PFIZER INC
Form DEF 14A
March 14, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party Other Than the Registrant o

Check the Appropriate Box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

Pfizer Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of filing fee (Check the appropriate box):

x No fee required

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PFIZER INC.

Notice of Annual Meeting

of Shareholders, Proxy Statement and

2007 Financial Report

March 14, 2008

HOW TO VOTE

Most shareholders have a choice of voting on the Internet, by telephone, or by mail using a traditional proxy card. Please refer to the proxy card or other voting instructions included with these proxy materials for information on the voting methods available to you. **If you vote by telephone or on the Internet, you do not need to return your proxy card.**

ANNUAL MEETING ADMISSION

You must present an admission ticket or proof of ownership of Pfizer stock, as well as a form of personal photo identification, in order to be admitted to the Annual Meeting. If you are a shareholder of record, your admission ticket is attached to your proxy card. If your shares are held in the name of a bank, broker or other holder of record, you must bring a brokerage statement or other proof of ownership with you to the Meeting, or you may request an admission ticket in advance. Please see the response to the question Do I need a ticket to attend the Annual Meeting? for further details.

REDUCE PRINTING AND MAILING COSTS

If you share the same last name with other shareholders living in your household, you may receive only one copy of our Proxy Statement and 2007 Financial Report and the 2007 Annual Review. Please see the response to the question What is householding and how does it affect me? for more information on this important shareholder program.

Shareholders may help us to reduce printing and mailing costs further by opting to receive future proxy materials by e-mail. Please see the response to the question Can I access the Notice of Annual Meeting, Proxy Statement and 2007 Financial Report and 2007 Annual Review on the Internet? for more information on electronic delivery of proxy materials.

PFIZER INC.
235 East 42nd Street
New York, NY 10017

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TIME AND DATE	8:30 a.m., Central Daylight Time on Thursday, April 24, 2008.
PLACE	The Peabody Memphis Hotel 149 Union Avenue Memphis, Tennessee 38103
WEBCAST	A webcast of our Annual Meeting will be available on our website at www.pfizer.com starting at 8:30 a.m., Central Daylight Time on April 24, 2008. An archived copy of the Webcast also will be available on our website through the first week of May. Information included on our website, other than our Proxy Statement and form of proxy, is not a part of the proxy soliciting material.
ITEMS OF BUSINESS	To elect 14 members of the Board of Directors, each for a term of one year. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2008 fiscal year. To consider two shareholder proposals, if presented at the Meeting. See Table of Contents for a list of the Shareholder Proposals. To transact such other business as may properly come before the Meeting and any adjournment or postponement.
RECORD DATE	You can vote if you are a shareholder of record on February 28, 2008.
ANNUAL REPORT	Our annual report to shareholders consists of the 2007 Annual Review and the 2007 Financial Report. The 2007 Annual Review is enclosed with these materials as a separate booklet. The 2007 Financial Report is in Appendix A to this Proxy Statement. These documents are not a part of the proxy solicitation materials. You may also access them through our website at www.pfizer.com/annualmeeting.
PROXY VOTING	It is important that your shares be represented and voted at the Meeting. You can vote your shares by completing and returning your proxy card or by voting on the Internet or by telephone. See details under the heading How do I vote?

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 24, 2008: The Notice of Annual Meeting, Proxy Statement, 2007 Financial Report and the 2007 Annual Review, are available on our website at www.pfizer.com/annualmeeting.

Margaret M. Foran
Senior Vice President-Corporate Governance,
Associate General Counsel and Corporate Secretary

March 14, 2008

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Pfizer Inc.
235 East 42nd Street
New York, New York 10017

PROXY STATEMENT

Questions and Answers About the Annual Meeting and Voting

Why did I receive these proxy materials?

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Pfizer Inc. (Pfizer, the Company, we, us or our), a Delaware corporation, of proxies to be voted at our 2008 Annual Meeting of Shareholders and at any adjournment or postponement.

You are invited to attend our Annual Meeting of Shareholders on April 24, 2008, beginning at 8:30 a.m., Central Daylight Time. The Meeting will be held at The Peabody Memphis Hotel. See the inside back cover of this Proxy Statement for directions.

Shareholders will be admitted to the Annual Meeting beginning at 8:00 a.m., Central Daylight Time. Seating will be limited.

The Peabody Memphis Hotel is accessible to disabled persons and, upon request, we will provide wireless headsets for hearing amplification. Sign interpretation also will be provided upon request. Please mail your request to the address noted below in response to the question Do I need an admission ticket to attend the Annual Meeting?

This Notice of Annual Meeting, Proxy Statement, form of proxy and voting instructions are being mailed starting March 14, 2008.

Do I need a ticket to attend the Annual Meeting?

You will need an admission ticket or proof of ownership to enter the Meeting. An admission ticket is attached to your proxy card if you hold shares directly in your name as a shareholder of record. If you plan to attend the Annual Meeting, please vote your proxy but keep the admission ticket and bring it with you to the Annual Meeting.

If your shares are held beneficially in the name of a bank, broker or other holder of record and you plan to attend the Meeting, you must present proof of your ownership of Pfizer stock, such as a bank or brokerage account statement, to be admitted to the Meeting. If you would rather have an admission ticket, you can obtain one in advance by mailing a written request, along with proof of your ownership of Pfizer stock, to:

Pfizer Shareholder Services
235 East 42nd Street, 19th Floor
New York, NY 10017

Shareholders also must present a form of personal photo identification in order to be admitted to the Meeting.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Meeting.

Will the Annual Meeting be webcast?

Our Annual Meeting also will be webcast on April 24, 2008. You are invited to visit www.pfizer.com at 8:30 a.m., Central Daylight Time, on April 24, 2008, to access the webcast of the Meeting. Registration for the Webcast is required. Pre-registration will be available beginning on April 20, 2008. An archived copy of the Webcast also will be available on our website through the first week of May.

Who is entitled to vote at the Annual Meeting?

Holders of Pfizer common stock at the close of business on February 28, 2008, are entitled to receive this Notice and to vote their shares at the Annual Meeting. As of that date, there were 6,763,668,283 shares of common stock outstanding and entitled to vote. In addition, shares of the Company s Preferred Stock having votes equivalent to 5,636,587 shares of common stock were held by one of the Company s employee benefit plan trusts. Each share of common stock is entitled to one vote on each matter properly brought before the Meeting.

What is the difference between holding shares as a shareholder of record and as a beneficial owner?

If your shares are registered directly in your name with Pfizer s transfer agent, Computershare Trust Company, N.A., you are considered, for those shares, to be the shareholder of record. The Notice of Annual Meeting, Proxy Statement, 2007 Financial Report and proxy card documents have been sent directly to you by Pfizer.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name. The Notice of Annual Meeting, Proxy Statement, 2007 Financial Report, 2007 Annual Review and proxy card documents have been forwarded to you by your broker, bank or other holder of record who is considered, for those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker, bank or other holder of record on how to vote your shares by using the voting instruction card included in the mailing or by following their instructions for voting by telephone or on the Internet.

How do I vote?

You may vote using any of the following methods:

By Mail

Be sure to complete, sign and date the proxy card or voting instruction card and return it in the prepaid envelope. If you are a shareholder of record and you return your signed proxy card but do not indicate your voting preferences, the persons named in the proxy card will vote the shares represented by that proxy as recommended by the Board of Directors.

If you are a shareholder of record, and the prepaid envelope is missing, please mail your completed proxy card to Pfizer Inc., c/o Proxy Services, Computershare, PO Box 43101, Providence, RI 02940.

By telephone or on the Internet

The telephone and Internet voting procedures established by Pfizer for shareholders of record are designed to authenticate your identity, to allow you to give your voting instructions and to confirm that those instructions have been properly recorded.

