 are as follows:

Carryover Description	Carryover Amount	Year(s) of Expiration
State net operating losses	$103 million	2013-2030

As a result of the accounting for uncertain tax positions, the amount of the deferred tax assets reflected in the financial statements, as well as the attribute carryovers in the table above, are less than the amount of the tax effect of the federal and state net operating loss carryovers, tax credit carryovers, and other tax attributes that would be reflected on income tax returns.

Unrecognized Tax Benefits

Accounting standards establish a more-likely-than-not recognition threshold that must be met before a tax benefit can be recognized in the financial statements. If a tax deduction is taken on a tax return, but does not meet the more-likely-than-not recognition threshold, an increase in income tax liability above what is payable on the tax return is required to be recorded. A reconciliation of the Business s beginning and ending amount of unrecognized tax benefits is as follows:

		(In thousands)	
	2011	**2010**	**2009**
Gross balance at January 1	$ 17,472	$ 11,898	$ 13,220
Additions based on tax positions related to the current year		6,765	
Additions for tax positions of prior years			
Reductions for tax positions of prior years	(1,748)	(1,191)	(1,322)
Settlements			
Lapse of statute of limitations			
Gross balance at December 31	$ 15,724	$ 17,472	$ 11,898

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Substantially all of the unrecognized tax benefits would lower the effective tax rate if recognized. Interest and penalties, if any, related to unrecognized tax benefits are accrued in income tax expense. The Business made no accrual for the possible payment of interest and penalties in 2011, 2010, and 2009.

Income Tax Audits

Entergy s Utility operating companies file U.S. federal and various state income tax returns. The IRS and substantially all state taxing authorities examinations are completed for years before 2005. Entergy regularly negotiates with the IRS to achieve settlements and believes the provisions recorded in its financial statements are sufficient to address these issues. The outcome of Entergy s potential audit issues could result in changes to the amounts of unrecognized tax benefits.

7. RETIREMENT, OTHER POSTRETIREMENT BENEFITS, AND DEFINED CONTRIBUTION PLANS

Qualified Pension Plans and Other Postretirement Benefit Plans

Substantially all employees of the Business currently participate in one of two qualified pension plans that are sponsored by Entergy: Entergy Corporation Retirement Plan for Non-Bargaining Employees and Entergy Corporation Retirement Plan for Bargaining Employees. The pension plans are noncontributory and provide pension benefits that are based on employees credited service and compensation during the final years before retirement. Entergy s defined benefit pension plans assets and liabilities are combined with those related to other Entergy businesses. Similarly, Entergy manages its postretirement benefit plans on a combined basis with claims data and liability information related to the Business aggregated and combined with other Entergy businesses.

Assets, liabilities, and pension and other postretirement costs for current employees are calculated by employee. No assets or liabilities are reflected on the Business s combined balance sheets for retired employees. Expenses for retired employees are identified and allocated based on an analysis of the Business s portion of other payroll-related costs. Management believes this methodology is a reasonable basis of allocation. The assets, liabilities, and costs associated with the retirement and postretirement plans discussed below are reflective of current, identified employees accounted for on a multiple employer plan basis. The total pension and other postretirement benefit expenses included in the combined income statements for 2011, 2010, and 2009 are $9.9 million, $9.5 million, and $7.8 million, respectively.

The assets of the two qualified pension plans are held in a master trust established by Entergy. Each pension plan has an undivided beneficial interest in each of the investment accounts of the master trust that is maintained by a trustee. Use of the master trust permits the commingling of the trust assets of the Entergy pension plans for investment and administrative purposes. Although assets are commingled in the master trust, the trustee maintains supporting records for the purpose of allocating the equity in net earnings (loss) and the administrative expenses of the investment accounts to the various participating pension plans. The fair value of the trust assets is determined by the trustee and certain investment managers. The trustee calculates a daily earnings factor, including realized and unrealized gains or losses, collected and accrued income, and administrative expenses, and allocates earnings to each plan in the master trust on a pro rata basis.

Further, within each pension plan, the record of each Entergy company s beneficial interest in the plan assets is maintained by the plan s actuary and is updated quarterly. Assets are increased for investment income and contributions, and decreased for benefit payments. A plan s investment net income/(loss) (i.e. interest and dividends, realized gains and losses and expenses) is allocated to the companies participating in that plan based on the value of assets for each company at the beginning of the quarter adjusted for contributions and benefit payments made during the quarter.

Entergy funds pension costs in accordance with contribution guidelines established by the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended. The

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assets of the plans include common and preferred stocks, fixed-income securities, interest in a money market fund, and insurance contracts. Entergy s pension costs for its Utility operating companies are recovered from customers as a component of their cost of service.