You can vote by calling the toll-free telephone number on your proxy card. Please have your proxy card in hand when you call. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded. **If you are located outside the U.S., Puerto Rico and Canada, see your proxy card for additional instructions.**

The website for Internet voting is www.investorvote.com/pfe. Please have your proxy card handy when you go online. As with telephone voting, you can confirm that your instructions have been properly recorded. If you vote on the Internet, you also can request electronic delivery of future proxy materials.

Telephone and Internet voting facilities for shareholders of record will be available 24 hours a day, and will close at 11:59 p.m. Eastern Daylight Time on April 23, 2008.

The availability of telephone and Internet voting for beneficial owners will depend on the voting processes of your broker, bank or other holder of record. Therefore, we recommend that you follow the voting instructions in the materials you receive.

If you vote by telephone or on the Internet, you do not have to return your proxy card or voting instruction card.

In person at the Annual Meeting

All shareholders may vote in person at the Annual Meeting. You may also be represented by another person at the Meeting by executing a proper proxy designating that person. If you are a bene-ficial owner of shares, you must obtain a legal proxy from your broker, bank or other holder of record and present it to the inspectors of election with your ballot to be able to vote at the Meeting.

Your vote is important. You can save us the expense of a second mailing by voting promptly.

What can I do if I change my mind after I vote my shares?

If you are a shareholder of record, you can revoke your proxy before it is exercised by:

- written notice to the Secretary of the Company;
- timely delivery of a valid, later-dated proxy or a later-dated vote by telephone or on the Internet; or
- voting by ballot at the Annual Meeting.

If you are a beneficial owner of shares, you may submit new voting instructions by contacting your bank, broker or other holder of record. You may also vote in person at the Annual Meeting if you obtain a legal proxy as described in the answer to the previous question.

All shares that have been properly voted and not revoked will be voted at the Annual Meeting.

What shares are included on the proxy card?

If you are a shareholder of record you will receive only one proxy card for all the shares you hold:

- in certificate form
- in book-entry form

in book-entry form in the Pfizer Shareholder Investment Program

and if you are a Pfizer employee:

in the Pfizer Savings Plan

in the Pfizer Inc. Employee Benefit Trust.

If you are a U.S. Pfizer employee who currently has outstanding stock options, you are entitled to give voting instructions on a portion of the shares held in the Pfizer Inc. Employee Benefit Trust (the Trust). Your proxy card will serve as a voting instruction card for the trustee.

If you do not vote your shares or specify your voting instructions on your proxy card, the administrator of the Pfizer Savings Plan (the Plan) or the trustee of the Trust will vote your shares in the same proportion as the shares for which voting instructions have been received. **To allow sufficient time for voting by the trustee of the Trust and the administrators of the Plans, your voting instructions must be received by April 21, 2008.**

If you hold Pfizer shares through any other Company plan, you will receive voting instructions from that plan s administrator.

If you are a beneficial owner, you will receive voting instructions, and information regarding consolidation of your vote, from your bank, broker or other holder of record.

What is householding and how does it affect me?

We have adopted a procedure approved by the Securities and Exchange Commission (SEC) called householding. Under this procedure, shareholders of record who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of our Notice of Annual Meeting, Proxy Statement, Financial Report and Annual Review, unless one or more of these shareholders notifies us that they wish to continue receiving individual copies. This procedure will reduce our printing costs and postage fees.

Shareholders who participate in householding will continue to receive separate proxy cards. Also, householding will not in any way affect dividend check mailings.

If you are eligible for householding, but you and other shareholders of record with whom you share an address currently receive multiple copies of the Notice of Annual Meeting and Proxy Statement and the accompanying documents, or if you hold stock in more than one account, and in either case you wish to receive only a single copy of each of these documents for your household, please contact our transfer agent, Computershare Trust Company, N.A. (in writing: 250 Royall Street, Canton, MA 02021; by telephone: in the U.S., Puerto Rico and Canada, 1-800-733-9393; outside the U.S., Puerto Rico and Canada, 1-781-575-4591).

If you participate in householding and wish to receive a separate copy of this Notice of Annual Meeting, Proxy Statement and the accompanying documents, or if you do not wish to participate in householding and prefer to receive separate copies of these documents in the future, please contact Computershare as indicated above.

Beneficial owners can request information about householding from their banks, brokers or other holders of record.

Is there a list of shareholders entitled to vote at the Annual Meeting?

The names of shareholders of record entitled to vote at the Annual Meeting will be available at the Annual Meeting and for ten days prior to the Meeting for any purpose germane to the meeting, between the hours of 8:45 a.m. and 4:30 p.m., at our principal executive offices at 235 East 42nd Street, New York, New York, by contacting the Secretary of the Company.

What are the voting requirements to elect the Directors and to approve each of the proposals discussed in this Proxy Statement?

Proposal	Vote Required	Discretionary Voting Allowed?
Election of Directors	Majority	Yes
Ratification of KPMG	Majority	Yes
Shareholder Proposals	Majority	No

The presence of the holders of a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting, present in person or represented by proxy, is necessary to constitute a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a bank, broker or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

If you are a beneficial owner, your bank, broker or other holder of record is permitted to vote your shares on the election of Directors and the ratification of KPMG LLP as our independent registered public accounting firm, even if the record holder does not receive voting instructions from you. The record holder may not vote on any of the shareholder proposals without instructions from you. Without your voting instructions, a broker non-vote will occur.

Election of Directors

On October 25, 2007, the Board of Directors approved an amendment to the Company s bylaws to change the vote standard for the election of directors from a plurality of votes cast to a majority of votes cast in uncontested elections. A majority of the votes cast means that the number of votes cast for a director nominee must exceed the number of votes cast against that director nominee. In contested elections the vote standard will continue to be a plurality of votes cast. In addition, the Board approved an amendment to the bylaws to provide that director nominees proposed by shareholders must deliver a statement that, if elected, they agree to tender an irrevocable resignation, promptly upon failure to receive the required vote in a subsequent election, in accordance with the Company s Corporate Governance Principles that are applicable to all director nominees.

Abstentions are not counted as votes for or against this proposal.

Majority Vote Policy

Our Corporate Governance Principles, which appear later in this Proxy Statement, set forth our procedures if a director-nominee does not receive the required vote for election or re-election.

In an uncontested election, any nominee for Director who does not receive a majority of votes cast for his or her election is required to tender his or her resignation promptly following the failure to receive the required vote.

The Corporate Governance Committee is required to make recommendations to the Board with respect to any such resignation. The Board is required to take action with respect to this recommendation and to disclose its decision-making process. Full details of this Policy are set out in our Corporate Governance Principles and under Item 1 Election of Directors.

Ratification of KPMG

Under the Company s By-laws, the votes cast for must exceed the votes cast against to approve the ratification of KPMG LLP as our independent registered public accounting firm. Abstentions and, if applicable, broker non-votes, are not counted as votes for or against this proposal.

Shareholder Proposals

The votes cast for must exceed the votes cast against each of the shareholder proposals. Abstentions and, if applicable, broker non-votes, are not counted as votes for or against these proposals.

Could other matters be decided at the Annual Meeting?

At the date this Proxy Statement went to press, we did not know of any matters to be raised at the Annual Meeting other than those referred to in this Proxy Statement.

If you have returned your signed and completed proxy card and other matters are properly presented at the Annual Meeting for consideration, the Proxy Committee appointed by the Board of Directors (the persons named in your proxy card if you are a shareholder of record) will have the discretion to vote on those matters for you.

Can I access the Notice of Annual Meeting, Proxy Statement and 2007 Financial Report and 2007 Annual Review on the Internet?

The Notice of Annual Meeting, Proxy Statement, 2007 Financial Report and the 2007 Annual Review, are available on our website at www.pfizer.com/annualmeeting. Instead of receiving future copies of our Proxy Statement and Annual Report materials by mail, most shareholders can elect to receive an e-mail that will provide electronic links to them. Opting to receive your proxy materials online will save us the cost of producing and mailing documents to your home or business, and will also give you an electronic link to the proxy voting site.

Shareholders of Record: If you vote on the Internet at www.investorvote.com/pfe, simply follow the prompts for enrolling in the electronic proxy delivery service. You also may enroll in the electronic proxy delivery service at any time in the future by going directly to www.computershare.com/us/ecomms and following the enrollment instructions.

Beneficial Owners: If you hold your shares in a brokerage account, you also may have the opportunity to receive copies of these documents electronically. Please check the information provided in the proxy materials mailed to you by your bank or other holder of record regarding the availability of this service.

Who will pay for the cost of this proxy solicitation?

We will pay the cost of soliciting proxies. Proxies may be solicited on our behalf by Directors, officers or employees in person or by telephone, electronic transmission and facsimile transmission. We have hired Morrow & Co. to distribute and solicit proxies. We will pay Morrow & Co. a fee of $35,000, plus reasonable expenses, for these services.

Who will count the vote?

Representatives of our transfer agent, Computershare Trust Company, N.A., will tabulate the votes and act as inspectors of election.

GOVERNANCE OF THE COMPANY

OUR CORPORATE GOVERNANCE PRINCIPLES

Role and Composition of the Board of Directors

1. General. The Board of Directors, which is elected by the shareholders, is the ultimate decision-making body of the Company except with respect to those matters reserved to the shareholders. It selects the senior management team, which is charged with the conduct of the Company s business. Having selected the senior management team, the Board acts as an advisor and counselor to senior management and ultimately monitors its performance.

2. Succession Planning. The Board also plans for succession to the position of Chairman of the Board and Chief Executive Officer as well as certain other senior management positions. To assist the Board, the Chairman and CEO annually provides the Board with an assessment of senior managers and of their potential to succeed him or her. He or she also provides the Board with an assessment of persons considered potential successors to certain senior management positions.

3. Chairman and CEO. It is the policy of the Company that the positions of Chairman of the Board and Chief Executive Officer be held by the same person, except in unusual circumstances. This combination has served the Company well over a great many years. The function of the Board in monitoring the performance of the senior management of the Company is fulfilled by the presence of outside Directors of stature who have a substantive knowledge of the business.

4. Director Independence. It is the policy of the Company that the Board consist of a majority of independent Directors. The Corporate Governance Committee of the Board has established Director Qualification Standards to assist it in determining director independence, which either meet or exceed the independence requirements of the New York Stock Exchange (NYSE) corporate governance listing standards. The Board will consider all relevant facts and circumstances in making an independence determination, and not merely from the standpoint of the Director, but also from that of persons or organizations with which the director has an affiliation.

5. Board Size. It is the policy of the Company that the number of Directors not exceed a number that can function efficiently as a body. The Corporate Governance Committee considers and makes recommendations to the Board concerning the appropriate size and needs of the Board. The Corporate Governance Committee considers candidates to fill new positions created by expansion and vacancies that occur by resignation, by retirement or for any other reason.

6. Selection Criteria. Candidates are selected for, among other things, their integrity, independence, diversity of experience, leadership and their ability to exercise sound judgment. Scientific expertise, prior government service and experience at policy-making levels involving issues affecting business, government, education, technology, as well as areas relevant to the Company s global business are among the most significant criteria. Final approval of a candidate is determined by the full Board.

7. Voting for Directors. In accordance with the Corporation s By-laws, if none of our stockholders provides the Corporation notice of an intention to nominate one or more candidates to compete with the Board s nominees in a Director election, or if our stockholders have withdrawn all such nominations by the day before the Corporation mails its notice of meeting to our stockholders, a nominee must receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to the Board. The Board expects a Director to tender his or her resignation if he or she fails to receive the required number of votes for reelection. The Board shall nominate for election or re-election as Director only candidates who agree to tender, promptly following such person s failure to receive the required vote for election or reelection at the next meeting at which such person would face election or re-election, an irrevocable resignation that will be effective upon Board acceptance of such resignation. In addition, the Board shall fill Director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by other Directors in accordance with this Corporate Governance Principle. If an incumbent Director fails to receive the required vote for re-election, then, within 90 days following certification of the shareholder vote, the Corporate Governance Committee will act to determine whether to accept the Director s resignation and will submit such recommendation for prompt consideration by the Board, and the Board will act on the Committee s recommendation. The Corporate Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a Director s resignation.

Any Director who tenders his or her resignation pursuant to this provision shall not participate in the Corporate Governance Committee recommendation or Board action regarding whether to accept the resignation offer.

Thereafter, the board will promptly disclose its decision-making process and decision regarding whether to accept the Director s resignation offer (or the reason(s) for rejecting the resignation offer, if applicable) in a Form 8-K furnished to the Securities and

Exchange Commission.

If each member of the Corporate Governance Committee fails to receive the required vote in favor of his or her election in the same election, then those independent Directors who did receive the required vote shall appoint a committee amongst themselves to consider the resignation offers and recommend to the Board whether to accept them.

However, if the only Directors who did not receive the required vote in the same election constitute three or fewer Directors, all Directors may participate in the action regarding whether to accept the resignation offers.

8. Director Service on Other Public Boards. Ordinarily, Directors should not serve on more than four other boards of public companies in addition to the Company s Board. Current positions in excess of these limits may be maintained unless the Board of Directors determines that doing so would impair the Director s service on the Company s Board.

9. Former CEO as Director. Effective 2001, upon retirement from the Company, the former CEO will not retain Board membership.

10. Change in Director Occupation. When a Director s principal occupation or business association changes substantially during his or her tenure as a Director, that Director shall tender his or her resignation for consideration by the Corporate Governance Committee. The Corporate Governance Committee will recommend to the Board the action, if any, to be taken with respect to the resignation.

11. Director Compensation. The Corporate Governance Committee annually reviews the compensation of Directors.

12. Ownership Requirements. All non-employee Directors are required to hold at least $300,000 worth of Pfizer stock, and/or the units issued as compensation for Board service, while serving as a Director of the Company. New Directors will have five years to attain this ownership threshold. Shares or units held by a Director under any deferral plan, are included in calculating the value of ownership to determine whether this minimum ownership requirement has been met.

13. Director Retirement. Directors are required to retire from the Board when they reach the age of 73. A Director elected to the Board prior to his or her 73rd birthday may continue to serve until the annual shareholders meeting coincident with or following his or her 73rd birthday.

14. Board and Committee Self-Evaluation. The Board, and each Committee, are required to conduct a self-evaluation of their performance at least annually.

15. Term Limits. The Board does not endorse arbitrary term limits on Directors service, nor does it believe in automatic annual re-nomination until Directors reach the mandatory retirement age. The Board self-evaluation process is an important determinant for continuing service.

16. Committees. It is the general policy of the Company that all major decisions be considered by the Board as a whole. As a consequence, the Committee structure of the Board is limited to those Committees considered to be basic to, or required for, the operation of a publicly owned company. Currently these Committees are the Executive Committee, Audit Committee, Compensation Committee, Corporate Governance Committee and Science and Technology Committee.

The members and chairs of these Committees are recommended to the Board by the Corporate Governance Committee. The Audit Committee, Compensation Committee and Corporate Governance Committee are made up of only independent Directors. The membership of these Committees is rotated from time to time. In addition to the requirement that a majority of the Board satisfy the independence standards noted above in Paragraph 4, Director Independence, members of the Audit Committee also must satisfy an additional NYSE independence standard. Specifically, they may not accept directly or indirectly any consulting, advisory or other compensatory fee from Pfizer or any of its subsidiaries other than their Director compensation. As a matter of policy, the Board also will apply a separate and heightened independence standard to members of both the Compensation and Corporate Governance Committees. No member of either Committee may be a partner, member or principal of a law firm, accounting firm or investment banking firm that accepts consulting or advisory fees from Pfizer or any of its subsidiaries.