Components of Qualified Net Pension Cost and Other Amounts Recognized as a Regulatory Asset

Total 2011, 2010, and 2009 qualified pension costs and amounts recognized as a regulatory asset, including amounts capitalized, included the following components:

	(In thousands)		
	2011	**2010**	**2009**
Net periodic pension cost:			
Service cost benefits earned during the period	$ 5,581	$ 4,895	$ 4,041
Interest cost on projected benefit obligation	7,382	8,334	8,027
Expected return on assets	(8,991)	(8,517)	(8,248)
Amortization of prior service cost	56	56	55
Recognized net loss	1,819	2,692	1,226
Net periodic pension costs	$ 5,847	$ 7,460	$ 5,101
Other changes in plan assets and benefit obligations recognized as a regulatory asset			
Arising this period:			
Net (gain)/loss	$ 38,380	$ (15,275)	$ (1,019)
Amounts reclassified from regulatory asset to net periodic pension cost in the current year:			
Amortization of prior service cost	(56)	(56)	(55)
Amortization of net loss	(1,819)	(2,692)	(1,226)
Total	36,505	(18,023)	(2,300)
Total recognized as net periodic pension cost, regulatory asset	$ 42,352	$ (10,563)	$ 2,801
Estimated amortization amounts from regulatory asset to net periodic cost in the following year			
Prior service cost	$ 47	$ 56	$ 56
Net loss	$ 4,605	$ 1,819	$ 2,692

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Qualified Pension Obligations, Plan Assets, Funded Status, Amounts Recognized in the Balance Sheet as of December 31, 2011 and 2010

	(In thousands)	
	2011	**2010**
Change in Projected Benefit Obligation (PBO)		
Balance at beginning of year	$ 132,075	$ 136,322
Service cost	5,581	4,895
Interest cost	7,382	8,334
Actuarial (gain)/loss	27,232	(17,476)
Benefits paid	(496)	
Balance at end of year	$ 171,774	$ 132,075
Change in Plan Assets		
Fair value of assets at beginning of year	$ 102,945	$ 89,474
Actual return on plan assets	(2,157)	6,315
Employer contributions	5,901	7,156
Benefits paid	(496)	
Fair value of assets at end of year	$ 106,193	$ 102,945
Funded status	(65,581)	(29,130)
Amount recognized in the balance sheet		
Non-current liabilities	(65,581)	(29,130)
Amount recognized as a regulatory asset		
Prior service cost	58	114
Net loss	70,455	33,894
Total	$ 70,513	$ 34,008

Other Postretirement Benefits

Entergy also currently provides health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age and meet certain eligibility requirements while still working for Entergy. The Business uses a December 31 measurement date for the postretirement benefit plans.

Effective January 1, 1993, Entergy adopted an accounting standard requiring a change from a cash method to an accrual method of accounting for postretirement benefits other than pensions. Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, and Entergy Texas have received regulatory approval to recover accrued other postretirement benefit costs through rates. The LPSC ordered Entergy Gulf States Louisiana and Entergy Louisiana to continue the use of the pay-as-you-go method for ratemaking purposes for postretirement benefits other than pensions. The LPSC retains the flexibility, however, to examine individual company s accounting for other postretirement benefits to determine if special exceptions to this order are warranted. Pursuant to regulatory directives, Entergy Arkansas, Entergy Mississippi, Entergy New Orleans and Entergy Texas contribute the other postretirement benefit costs collected in rates into external trusts.

Trust assets contributed by participating Entergy companies are in three bank-administered trusts, established by Entergy Corporation and maintained by a trustee. Each participating company holds a beneficial interest in the trusts assets. The assets in the master trusts are commingled for investment and administrative purposes. Although assets are commingled, the trustee maintains supporting records for the purpose of allocating the beneficial interest in net earnings/ (losses) and the administrative expenses of the investment accounts to the various participating plans and participating companies. Beneficial interest in an investment account s net income/ (loss) is comprised of interest and dividends, realized and unrealized gains and losses, and expenses. Beneficial interest from these investments is allocated monthly to the plans and participating companies based on their portion of net assets in the pooled accounts.

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Components of Net Other Postretirement Benefit Cost and Other Amounts Recognized as a Regulatory Asset and/or AOCI

Total 2011, 2010, and 2009 other postretirement benefit costs, including amounts capitalized and amounts recognized as a regulatory asset and/or other comprehensive income, included the following components:

		(In thousands)	
	2011	2010	2009
Other post retirement costs:			
Service cost benefits earned during the period	$ 2,812	2,420	2,177
Interest cost on APBO	1,532	1,527	1,526
Expected return on assets	(430)	(384)	(339)
Amortization of transition obligation	35	38	38
Amortization of prior service credit	(59)	(77)	(184)
Recognized net loss	574	481	512
Net other postretirement benefit cost	$ 4,464	$ 4,005	$ 3,730
Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or AOCI (before tax)			
Arising this period:			
Prior service credit for period	$	$ (490)	$
Net (gain)/loss	4,674	(128)	(1,293)
Amounts reclassified from regulatory asset and /or AOCI to net periodic benefit cost in the current year:			
Amortization of transition obligation	(35)	(38)	(38)
Amortization of prior service credit	59	77	184
Amortization of net loss	(574)	(481)	(512)
Total	$ 4,124	$ (1,060)	$ (1,659)
Total recognized as net periodic benefit cost, regulatory asset, and/or AOCI (before tax)	$ 8,588	$ 2,945	$ 2,071
Estimated amortization amounts from regulatory asset and/or AOCI to net periodic benefit cost in the following year			
Transition obligation	$ 35	$ 35	$ 38
Prior service credit	$ (59)	$ (59)	$ (77)
Net loss	$ 845	$ 574	$ 481

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Other Postretirement Benefit Obligations, Plan Assets, Funded Status, and Amounts Not Yet Recognized and Recognized in the Balance Sheet as of December 31, 2011 and 2010