17. Director Orientation and Continuing Education. In furtherance of its policy of having major decisions made by the Board as a whole, the Company has a full orientation and continuing education process for Board members that includes extensive materials, meetings with key management and visits to Company facilities.

18. CEO Performance Goals and Annual Evaluation. The Compensation Committee is responsible for setting annual and long-term performance goals for the Chairman and CEO and for evaluating his or her performance against such goals. The Committee meets annually with the Chairman and CEO to receive his or her recommendations concerning such goals. Both the goals and the evaluation are then submitted for consideration by the outside Directors of the Board at a meeting or executive session of that group. The Committee then meets with the Chairman and CEO to evaluate his or her performance against such goals.

19. Senior Management Performance Goals. The Compensation Committee also is responsible for setting annual and long-term performance goals and compensation for the direct reports to the Chairman and CEO. These decisions are approved or ratified by action of the outside Directors of the Board at a meeting or executive session of that group.

20. Communication with Stakeholders. The Chairman and CEO is responsible for establishing effective communications with the Company s stakeholder groups, i.e., shareholders, customers, company associates, communities, suppliers, creditors, governments and corporate partners. It is the policy of the Company that management speaks for the Company. This policy does not preclude outside Directors, including the Lead Independent Director, from meeting with shareholders, but it is suggested that in most circumstances any such meetings be held with management present.

21. Annual Meeting Attendance. All Board members are expected to attend our Annual Meeting of Shareholders unless an emergency prevents them from doing so.

Board Functions

22. Agenda. The Chairman of the Board and Chief Executive Officer sets the agenda for Board meetings with the understanding that the Board is responsible for providing suggestions for agenda items that are aligned with the advisory and monitoring functions of the Board. Agenda items that fall within the scope of responsibilities of a Board Committee are reviewed with the chair of that Committee. Any member of the Board may request that an item be included on the agenda.

23. Board Materials. Board materials related to agenda items are provided to Board members sufficiently in advance of Board meetings to allow the Directors to prepare for discussion of the items at the meeting.

24. Board Meetings. At the invitation of the Board, members of senior management recommended by the Chairman and CEO attend Board meetings or portions thereof for the purpose of participating in discussions. Generally, presentations of matters to be considered by the Board are made by the manager responsible for that area of the Company s operations.

25. Director Access to Corporate and Independent Advisors. In addition, Board members have free access to all other members of management and employees of the Company and, as necessary and appropriate, Board members may consult with independent legal, financial and accounting advisors to assist in their duties to the Company and its shareholders.

26. Executive Sessions. Executive sessions or meetings of outside Directors without management present are held regularly (at least four times a year) to review the report of the independent registered public accounting firm, the criteria upon which the performance of the Chairman and CEO and other senior managers is based, the performance of the Chairman and CEO against such criteria, the compensation of the Chairman and CEO and other senior managers, and any other relevant matter. Meetings are held from time to time with the Chairman and CEO for a general discussion of relevant subjects.

27. Lead Independent Director. It is the policy of the Company that a Lead Independent Director shall be elected annually to preside over executive sessions of Pfizer s independent Directors, facilitate information flow and communication between the Directors and the Chairman, and to perform such other duties specified by the Board and outlined in the Charter of the Lead Independent Director.

28. Annual Board Self-Evaluation. The Board, under the direction of the Corporate Governance Committee, will prepare an annual performance self-evaluation.

Committee Functions

29. Independence. The Audit, Compensation and Corporate Governance Committees consist only of independent Directors.

30. Meeting Conduct. The frequency, length and agenda of meetings of each of the Committees are determined by the chair of the Committee. Sufficient time to consider the agenda items is provided. Materials related to agenda items are provided to the Committee members sufficiently in advance of the meeting where necessary to allow the members to prepare for discussion of the items at the meeting.

31. Scope of Responsibilities. The responsibilities of each of the Committees are determined by the Board from time to time.

32. Annual Committee Self-Evaluation. Each Committee is responsible for preparing an annual performance self-evaluation.

Policy on Poison Pills

33. Expiration of Rights Agreement. The Board amended Pfizer s Rights Agreement, or Poison Pill, to cause the Agreement to expire on December 31, 2003. The term Poison Pill refers to a type of shareholder rights plan that some companies adopt to provide an opportunity for negotiation during a hostile takeover attempt.

The Board has adopted a statement of policy that it shall seek and obtain shareholder approval before adopting a Poison Pill; provided, however, that the Board may determine to act on its own to adopt a Poison Pill, if, under the circumstances, the Board, including the majority of the independent members of the Board, in its exercise of its fiduciary responsibilities, deems it to be in the best interest of Pfizer s shareholders to adopt a Poison Pill without the delay in adoption that would come from the time reasonably anticipated to seek shareholder approval.

If the Board were ever to adopt a Poison Pill without prior shareholder approval, the Board would either submit the Poison Pill to shareholders for ratification, or would cause the Poison Pill to expire within one year.

The Corporate Governance Committee will review this Poison Pill policy statement on an annual basis, including the stipulation which addresses the Board s fiduciary responsibility to act in the best interest of the shareholders without prior shareholder approval, and report to the Board any recommendations it may have concerning the policy.

Periodic Review of Corporate Governance Principles

34. These principles are reviewed by the Board at least annually.

Pfizer Corporate Governance Website

From time to time we revise our Corporate Governance Principles in response to changing regulatory requirements, evolving best practices and the concerns of our shareholders and other constituents. Our Corporate Governance Principles are published on our website at
http://www.pfizer.com/about/corporate_governance/corporate_governance_principles.jsp.

In addition to our Corporate Governance Principles, other information relating to corporate governance at Pfizer, is available on our website, including:

- Board of Directors Background and Experience
- Board Committees Description of Committees, Charters and Current Members
- Charter of Lead Independent Director
- Code of Business Conduct and Ethics for Directors
- How to Contact our Directors
- Director Qualification Standards
- Board Policy on Executive Pension Benefits
- Certifications of Chief Executive Officer and Chief Financial Officer
- Standards of Business Conduct for all Pfizer colleagues, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer
- Political Action Committee Report
- By-Laws of Pfizer Inc.
- Restated Certificate of Incorporation
- Frequently Asked Questions about Pfizer Corporate Governance

We will provide any of the foregoing information without charge upon written request to Margaret M. Foran, Senior Vice President-Corporate Governance, Associate General Counsel and Corporate Secretary, Pfizer Inc., 235 East 42nd Street, New York, NY 10017-5755.

GOVERNANCE INFORMATION

Executive Sessions of Directors

Executive sessions or meetings of outside (non-management) Directors without management present are held regularly (at least four times a year) to review the report of the independent registered public accounting firm, the criteria upon which the performance of the Chairman and CEO and other senior managers is based, the performance of the Chairman and CEO against such criteria, the compensation of the Chairman and CEO and other senior managers and any other relevant matter. Meetings are held from time to time with the Chairman and CEO for a general discussion of relevant subjects. In 2007, the Directors met in executive session eight times, and at least one time with only independent directors.

Lead Independent Director

The Pfizer Board of Directors has elected a non-management director to serve in a lead capacity (Lead Independent Director) to coordinate the activities of the other non-management directors, and to perform any other duties and responsibilities that the Board of Directors may determine. While the Board annually elects a Lead Independent Director, it is generally expected that he or she will serve for more than one year. Stanley O. Ikenberry served as Lead Independent Director until February 22, 2007. Constance J. Horner was elected to serve as Lead Independent Director effective February 23, 2007.

The role of the Lead Independent Director includes:

- presiding at executive sessions, with the authority to call meetings of the independent directors;
- functioning as principal liaison on Board-wide issues between the independent directors and the Chairman;
- participating in the flow of information to the Board, i.e., meeting agenda items and meeting schedules to assure that there is sufficient time for discussion of all items;
- recommending to the Chairman the retention of outside advisors and consultants who report directly to the Board of Directors; and
- if requested by shareholders, ensuring that he/she is available, when appropriate, for consultation and direct communication.

The Charter of the Lead Independent Director is found in this proxy statement as Annex 6 and on our website at http://pfizer.com/about/corporate_governance/charter_lead_independent_director.jsp.

Communications with Directors

Shareholders and other interested parties may communicate with the Lead Independent Director or the Chairs of our Audit, Compensation and Corporate Governance Committees on board-related issues by sending an e-mail to the appropriate address below:

- leaddirector@ pfizer.com
- auditchair@ pfizer.com
- compchair@ pfizer.com or
- corpgovchair@ pfizer.com.

You also may write to any of the Committee Chairs or to the outside Directors as a group c/o Margaret M. Foran, Senior Vice President Corporate Governance, Associate General Counsel and Corporate Secretary at Pfizer Inc., 235 East 42nd Street, New York, New York 10017.

Relevant communications are distributed to the Board, or to any individual Director or Directors as appropriate, depending on the facts and circumstances outlined in the communication. In that regard, the Pfizer Board of Directors has requested that certain items that are unrelated to the duties and responsibilities of the Board should be excluded, such as:

business solicitations or advertisements

junk mail and mass mailings

new product suggestions

product complaints

product inquiries

resumes and other forms of job inquiries

spam

surveys

In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will be excluded, with the provision that any communication that is filtered out must be made available to any outside Director upon request.

Director Qualification Standards

Following New York Stock Exchange listing standards, our Board of Directors has adopted a formal set of categorical Director Qualification Standards used to determine Director independence that either meet or exceed the independence requirements of the New York Stock Exchange corporate governance listing standards. According to our Standards, a Director must be determined to have no material relationship with the Company other than as a Director. The Standards specify the criteria by which the independence of our Directors will be determined, including strict guidelines for Directors and their immediate families regarding past employment or affiliation with the Company or its independent registered public accounting firm. The Standards also prohibit Audit Committee members from having any direct or indirect financial relationship with the Company, and restrict both commercial and not-for-profit relationships of all Directors with the Company. Directors may not be given personal loans or extensions of credit by the Company, and all Directors are required to deal at arm s length with the Company and its subsidiaries, and to disclose any circumstance that might be perceived as a conflict of interest.

Director Independence

With the assistance of legal counsel to the Company, the Corporate Governance Committee reviewed the applicable legal standards for Board member and Board committee independence, our Director Qualification Standards, and the criteria applied to determine audit committee financial expert status. The committee also reviewed a summary of the answers to annual questionnaires completed by each of the Independent Directors and a report of transactions with Director affiliated entities. On the basis of this review, the Corporate Governance Committee delivered a report to the full Board of Directors and the Board made its independence and audit committee financial expert determinations based upon the Corporate Governance Committee Committee s report and the supporting information.

As a result of this review, the Board affirmatively determined that the following Directors nominated for election at the annual meeting are independent of the Company and its management under the standards set forth in the *Director Qualification Standards:* Drs. Dennis A. Ausiello, Michael S. Brown, Dana G. Mead; Ms. Constance J. Horner and Suzanne Nora Johnson, Messrs. M. Anthony Burns, Robert N. Burt, W. Don Cornwell, William H. Gray III, William R. Howell, James M. Kilts and George A. Lorch; and that Mr. Jeffrey B. Kindler and Mr. William C. Steere, Jr. are not independent under these Standards. Mr. Kindler is not considered an independent outside Director because of his employment as Chairman and Chief Executive Officer of the Company. Mr. Steere is not considered an independent outside Director as a result of his former status as Chairman and Chief Executive Officer of the Company.

In making these determinations, the Board considered that in the ordinary course of business, transactions may occur between the Company and its subsidiaries and companies or other entities at which some of our Directors are or have been officers. Under Pfizer s Director Qualification Standards, business transactions meeting the following criteria are not considered to be material transactions that would impair a director s independence:

- The director is an employee or executive officer of another company that does business with Pfizer and our annual sales to or purchases from that company in each of the last three fiscal years are in an amount less than 1% of the annual revenues of the company in which the director serves, or our indebtedness to that company or that company s indebtedness to Pfizer is an amount less than 1% of the total consolidated assets of the company in which the director serves.

There was no indebtedness in 2007 between Pfizer and any entity with which a Director is affiliated.

Dr. Ausiello and Dr. Brown are employed at medical institutions with which Pfizer engages in ordinary course of business transactions. Mr. Cornwell is an executive officer and Chairman of a corporation with which Pfizer engages in ordinary course of business transactions. We reviewed all transactions with each of these entities and found that these transactions were made in the ordinary course of business and were below the threshold set forth in our Director Qualification Standards of 1% of the annual revenues of these entities in each of the last three years.

Under Pfizer s Director Qualification Standards, contributions to not-for-profit entities in which a director of the Company, or a director s spouse, serves as an executive officer, amounting to less than two percent (or $1,000,000, whichever is greater) of that organization s latest publicly available total revenues, will not serve as a bar to the director s independence. None of the Directors or their spouses is an executive officer of not-for-profit organizations to which Pfizer contributes. Nonetheless, the Board reviewed charitable contributions to not-for profit organizations with which our Directors or spouses are affiliated. None of the transactions reported approached the levels set forth in our Director Qualification Standards.

The full text of our *Director Qualification Standards* is attached as Annex 1 to this Proxy Statement. These Standards also are published on our website at http://www.pfizer.com/about/corporate_governance/director_qualification_standards.jsp.

Criteria for Board Membership

To fulfill its responsibility to recruit and recommend to the full Board nominees for election as Directors, the Corporate Governance Committee reviews the composition of the full Board to determine the qualifications and areas of expertise needed to further enhance the composition of the Board and works with management in attracting candidates with those qualifications. Appropriate criteria for Board membership include the following:

- Members of the Board should be individuals of high integrity and independence, substantial accomplishments, and have prior or current association with institutions noted for their excellence.

Members of the Board should have demonstrated leadership ability, with broad experience, diverse perspectives, and the ability to exercise sound business judgment.

The background and experience of members of the Board should be in areas important to the operation of the Company such as business, education, finance, government, law, medicine or science.

The composition of the Board should reflect sensitivity to the need for diversity as to gender, ethnic background and experience.

In addition, according to our Corporate Governance Principles, the Committee considers the number of other boards of public companies on which a candidate serves. Moreover, Directors are expected to act ethically at all times and adhere to the Company s Code of Business Conduct and Ethics for members of the Board of Directors.

The Governance Committee retained two search firms during 2007 to assist the Committee members in identifying and evaluating potential nominees for the Board and such search firms initially identified Mr. Kilts and Ms. Nora Johnson as Board candidates to the Corporate Governance Committee. After a screening process and recommendation by the Committee, the Board elected each as a new director effective September 27, 2007.

The Committee considers candidates for Director suggested by our shareholders, provided that the recommendations are made according to the procedures required under our By-laws and described in this Proxy Statement under the heading Requirements, Including Deadlines, for Submission of Proxy Proposals, Nomination of Directors and Other Business of Shareholders. Shareholder nominees whose nominations comply with these procedures and who meet the criteria outlined above, in the Committee s Charter, and in our Corporate Governance Principles, will be evaluated by the Corporate Governance Committee in the same manner as the Committee s nominees.