	(In thousands) December 31,	
	2011	2010
Change in APBO		
Balance at beginning of year	$ 27,955	$ 25,221
Service cost	2,812	2,420
Interest cost	1,532	1,527
Plan amendments		(490)
Actuarial (gain)/loss	4,364	(723)
Benefits paid	(152)	
Balance at end of year	$ 36,511	$ 27,955
Change in Plan Assets		
Fair value of assets at beginning of year	$ 5,662	$ 5,048
Actual return on plan assets	120	(211)
Employer contributions	634	825
Benefits paid	(152)	
Fair value of assets at end of year	$ 6,264	$ 5,662
Funded status	$ (30,247)	$ (22,293)
Amounts recognized in the balance sheet		
Current liabilities	(165)	(102)
Non-current liabilities	(30,082)	(22,191)
Total funded status	(30,247)	(22,293)
Amounts recognized as a regulatory asset (before tax)		
Transition obligation	$ 26	$ 53
Prior service cost/(credit)	(168)	(202)
Net loss	8,667	6,110
Total	$ 8,525	$ 5,961
Amounts recognized as AOCI (before tax)		
Transition obligation	$ 9	$ 18
Prior service credit	(115)	(140)
Net loss	5,118	3,576
Total	$ 5,012	$ 3,454

Non-Qualified Pension Plans

Entergy also sponsors non-qualified, non-contributory defined benefit pension plans that provide benefits to certain key employees. The Business recognized net periodic pension cost related to these plans of $0.1 million in 2011, 2010, and 2009. The projected benefit obligation was $1.1 million and $0.9 million as of December 31, 2011 and 2010, respectively. The accumulated benefit obligation was $0.9 million and $0.7 million as of December 31, 2011 and 2010, respectively.

The Business s non-qualified, non-current pension liability at December 31, 2011 and 2010 was $1 million and $0.8 million, respectively; and its current liability was $0.1 million at December 31, 2011 and 2010. The unamortized transition obligation, prior service cost and net loss are recognized in regulatory assets ($0.5 million at December 31, 2011 and 2010).

Accounting for Pension and Other Postretirement Benefits

Accounting standards require an employer to recognize in its balance sheet the funded status of its benefit plans. This is measured as the difference between plan assets at fair value and the benefit obligation. The Business uses a December 31 measurement date for its pension and other postretirement plans. Employers are to record previously unrecognized gains and losses, prior service costs, and any remaining transition asset or obligation (that resulted from adopting prior pension and other postretirement benefits accounting standards) as comprehensive income and/or as a regulatory asset reflective of the recovery mechanism for pension and other postretirement benefit costs in the Utility s jurisdictions. Entergy Gulf States Louisiana and Entergy Louisiana recover other postretirement benefit costs on a pay as you go basis and record the unrecognized prior service cost, gains and losses, and transition obligation for its other postretirement benefit obligation as other comprehensive income. Accounting standards also require that changes in the funded status be recorded as other comprehensive income and/or a regulatory asset in the period in which the changes occur.

With regard to pension and other postretirement costs, the Business calculates the expected return on pension and other postretirement benefit plan assets by multiplying the long-term expected rate of return on assets by the market-related value (MRV) of plan assets. The Business determines the MRV of pension plan assets by calculating a value that uses a 20-quarter phase-in of the difference between actual and expected returns. For other postretirement benefit plan assets the Business uses fair value when determining MRV.

Qualified Pension and Other Postretirement Plans Assets

The Plan Administrator s trust asset investment strategy is to invest the assets in a manner whereby long term earnings on the assets (plus cash contributions) provide adequate funding for retiree benefit payments. The mix of assets is based on an optimization study that identifies asset allocation targets in order to achieve the maximum return for an acceptable level of risk, while minimizing the expected contributions and pension and postretirement expense.

The Plan Administrator approved a new asset allocation and implementation of an optimization study in 2011 for the pension assets. The optimization study recommended that the target asset allocation adjust dynamically based on the funded status of the plan. The study identifies updated asset allocation targets to maximize return on the assets within a prudent level of risk, as mentioned above, and to maintain a level of volatility that is not expected to have material impact on Entergy Transmission s expected contribution and expense. Entergy has begun to adjust its asset allocation, and those adjustments are reflected in the target and actual asset allocations listed below.

Entergy also completed an optimization study in 2011 for the postretirement assets that identifies new asset allocation targets. Entergy plans to adjust to this asset allocation during 2012, and the target asset allocation will be 39% domestic equity securities, 26% international equity securities and 35% fixed income securities for all trusts, taxable and non-taxable.

In the optimization studies, the Plan Administrator formulates assumptions about characteristics, such as expected asset class investment returns, volatility (risk), and correlation coefficients among the various asset classes. The future market assumptions used in the optimization study are determined by examining historical market characteristics of the various asset classes, and making adjustments to reflect future conditions expected to prevail over the study period. The following targets and ranges were established to produce an acceptable, economically efficient plan to manage around the targets. The target asset allocation range below for pension shows the ranges within which the allocation may adjust based on funded status, with the expectation that the allocation to fixed income securities will increase as the pension funded status increases.