Pfizer Policies on Business Ethics and Conduct

All of our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer (Officers), are required to abide by Pfizer s Policies on Business Conduct to ensure that our business is conducted in a consistently legal and ethical manner. These Policies form the foundation of a comprehensive process that includes compliance with all corporate policies and procedures, an open relationship among colleagues that contributes to good business conduct, and the high integrity level of our employees. Our Policies and procedures cover all areas of professional conduct, including employment policies, conflicts of interest, intellectual property and the protection of confidential information, as well as strict adherence to all laws and regulations applicable to the conduct of our business.

Employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of Pfizer s Policies on Business Conduct. The Sarbanes-Oxley Act of 2002 requires audit committees to have procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. We have such procedures in place. In addition, the Pfizer Policy regarding Compliance with SEC Attorney Conduct Rules requires all Pfizer lawyers to report to the appropriate persons at the Company evidence of any actual, potential or suspected material violation of state or federal law or breach of fiduciary duty by Pfizer or any of its officers, Directors, employees or agents.

Code of Conduct for Directors

The members of our Board of Directors also are required to comply with a Code of Business Conduct and Ethics (the Code). The Code is intended to focus the Board and the individual Directors on areas of ethical risk, help Directors recognize and deal with ethical issues, provide mechanisms to report unethical conduct, and foster a culture of honesty and accountability. The Code covers all areas of professional conduct relating to service on the Pfizer Board, including conflicts of interest, unfair or unethical use of corporate opportunities, strict protection of confidential information, compliance with all applicable laws and regulations and oversight of ethics and compliance by employees of the Company.

The full texts of both Pfizer s Policies on Business Conduct and of the Code of Business Conduct and Ethics for our Directors are published on our website at http://www.pfizer.com/about/corporate_governance/board_policies.jsp. We will disclose any future amendments to, or waivers from, provisions of these ethical policies and standards for Officers and Directors on our website within two business days following the date of such amendment or waiver.

BOARD AND COMMITTEE MEMBERSHIP

Our business, property and affairs are managed under the direction of our Board of Directors. Members of our Board are kept informed of our business through discussions with our Chairman and Chief Executive Officer and other officers, by reviewing materials provided to them, by visiting our offices and plants and by participating in meetings of the Board and its Committees.

All Board members are expected to attend our Annual Meeting of Shareholders, unless an emergency prevents them from doing so. At our 2007 Annual Meeting, all but one director standing for re-election attended. That director did not attend due to a death in his family.

During 2007 the Board of Directors met eleven times and had five Committees. Those Committees consisted of an Audit Committee, a Corporate Governance Committee, a Compensation Committee, a Science and Technology Committee and an Executive Committee. Each of our incumbent Directors attended at least 88 percent of the regularly scheduled and special meetings of the Board and Board Committees on which they served in 2007.

The table below provides 2007 membership and meeting information for each of the Board Committees.

Name	**Audit**	**Corporate Governance**	**Compensation**	**Science & Technology**	**Executive**
Dr. Ausiello		X		X	
Dr. Brown		X		X*	
Mr. Burns	X				X
Mr. Burt			X		
Mr. Cornwell	X*				
Mr. Gray		X			
Ms. Horner		X*			X
Mr. Howell	X				
Mr. Kilts(1)			X		
Mr. Kindler					X*
Mr. Lorch			X	X	
Dr. Mead			X*	X	
Ms. Nora Johnson(1)	X			X	
Mr. Steere				X	
2007 Meetings	14	8	15	2	0

* Committee Chair

(1) Mr. Kilts and Ms. Nora Johnson were elected to the Board of Directors on September 27, 2007.

The Audit Committee

The Audit Committee is comprised of independent directors and is governed by a Board-approved charter stating its responsibilities. The Audit Committee met 14 times in 2007. Under its Charter, the Audit Committee is responsible for reviewing with the independent registered public accounting firm, Internal Audit and management the adequacy and effectiveness of internal controls over financial reporting. The Committee reviews and consults with management, the internal auditors and the independent registered public accounting firm on matters related to the annual audit, the published financial statements, earnings releases and the accounting principles applied. The Audit Committee is also responsible for appointing, retaining and evaluating the Company s independent auditors. The Committee is directly responsible for the compensation, retention and oversight of the Company s independent auditors and evaluates the independent auditors qualifications, performance and independence. The Committee reviews reports from management relating to the status of compliance with laws, regulations and internal procedures.

The Committee is also responsible for reviewing and discussing with management the Company s policies with respect to risk assessment and risk management.

The Audit Committee has established policies and procedures for the pre-approval of all services provided by the independent auditors. The Audit Committee has also established procedures for the receipt, retention and treatment, on a confidential basis, of complaints received by the Company. Further detail about the role of the Audit Committee may be found in the section entitled Audit Committee Report later in this Proxy Statement.

A copy of the Audit Committee Charter is attached as Annex 2 to this Proxy Statement, and is also available on our website at http://www.pfizer.com/about/corporate_governance/audit_committee.jsp.

Audit Committee Financial Experts

The Board of Directors has determined that each of the members of the Audit Committee Mr. Burns, Mr. Cornwell, Mr. Howell and Ms. Nora Johnson is an audit committee financial expert for purposes of the SEC s rules.

The Board of Directors also has determined that each of the members of the Audit Committee is independent, as defined by the rules of the New York Stock Exchange.

The Corporate Governance Committee

The Corporate Governance Committee is comprised of independent directors and is governed by a Board-approved charter stating its responsibilities. The Corporate Governance Committee met eight times in 2007. Under the terms of its Charter, the Corporate Governance Committee is responsible for matters of corporate governance and matters relating to the practices, policies and procedures of the Board. This includes developing criteria for Board membership and recommending and recruiting Director candidates. The Committee also considers possible conflicts of interest of Board members and senior executives, reviews related person transactions and monitors the functions of the various Committees of the Board.

The Committee advises on the structure of Board meetings and recommends matters for consideration by the Board. The Committee also advises on Board compensation and recommends Director compensation, which is ultimately approved by the full Board. The Committee is directly responsible for overseeing the evaluation of the Board and its Committees, reviewing our Director Qualification Standards and establishing Director retirement policies. The Committee also assists management by reviewing the functions, job performance and outside activities of senior executives and reviewing succession plans for elected corporate officers.

A copy of the Corporate Governance Committee Charter is attached as Annex 3 to this Proxy Statement, and is also available on our website at http://www.pfizer.com/about/corporate_governance/corporate_governance_committee.jsp.

The Board of Directors has determined that each of the members of the Corporate Governance Committee is independent, as defined by the rules of the New York Stock Exchange.

The Compensation Committee

The Compensation Committee, composed entirely of independent directors, administers the Company s executive compensation program. The role of the Committee is to oversee Pfizer s compensation and benefit plans and policies, administer its stock plans (including reviewing and approving equity grants to elected officers) and review and approve annually all compensation decisions for elected officers including those for the Chairman and CEO and the other executive officers named in the Summary Compensation Table (the Named Executive Officers). The Committee submits its compensation decisions for the Chairman and CEO to the Directors of the Board for ratification.

In addition to reviewing executive officers compensation against the peer groups, the Committee considers recommendations from the CEO regarding total compensation for those executives reporting directly to him, as well as the other Company elected officers and approves compensation for these executives and officers. Management provides to the Committee historical and prospective breakdowns of the total compensation components for each executive officer.

Charter

The Committee s membership is determined by the Board. There were 15 meetings of the Committee in 2007, including two executive sessions with the Committee members only. Under the terms of its Charter, which is reviewed annually by the Committee and the Board, the Compensation Committee is directly responsible for establishing annual and long-term performance goals and objectives for our elected corporate officers. This responsibility includes:

- evaluating the performance of the CEO and other elected officers in light of approved performance goals and objectives;
- setting the compensation of the CEO and other elected officers in consultation with the Board based upon the evaluation of the performance of the CEO and the other elected officers, respectively;
- making recommendations to the Board of Directors with respect to new cash-based incentive compensation plans and equity-based compensation plans; and

- preparing an annual performance self-evaluation of the Compensation Committee.