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Qualified pension and postretirement weighted-average asset allocations by asset category at December 31, 2011 and 2010 and the target asset allocation and ranges for those time periods are as follows:

Pension

Asset Allocation	Target	Range	2011	2010
Domestic Equity Securities	45%	34% to 53%	44%	44%
International Equity Securities	20%	16% to 24%	18%	20%
Fixed Income Securities	35%	31% to 41%	37%	35%
Other	0%	0% to 10%	1%	1%

Postretirement

Asset Allocation	Non-Taxable				Taxable			
	Target	Range	2011	2010	Target	Range	2011	2010
Domestic Equity Securities	38%	33% to 43%	39%	39%	35%	30% to 40%	35%	39%
International Equity Securities	17%	12% to 22%	15%	18%	0%	0%	0%	0%
Fixed Income Securities	45%	40% to 50%	46%	43%	65%	60% to 70%	64%	60%
Other	0%	0% to 5%	0%	0%	0%	0% to 5%	1%	1%

In determining its expected long term rate of return on plan assets used in the calculation of benefit plan costs, Entergy Transmission reviews past performance, current and expected future asset allocations, and capital market assumptions of its investment consultant and investment managers.

The expected long term rate of return for the qualified pension plans assets is based on the geometric average of the historical annual performance of a representative portfolio weighted by the target asset allocation defined in the table above. The time period reflected is a long-dated period spanning several decades.

The expected long-term rate of return for the non-taxable postretirement trust assets is determined using the same methodology described above for pension assets, but the asset allocation specific to the non-taxable postretirement assets is used.

For the taxable postretirement trust assets, the investment allocation includes a high percentage of tax-exempt fixed income securities. This asset allocation in combination with the same methodology employed to determine the expected return for other trust assets (as described above), with a modification to reflect applicable taxes, is used to produce the expected long-term rate of return for taxable postretirement trust assets.

The Business currently expects long term rates of return higher than last year s expectation for both the non-taxable and taxable postretirement trusts because of the planned increases to the equity allocations in 2012.

Concentrations of Credit Risk

Entergy s investment guidelines mandate the avoidance of risk concentrations. Types of concentrations specified to be avoided include, but are not limited to, investment concentrations in a single entity, type of industry, foreign country, geographic area and individual security issuance. As of December 31, 2011 all investment managers and assets were materially in compliance with the approved investment guidelines, therefore there were no significant concentrations (defined as greater than 10 percent of plan assets) of risk in the Business s pension and other postretirement benefit plan assets.

Fair Value Measurements

Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

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The three levels of the fair value hierarchy are described below:

Level 1 Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access at the measurement date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Level 2 inputs are inputs other than quoted prices included in Level 1 that are, either directly or indirectly, observable for the asset or liability at the measurement date. Assets are valued based on prices derived by an independent party that uses inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. Prices are reviewed and can be challenged with the independent parties and/or overridden if it is believed such would be more reflective of fair value. Level 2 inputs include the following:

quoted prices for similar assets or liabilities in active markets;

quoted prices for identical assets or liabilities in inactive markets;

inputs other than quoted prices that are observable for the asset or liability; or

inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If an asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Level 3 refers to securities valued based on significant unobservable inputs.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following tables set forth by level within the fair value hierarchy measured at fair value on a recurring basis at December 31, 2011 and December 31, 2010 a summary of the investments held in the master trusts for Entergy s qualified pension and other postretirement plans in which the Business participates.

Qualified Pension Trust

	(In thousands)						
2011	**Level 1**		**Level 2**		**Level 3**	**Total**	
Equity securities:							
Corporate stocks:							
Preferred	$ 3,738	(b)	$ 8,014	(a)	$	$ 11,752	
Common	1,010,491	(b)				1,010,491	
Common collective trusts			1,074,178	(c)		1,074,178	
Fixed income securities:							
U.S. Government securities	142,509	(b)	157,737	(a)		300,246	
Corporate debt instruments:			380,558	(a)		380,558	
Registered investment companies	53,323	(d)	444,275	(e)		497,598	
Other			101,674	(f)		101,674	
Other:							

Insurance company general account (unallocated contracts)		34,696	(g)		34,696
Total investments	$ 1,210,061	$ 2,201,132		$	$ 3,411,193
Cash					75
Other pending transactions					(9,238)
Less: Other postretirement assets included in total investments					(2,114)
Total fair value of qualified pension assets					$ 3,399,916

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2010	Level 1		(In thousands) Level 2		Level 3	Total
Equity securities:						
Corporate stocks:						
Preferred	$		$ 8,354	(a)	$	$ 8,354
Common	1,375,531	(b)				1,375,531
Common collective trusts			657,075	(c)		657,075
Fixed income securities:						
Interest-bearing cash	103,731	(d)				103,731
U.S. Government securities	75,124	(b)	187,957	(a)		263,081
Corporate debt instruments:			298,760	(a)		298,760
Registered investment companies			385,020	(e)		385,020
Other			108,305	(f)		108,305
Other:						
Insurance company general account (unallocated contracts)			33,439	(g)		33,439
Total investments	$ 1,554,386		$ 1,678,910		$	$ 3,233,296
Cash						321
Other pending transactions						(14,954)
Less: Other postretirement assets included in total investments						(2,395)
Total fair value of qualified pension assets						$ 3,216,268

Other Postretirement Trusts

2011	Level 1		(In thousands) Level 2		Level 3	Total
Equity securities:						
Common collective trust	$		$ 208,812	(c)	$	$ 208,812
Fixed income securities:						
U.S. Government securities	42,577	(b)	57,151	(a)		99,728
Corporate debt instruments			42,807	(a)		42,807
Registered investment companies	4,659	(d)				4,659
Other			69,287	(f)		69,287
Total investments	$ 47,236		$ 378,057		$	$ 425,293
Other pending transactions						(235)
Plus: Other postretirement assets included in the investments of the qualified pension trust						2,114
Total fair value of other postretirement assets						$ 427,172