In addition, the Committee:

- administers the Company s stock plans;
- determines and certifies the shares awarded under corporate performance-based plans;
- grants options and awards under the Company s stock plans;
- advises on the setting of compensation for senior executives whose compensation is not otherwise set by the Committee;
- monitors compliance by officers with our program of required stock ownership;
- reviews and discusses with the Company s management, the Compensation Discussion & Analysis which is included in the Company s annual Proxy Statement; and
- prepares the report of the Compensation Committee for inclusion in the Proxy Statement.

The Board of Directors has determined that each of the members of the Compensation Committee is independent, as defined by the rules of the New York Stock Exchange. In addition, each Committee member is a non-employee director as defined under the Securities Exchange Act of 1934, and is an outside director as defined in section 162(m) of the Internal Revenue Code.

A copy of the Compensation Committee Charter is attached as Annex 4 to this Proxy Statement, and is also available on our website at http://www.pfizer.com/about/corporate_governance/compensation_committee.jsp.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee during fiscal 2007 or as of the date of this proxy statement is or has been an officer or employee of the Company and no executive officer of the Company served on the compensation committee or board of any company that employed any member of the Company s Compensation Committee or Board of Directors.

The Science and Technology Committee

The Science and Technology Committee met twice in 2007. Generally, each meeting is conducted over a two-day period. Under the terms of its Charter, the Science and Technology Committee is responsible for periodically examining management s direction and investment in the Company s pharmaceutical research and development as well as in its technology initiatives. This includes evaluation of the quality and direction of the Company s research and development programs, identification of emerging issues and evaluating the level of review by external experts. The Committee also reviews the Company s approaches to acquiring and maintaining technology, evaluating the technology that the Company is researching and developing and reviewing the Company s patent strategy.

The Committee may meet privately with independent consultants and is free to speak directly and independently with any members of management in discharging its responsibilities.

The Executive Committee

The Executive Committee did not meet in 2007. The Executive Committee performs the duties and exercises the powers as may be delegated to it by the Board of Directors from time to time.

2007 COMPENSATION OF NON-EMPLOYEE DIRECTORS

Annual compensation for non-employee Directors for 2007 was comprised of: cash compensation and equity compensation, consisting of Unit Awards. Each of these components is described in more detail below. The total 2007 compensation of our non-Employee Directors is shown in the 2007 Director Compensation Table. Employee Directors do not receive any compensation in connection with their Director service.

Non-Employee Director Compensation

2007 Non-Employee Director Compensation Plan

For the 2007 program, annual compensation for non-employee Directors consisted of the following:

- an annual retainer of $75,000 (pro-rated if a Director attends less than 80% of Board and Committee meetings in a year); and
- an award of 5,000 Pfizer stock units under the Pfizer Inc. Nonfunded Deferred Compensation and Unit Award Plan (Unit Award Plan) (not payable until the Director ceases to be a member of the Board) to each Director upon joining the Board and to each Director upon election at each Annual Meeting of Shareholders, provided the Director continues to serve as a Director following the Meeting.

The Chairs of Board Committees and the Lead Independent Director receive additional annual retainers as follows:

- Chairs of Compensation and Corporate Governance Committees: $15,000
- Chair of Audit Committee: $20,000
- Chair of Science and Technology Committee: $25,000
- Lead Independent Director: $25,000.

On the day of the 2007 Annual Meeting of Shareholders, all of our non-employee Directors who continued as Directors were awarded 5,000 units with a value at time of grant of $133,600 (calculated based on the closing stock price of Pfizer common stock of $26.72 on the grant date).

Upon joining the Board, Mr. Kilts and Ms. Nora Johnson received an initial grant of 5,000 units with a value at time of grant of $123,750 (calculated based on the closing stock price of Pfizer common stock of $24.75 per share on the grant date).

2008 Non-Employee Director Compensation Plan

In 2008 the following non-employee Director compensation program went into effect:

- an annual retainer of $75,000 (pro-rated if a Director attends less than 80% of Board and Committee meetings in a year); and
- an award of 5,500 Pfizer stock units under the Pfizer Inc. Nonfunded Deferred Compensation and Unit Award Plan (Unit Award Plan) (not payable until the Director ceases to be a member of the Board) to each Director upon joining the Board and to each Director upon election at each Annual Meeting of Shareholders, provided the Director continues to serve as a Director following the Meeting.

The Chairs of Board Committees, Members of Board Committees and the Lead Independent Director receive additional annual retainers as follows:

- Chair of Audit Committee: $25,000
Member $20,000
- Chair of Compensation Committee: $25,000
Member: $20,000

Chair of Corporate Governance Committee: $20,000;
Member $15,000

Chair of Science and Technology Committee: $30,000;
Senior Member: $20,000;
Member: $10,000

Lead Independent Director: $30,000.

Deferred Compensation

Non-employee Directors may defer all or a part of their annual cash retainers and meeting fees under the Unit Award Plan until they cease to be members of the Board. At a Director s election, the fees held in the Director s account may be credited either with interest at the rate of return of the Northern Trust Intermediate Treasury Index Fund, or with Pfizer stock units. The rate of return of the Intermediate Treasury Index Fund for 2007 was 8.83%. The numbers of Pfizer stock units are calculated by dividing the amount of the deferred fee by the closing price of our common stock on the last business day of the fiscal quarter. If fees are deferred as Pfizer stock units, the number of stock units in a Director s account is increased by stock units based on the value of any distributions on the common stock. When a Director ceases to be a member of the Board, the amount attributable to stock units held in the individual s account is paid in cash. The payment amount is determined by multiplying the number of Pfizer stock units in the account by the closing price of our common stock on the last business day before the payment date.

Legacy Warner-Lambert Equity Compensation Plans.

Under the Warner-Lambert 1996 Stock Plan, as a result of our merger with Warner-Lambert, all stock options and restricted stock awards outstanding as of June 19, 2000, became immediately exercisable or vested.

Under this Plan, the Directors of Warner-Lambert could elect to defer any or all of the compensation they received for their services. These deferred amounts could have been credited to a Warner-Lambert Common Stock Equivalent Account (the Equivalent Account). That Equivalent Account was credited, as of the day the fees would have been payable, with stock credits equal to the number of shares of Warner-Lambert common stock that could have been purchased with the dollar amount of such deferred fees. The former Warner-Lambert Directors Messrs. Burt, Gray, Howell, and Lorch who joined our Board after the merger, had deferred compensation and were entitled to Warner-Lambert stock credits in the Equivalent Account under this Plan. Dividends received under this Plan are reinvested. Upon the closing of the merger, these Warner-Lambert stock credits were converted into Pfizer stock equivalent units. These units will be payable in Pfizer common stock at various times in accordance with the Director s election. These units are described in footnote 2 to the table entitled Securities Ownership.

2007 DIRECTOR COMPENSATION TABLE

The following table shows 2007 compensation for our non-employee Directors.