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2010	Level 1		Level 2 (In thousands)		Level 3	Total
Equity securities:						
Common collective trust	$		$ 211,835	(c)	$	$ 211,835
Fixed income securities:						
Interest-bearing cash	4,014	(d)				4,014
U.S. Government securities	37,823	(b)	52,326	(a)		90,149
Corporate debt instruments			37,128	(a)		37,128
Other			58,716	(f)		58,716
Total investments	$ 41,837		$ 360,005		$	$ 401,842
Other pending transactions						193
Plus: Other postretirement assets included in the investments of the qualified pension trust						2,395
Total fair value of other postretirement assets						$ 404,430

(a) Certain preferred stocks and fixed income debt securities (corporate, government, and securitized) are stated at fair value as determined by broker quotes.
(b) Common stocks, treasury notes and bonds, and certain preferred stocks and fixed income debt securities are stated at fair value determined by quoted market prices.
(c) The common collective trusts hold investments in accordance with stated objectives. The investment strategy of the trusts is to capture the growth potential of equity markets by replicating the performance of a specified index. Net asset value per share of the common collective trusts estimate fair value.
(d) The registered investment company is a money market mutual fund with a stable net asset value of one dollar per share.
(e) The registered investment company holds investments in domestic and international bond markets and estimates fair value using net asset value per share.
(f) The other remaining assets are U.S. municipal and foreign government bonds stated at fair value as determined by broker quotes
(g) The unallocated insurance contract investments are recorded at contract value, which approximates fair value. The contract value represents contributions made under the contract, plus interest, less funds used to pay benefits and contract expenses, and less distributions to the master trust.

Accumulated Pension Benefit Obligation

The accumulated benefit obligation for the Business s qualified pension plans was $136.8 million and $105.2 million at December 31, 2011 and 2010, respectively.

Estimated Future Benefit Payments

Based upon the assumptions used to measure the Business s qualified pension and other postretirement benefit obligations at December 31, 2011, and including pension and other postretirement benefits attributable to estimated future employee service, the Business expects that benefits to be paid and the Medicare Part D subsidies to be received over the next ten years for the Business will be as follows:

	Estimated Future Benefits Payments			
(In Thousands)	Qualified Pension	Non-Qualified Pension	Other Postretirement (before Medicare Subsidy)	Estimated Future Medicare Subsidy Receipts
Year(s)				
2012	$ 876	$ 4	$ 294	$ 7
2013	$ 1,422	$ 2	$ 455	$ 14

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(In Thousands)	Estimated Future Benefits Payments Qualified Pension	Non-Qualified Pension	Other Postretirement (before Medicare Subsidy)	Estimated Future Medicare Subsidy Receipts
2014	$ 2,029	$ 5	$ 640	$ 27
2015	$ 2,820	$ 4	$ 837	$ 43
2016	$ 3,697	$ 4	$ 1,061	$ 67
2017 - 2021	$ 22,150	$ 238	$ 8,289	$ 858

Contributions

The Business currently expects to contribute approximately $4.4 million to qualified pension plans and approximately $0.7 million to other postretirement plans in 2012.

Actuarial Assumptions

The significant actuarial assumptions used in determining the pension PBO and the other postretirement benefit APBO as of December 31, 2011, and 2010 were as follows:

	2011	2010
Weighted-average discount rate:		
Qualified pension	5.10%	5.60%
Other postretirement	5.10%	5.50%
Non-qualified pension	4.40%	4.90%
Weighted-average rate of increase in future compensation levels	4.23%	4.23%

The significant actuarial assumptions used in determining the net periodic pension and other postretirement benefit costs for 2011, 2010, and 2009 were as follows:

	2011	2010	2009
Weighted-average discount rate:			
Qualified pension	5.60%	6.10% - 6.20%	6.75%
Other postretirement	5.50%	6.10%	6.70%
Non-qualified pension	4.90%	5.40%	6.75%
Weighted-average rate of increase in future compensation levels	4.23%	4.23%	4.23%
Expected long-term rate of return on plan assets:			
Pension assets	8.50%	8.50%	8.50%
Other postretirement non-taxable assets	7.75%	7.75%	8.50%
Other postretirement taxable assets	5.50%	5.50%	6.00%

The Business s other postretirement benefit transition obligations are being amortized over 20 years ending in 2012.

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The assumed health care cost trend rate used in measuring the Business s December 31, 2011 APBO was 7.75% for pre-65 retirees and 7.5% for post-65 retirees for 2012, gradually decreasing each successive year until it reaches 4.75% in 2022 and beyond for both pre-65 and post-65 retirees. The assumed health care cost trend rate used in measuring the Business s 2011 Net Other Postretirement Benefit Cost was 8.5% for pre-65 retirees and 8.0% for post-65 retirees for 2011, gradually decreasing each successive year until it reaches 4.75% in 2019 and beyond for pre-65 retirees and 4.75% in 2018 and beyond for post-65 retirees. A one percentage point change in the assumed health care cost trend rate for 2011 would have the following effects:

1 Percentage Point Increase		1 Percentage Point Decrease	
Impact on the APBO	Impact on the sum of service costs and interest cost	Impact on the APBO	Impact on the sum of service costs and interest cost
Increase /(Decrease) (In Thousands)			
$4,758	$ 834	($ 4,045)	($ 657)

Medicare Prescription Drug, Improvement and Modernization Act of 2003

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 became law. The Act introduces a prescription drug benefit cost under Medicare (Part D), which started in 2006, as well as a federal subsidy to employers who provide a retiree prescription drug benefit that is at least actuarially equivalent to Medicare Part D.

The actuarially estimated effect of future Medicare subsidies reduced the December 31, 2011 and 2010 Accumulated Postretirement Benefit Obligation by $8 million and $6.2 million, respectively, and reduced the 2011, 2010, and 2009 other postretirement benefit cost by $1.1 million, $0.9 million, and $0.8 million, respectively.

Defined Contribution Plans

Entergy sponsors the Savings Plan of Entergy Corporation and Subsidiaries (System Savings Plan). The System Savings Plan is a defined contribution plan covering eligible employees of Entergy and its subsidiaries. The employing Entergy subsidiary makes matching contributions for all non-bargaining and certain bargaining employees to the System Savings Plan in an amount equal to 70% of the participants basic contributions, up to 6% of their eligible earnings per pay period. The 70% match is allocated to investments as directed by the employee.

Contributions to defined contribution plans attributable to the Business were $1.5 million for 2011, 2010, and 2009.

8. SHARE-BASED COMPENSATION

Certain employees of the Business participate in Entergy s stock-based compensation plans, including its stock option grants. Unless otherwise noted, the following disclosures represent the portion of the Entergy Corporation stock-based compensation plan liabilities and expenses maintained by Entergy Corporation in which the Business s employees participated. All share-based awards granted under the Entergy stock-based compensation plans related to Entergy Corporation common stock. As such, all related equity account balances are reflected in Entergy Corporation s consolidated statements of changes in equity and comprehensive income and have not been reflected in the Business s financial statements. Accordingly, the amounts presented are not necessarily indicative of future performance and do not necessarily reflect the results that the Business would have experienced as an independent, publicly traded company for the periods presented. For purposes of these combined financial statements, all stock-based compensation plans and related costs are reflected in net parent investment because these costs were settled by Entergy.

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Stock Options

Stock options are granted at exercise prices that equal the closing market price of Entergy Corporation common stock on the date of grant. Generally, stock options granted will become exercisable in equal amounts on each of the first three anniversaries of the date of grant. Unless they are forfeited previously under the terms of the grant, options expire ten years after the date of the grant if they are not exercised.

The following table includes financial information for stock options granted for the benefit of the Business for each of the years presented. The figures in the following table, and in all other tables and values in this note, reflect only employees of the Business, unless otherwise noted. The Business also recorded overhead costs derived from the allocation of stock-based compensation of shared employees of $0.6 million, $0.1 million, and $1.1 million in 2011, 2010, and 2009 respectively.

(In Thousands)	2011	2010	2009
Compensation expense included in combined net income	$ 230	$ 504	$ 717
Tax benefit recognized in combined net income	$ 89	$ 194	$ 277
Compensation cost capitalized as part of fixed assets and inventory	$ 113	$ 299	$ 367

The fair value of the stock option grants is determined by considering factors such as lack of marketability, stock retention requirements, and regulatory restrictions on exercisability. The stock option weighted-average assumptions used in determining the fair values are as follows:

	2011	2010	2009
Stock price volatility	24.25%	25.73%	24.39%
Expected term in years	6.64%	5.46	5.33
Risk-free interest rate	2.70%	2.57%	2.22%
Dividend yield	4.20%	3.74%	3.50%
Dividend payment per share	$ 3.32	$ 3.24	$ 3.00

Stock price volatility is calculated based upon the weekly public stock price volatility of Entergy Corporation common stock over the last four to five years. The expected term of the options is based upon historical option exercises and the weighted average life of options when exercised and the estimated weighted average life of all vested but unexercised options. In 2008, Entergy implemented stock ownership guidelines for its senior executive officers. These guidelines require an executive officer to own shares of Entergy common stock equal to a specified multiple of his or her salary. Until an executive officer achieves this ownership position the executive officer is required to retain 75% of the after-tax net profit upon exercise of the option to be held in Entergy Corporation common stock. The reduction in fair value of the stock options due to this restriction is based upon an estimate of the call option value of the reinvested gain discounted to present value over the applicable reinvestment period.

A summary of stock option activity for stock options granted to the Business s employees for the years ended December 31, 2011, 2010, and 2009, and changes during the years are presented below:

	Number of Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Contractual Life
Options outstanding as of January 1, 2011	215,414	$ 70.02		
Options granted	3,300	72.79		
Options exercised	(30,537)	37.52		
Options outstanding as of December 31, 2011	188,177	75.33	$	4.2 years
Options exercisable as of December 31, 2011	171,574	75.23		3.8 years
Weighted-average grant-date fair value of options granted during 2011	11.48			

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The weighted-average grant-date fair value of options granted during the year was $11.95 for 2010 and $12.49 for 2009. The total intrinsic value of stock options exercised was $1.1 million during 2011, $0.2 million during 2010, and $0.4 million during 2009. The intrinsic value, which has no effect on net income, of the stock options exercised is calculated by the difference in Entergy Corporation s common stock price on the date of exercise and the exercise price of the stock options granted. Because Entergy s year-end stock price is less than the weighted average exercise price, the aggregate intrinsic value of outstanding stock options held by the Business s employees at December 31, 2011 was zero. The intrinsic value of in the money stock options held by the Business s employees is $1.6 million as of December 31, 2011. The Business recognizes compensation cost over the vesting period of the options based on their grant-date fair value. The total fair value of options held by the Business s employees that vested was approximately $0.3 million during 2011, $0.4 million during 2010, and $0.4 million during 2009.

The following table summarizes information about stock options outstanding as of December 31, 2011:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**As of 12/31/2011**	**Weighted-Avg. Remaining Contractual Life-Yrs.**	**Weighted-Avg. Exercise Price**	**Number Exercisable as of 12/31/2011**	**Weighted-Avg. Exercise Price**
$37 - $50.99	43,432	0.5	$42.78	43,432	$42.78
$51 - $64.99	9,401	2.2	$58.60	9,401	$58.60
$65 - $ 78.99	65,775	5.5	$72.43	49,172	$71.11
$79 - $91.99	32,069	5.1	$91.82	32,069	$91.82
$92 - $ 108.20	37,500	6.1	$108.20	37,500	$108.20
$37 - $ 108.20	**188,177**	**4.2**	**$75.33**	**171,574**	**$75.23**

Stock-based compensation cost related to non-vested stock options outstanding as of December 31, 2011 not yet recognized is approximately $0.2 million and is expected to be recognized on a weighted-average period of 1.5 years.

9. COMMITMENTS AND CONTINGENCIES

Contingent Obligations

The Business is subject to a number of federal and state laws and regulations, as well as other factors and conditions that potentially subject it to environmental, litigation, and other risks. Exposure to such risks is periodically evaluated and provisions are provided for those matters where a loss is considered probable and reasonably estimable in accordance with US GAAP. The adequacy of loss provisions can be significantly affected by external events or conditions that can be unpredictable; thus, the ultimate outcome of such matters could materially affect the combined financial statements.

The Business is involved in a number of legal, regulatory, labor-related, and tax proceedings before various courts, regulatory commissions, and governmental agencies in the ordinary course of business. While management is unable to predict the outcome of such proceedings, management does not believe that the ultimate resolution of these matters will have a material effect on the Business s results of operations, cash flows, or financial condition. We discuss regulatory proceedings in Note 3 to the financial statements.

Conventional Property Insurance

Entergy s conventional property insurance program provides coverage of up to $400 million on an Entergy systemwide basis for all operational perils (direct physical loss or damage due to machinery breakdown, electrical failure, fire, lightning, hail, or explosion) on an each and every loss basis; up to $400 million in coverage for certain natural perils (direct physical loss or damage due to earthquake, tsunami, flood, ice storm,

and tornado) on an annual aggregate basis; and up to $125 million for certain other natural perils (direct physical loss or damage due to a named windstorm or storm surge) on an annual aggregate basis. This coverage is in place for Entergy Corporation and certain of its subsidiaries and the Business is covered under these policies.

Transmission substations are covered property under Entergy s conventional property insurance, while above-ground transmission lines, poles, and towers are excluded. The primary layer consists of a $65 million layer in excess of the self-insured retention and the excess layer consists of a $335 million layer in excess of the $65 million primary layer. Both layers are placed on a quota share basis through several insurers. Entergy also purchases $300 million in terrorism insurance coverage for its conventional property. The Terrorism Risk Insurance Reauthorization Act of 2007 created a government program that provides for up to $100 billion in coverage in excess of existing coverage for a terrorist event.

Leases

As of December 31, 2011, the Business had noncancelable operating leases for buildings and fleets of vehicles, specifically attributed to the Business, with minimum lease payments as follows:

	(In thousands)
2012	$ 3,941
2013	3,725
2014	3,400
2015	2,989
2016 and thereafter	4,349
Total minimum rentals	$ 18,404

Total rental expenses for all leases amounted to $18.1 million in 2011, $17.2 million in 2010, and $17.6 million in 2009. Rental expense includes an allocation for shared property.

10. BUSINESS SEGMENT INFORMATION

Reportable segments are identified based on the criteria set forth by the FASB regarding disclosures about segments of an enterprise. Reportable segments are determined based primarily on the regulatory environment of operations, geography, and the business activities performed to earn revenues and incur expenses. During the periods presented herein, the Business operated solely as one reportable business segment. The Business is managed on an integrated basis. Historically, Entergy has viewed its Utility operations as one business segment; therefore this presentation is consistent with the historical presentation of Entergy s reportable segments.

Geographic Areas

For the years ended December 31, 2011, 2010, and 2009, the Business generated no revenue from outside of the United States. As of December 31, 2011 and 2010 the business had no long-lived assets located outside of the United States.

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TRANSMISSION BUSINESS OF ENTERGY CORPORATION AND SUBSIDIARIES

CONDENSED COMBINED BALANCE SHEETS

(UNAUDITED)

	(Amounts in thousands)	
	September 30, 2012	**December 31, 2011**
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,319	$ 1,256
Accounts receivable, net	28,163	22,287
Materials and supplies at average cost	36,267	28,372
Total Current Assets	65,749	51,915
Property, Plant and Equipment		
Utility plant in service	5,657,922	5,318,334
Construction work in progress	236,112	265,710
Total Property, Plant and Equipment	5,894,034	5,584,044
Less Accumulated depreciation and amortization	(2,013,275)	(1,917,657)
Property, Plant and Equipment Net	3,880,759	3,666,387
Regulatory and Other Assets		
Regulatory asset for income taxes	155,985	166,468
Other regulatory assets	99,000	80,876
Other assets	49,111	49,758
Total Other Assets	304,096	297,102
TOTAL ASSETS	$ 4,250,604	$ 4,015,404
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 65,010	$ 62,156
Customer deposits	4,904	6,211
Taxes accrued	35,869	28,910
Pension and other postretirement liabilities	1,108	1,006
Other current liabilities	1,864	1,373
Total Current Liabilities	108,755	99,656
Non-Current liabilities		
Accumulated deferred income taxes and taxes accrued	949,289	860,265
Accumulated deferred investment tax credits	16,923	17,805
Regulatory liabilities	66,213	58,899
Pension and other postretirement liabilities	99,244	96,896
Other non-current liabilities	22,472	19,418
Total Non-Current Liabilities	1,154,141	1,053,283
Total Liabilities	1,262,896	1,152,939
Equity		

Net parent investment	2,990,141	2,865,008
Accumulated other comprehensive loss	(2,433)	(2,543)
Total Equity	2,987,708	2,862,465
TOTAL LIABILITIES AND EQUITY	$ 4,250,604	$ 4,015,404

See notes to the condensed combined financial statements

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TRANSMISSION BUSINESS OF ENTERGY CORPORATION AND SUBSIDIARIES

CONDENSED COMBINED STATEMENTS OF INCOME

(UNAUDITED)

	(Amounts in thousands) For the Nine Months Ended September 30,	
	2012	**2011**
Operating Revenues	$ 498,942	$ 505,721
Operating Expenses		
Operating and maintenance:		
Operation expenses	132,920	126,389
Maintenance expenses	34,306	33,338
Taxes other than income taxes	37,670	34,148
Depreciation and amortization	108,286	97,966
Total Operating Expenses	313,182	291,841
Operating income	185,760	213,880
Other Income		
Allowance for equity funds used during construction	8,112	7,714
Miscellaneous other income (expense) net	1,069	1,907
Total other income	9,181	9,621
Interest Expense		
Interest expense	64,098	51,288
Allowance for borrowed funds used during construction	(4,139)	(4,285)
Total Interest Expense	59,959	47,003
Income before Income Taxes	134,982	176,498
Income taxes	41,007	65,593
NET INCOME	$ 93,975	$ 110,905

See notes to the condensed combined financial statements

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TRANSMISSION BUSINESS OF ENTERGY CORPORATION AND SUBSIDIARIES

CONDENSED COMBINED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

	(Amounts in thousands) For the Nine Months Ended September 30,	
	2012	**2011**
Net income	$ 93,975	$ 110,905
Other comprehensive income		
Pension and other postretirement liabilities (net of tax of ($112) and ($77))	110	70
Total other comprehensive income	110	70
TOTAL COMPREHENSIVE INCOME	$ 94,085	$ 110,975

See notes to the condensed combined financial statements

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TRANSMISSION BUSINESS OF ENTERGY CORPORATION AND SUBSIDIARIES

CONDENSED COMBINED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	(Amounts in thousands) For the Nine Months Ended September 30,	
	2012	**2011**
Operating Activities		
Net income	$ 93,975	$ 110,905
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	108,286	97,966
Deferred income taxes, investment tax credits, and non-current taxes accrued	88,142	(10,751)
Allowance for equity funds used during construction	(8,112)	(7,714)
Changes in working capital:		
Receivables	(5,876)	5,200
Accounts payable	(19,509)	(21,220)
Taxes accrued	6,959	6,240
Other working capital accounts	(8,711)	(4,155)
Change in regulatory assets	(7,641)	171
Change in pension and other postretirement liabilities	2,450	692
Change in other non-current liabilities	3,054	(45,897)
Other assets and liabilities	20,305	1,980
Net cash flow provided by operating activities	273,322	133,417
Investing Activities		
Construction/capital expenditures	(304,417)	(312,050)
Net cash flow used in investing activities	(304,417)	(312,050)
Financing Activities		
Contribution from Parent, net	31,158	178,543
Net cash flow provided by financing activities	31,158	178,543
Net increase (decrease) in cash and cash equivalents	63	(90)
Cash and cash equivalents at beginning of period	1,256	1,248
Cash and cash equivalents at end of period	$ 1,319	$ 1,158

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TRANSMISSION BUSINESS OF ENTERGY CORPORATION AND SUBSIDIARIES

CONDENSED COMBINED STATEMENTS OF EQUITY

(UNAUDITED)

	(Amounts in Thousands) For the Nine Months Ended September 30, 2012 and 2011		
	Net Parent Investment	Accumulated Other Comprehensive Loss	Total Equity
Balance at December 31, 2010	$ 2,552,799	$ (1,702)	$ 2,551,097
Net income	110,905		110,905
Pension and other postretirement liabilities		70	70
Transactions with parent net	178,543		178,543
Balance at September 30, 2011	$ 2,842,247	$ (1,632)	$ 2,840,615
Balance at December 31, 2011	$ 2,865,008	$ (2,543)	$ 2,862,465
Net income	93,975		93,975
Pension and other postretirement liabilities		110	110
Transactions with parent net	31,158		31,158
Balance at September 30, 2012	$ 2,990,141	$ (2,433)	$ 2,987,708

See notes to the condensed combined financial statements

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TRANSMISSION BUSINESS OF ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS

(UNAUDITED)

1. BACKGROUND AND BASIS OF PRESENTATION

Background

In December 2011, Entergy announced that its board of directors approved a plan to spin off its transmission business (Entergy Transmission or the Business) and merge it with a newly formed subsidiary of ITC Holdings Corp. (ITC). The Business is not currently a se