Name	Fees Earned or Paid in Cash ($)	2007 Stock Unit Awards ($)(1) (2)	All Other Compensation ($)(3)	Total ($)
Dr. Ausiello	75,000	133,600	0	208,600
Dr. Brown*	100,000	133,600	0	233,600
Mr. Burns	75,000	133,600	0	208,600
Mr. Burt	75,000	133,600	0	208,600
Mr. Cornwell*	88,333	133,600	0	221,933
Mr. Gray	75,000	133,600	1,763(4)	210,363
Ms. Horner*	110,833	133,600	0	244,433
Mr. Howell	81,667	133,600	0	215,267
Dr. Ikenberry+	22,917	0	0	22,917
Mr. Kilts	25,000	123,750	0	148,750
Mr. Lorch	75,000	133,600	0	208,600
Dr. Mead*	90,000	133,600	0	223,600
Ms. Nora Johnson	25,000	123,750	0	148,750
Dr. Simmons++	18,750	0	0	18,750
Mr. Steere	75,000	133,600	50,000(5)	258,600

* Committee Chair

\+ End date March 22, 2007

++ End date April 25, 2007

(1) The reported value of the stock unit awards granted in 2007 was calculated by multiplying the closing market price of our common stock on the grant date by the number of units granted. Since these awards are settled in cash, for purposes of FAS 123R this initial valuation is re-estimated at the end of each reporting period until settlement. Consequently, the actual value recognized for financial reporting purposes under FAS 123R as reported on the Company s 2007 Income Statement for each 2007 stock unit award was $113,600 per award, except in the case of Ms. Nora Johnson and Mr. Kilts. In addition, the dividend equivalent units earned on the 2007 stock unit awards (as recognized for financial reporting purposes under FAS 123R as reported on the Company s 2007 Income Statement) was in the amount of $4,084 per award, except in the case of Ms. Nora Johnson and Mr. Kilts. The dividend equivalent units earned on their 2007 stock unit awards were in the amount of $1,444 per award because their awards were granted later in the year.

(2) At the end of 2007, the aggregate number of stock unit awards held by each current director was: Dr. Ausiello,10,416; Dr. Brown, 62,494; Mr. Burns, 69,889; Mr. Burt, 59,259; Mr. Cornwell, 75,840; Mr. Gray, 87,427; Ms. Horner, 69,889; Mr. Howell, 73,435; Mr. Kilts, 5,888; Mr. Lorch, 61,917; Dr. Mead, 82,381; Ms. Nora Johnson, 5,064; Mr. Steere, 71,190.

(3) For additional transparency, we are reporting market interest earned in 2007 on the Directors deferred compensation balances. During 2007, the market interest on Deferred Compensation in 2007 was: Mr. Gray, $2,286; Mr. Howell, $39,365; Dr. Ikenberry, $600.

(4) This amount represents above-market interest on the deferred cash balance under a legacy Warner-Lambert equity compensation plan, paid at the prime rate plus 2%.

(5) This amount relates to Mr. Steere s consulting contract, discussed in more detail under the heading Transactions with Related Persons.

SECURITIES OWNERSHIP

The table below shows the number of shares of our common stock beneficially owned as of February 28, 2008 by each of our Directors and each Named Executive Officer listed in the Summary Compensation Table, as well as the number of shares beneficially owned by all of our Directors and Executive Officers as a group. Together these individuals beneficially own less than one percent (1%) of our common stock. The table also includes information about stock options, stock appreciation rights, stock units, restricted stock, restricted stock units and deferred performance-related share awards credited to the accounts of our Directors and Executive Officers under various compensation and benefit plans.

	Number of Shares or Units		
Beneficial Owners	**Common Stock**	**Stock Units**	**Options Exercisable Within 60 days**
Dennis A. Ausiello	1,475(1)	10,416(2)	
Michael S. Brown	1,200	62,494(2)	
M. Anthony Burns	22,769	69,889(2)	
Robert N. Burt	12,200	59,259(2)	
W. Don Cornwell	1,500(1)	75,840(2)	
Frank A. D Amelio	282,659(3)	168,739	
William H. Gray III	23	87,427(2)	
Constance J. Horner	12,901	69,889(2)	
William R. Howell	6,350	73,435(2)	
James M. Kilts	16,125	5,888	
Jeffrey B. Kindler	319,067	419,468(4)	587,002
John L. LaMattina+	394,684(1)	25,607(4)	1,047,785
Alan G. Levin++	363,362(3)	66,210(4)	96,666
George A. Lorch	1,750	61,917(2)	
Martin Mackay	167,655	168,405(5)	520,051
Dana G. Mead	9,350	82,381(2)	
Suzanne Nora Johnson		5,064	
Ian C. Read	278,649(3)	205,318(4)	754,118
David L. Shedlarz+	668,220(1)(3)	47,403(4)	1,646,280
William C. Steere, Jr.	1,592,807(1)(3)	116,179(2)(4)	2,600,450
All Directors and Executive Officers as a group (27)	5,106,043	2,359,570	8,670,277

\+ End date December 31, 2007

++ End date November 2, 2007

(1) These shares include the following number of shares held in the names of family members, as to which beneficial ownership is disclaimed: Dr. Ausiello, 1,475 shares; Mr. Cornwell, 400 shares; Mr. Kilts, 525 shares; Mr. Kindler 1,300 shares; Dr. LaMattina, 5,098 shares; Mr. Shedlarz, 2,098 shares; and Mr. Steere, 14,808 shares.

(2) As of February 28, 2008, these units are held under the Unit Award Plan and the Pfizer Inc. Annual Retainer Unit Award Plan. The value of a Director s unit account is measured by the closing price of our common stock. The Plans are described in this Proxy Statement under the heading 2007 Compensation of Non-Employee Directors. This number also includes the following number of units resulting from the conversion into Pfizer units of previously deferred Warner-Lambert director compensation under the Warner-Lambert Company 1996 Stock Plan: Mr. Burt, 19,153 units; Mr. Gray, 47,321 units; Mr. Howell, 33,329 units; and Mr. Lorch, 12,455 units. That Plan is described in this Proxy Statement under the heading Legacy Warner-Lambert Equity Compensation Plans.

(3) As of February 28, 2008, this number includes shares credited under the Pfizer Savings Plan and/or deferred performance shares under the Company s performance-based share award programs. These plans are described in further detail later in this Proxy Statement.

(4) As of February 28, 2008, these units are held under the Supplemental Savings Plan. The value of these units is measured by the price of our common stock. The Supplemental Savings Plan is described in further detail later in this Proxy Statement. Mr. Steere holds units under the Supplemental Savings Plan and stock units as described in footnote 2. This number also includes Stock Appreciation Rights for: Mr. D Amelio, 168,739; Mr. Kindler, 399,645; Dr. Mackay, 159,858; and Mr. Read, 168,739.

(5) As of February 28, 2008 these units are held under the Pfizer Inc. Deferred Compensation Plan. The value of these units is measured by the price of our common stock.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE, RELATED PERSON TRANSACTIONS, INDEMNIFICATION AND LEGAL PROCEEDINGS

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our Directors and certain of our officers to file reports of holdings and transactions in Pfizer shares with the SEC and the New York Stock Exchange. Based on our records and other information, we believe that in 2007 our Directors and our officers who are subject to Section 16 met all applicable filing requirements with the exception of the following:

Upon his election to the Company s Board of Directors in September 2007, James M. Kilts filed a Form 3 with the Securities and Exchange Commission on a timely basis. Due to an inadvertent administrative error by his financial advisor, the Form 3 failed to include 960 shares of Pfizer common stock that had been acquired by a trust for Mr. Kilts benefit shortly before he joined the Board. Promptly after being informed of the omission, Mr. Kilts filed an amendment to the Form 3 reporting the ownership of those shares.

REVIEW OF RELATED PERSON TRANSACTIONS

The Corporate Governance Committee adopted a Related Person Transaction Approval Policy which is administered by the Corporate Governance Committee. This is a written policy which applies to any transaction or series of transactions in which the Company or a subsidiary is a participant, the amount involved exceeds $120,000 and a Related Person has a direct or indirect material interest. Under the Policy, Company management will determine whether a transaction meets the requirements of a Related Person Transaction requiring review by the Committee. Transactions that fall within this definition will be referred to the Committee for approval, ratification or other action. Based on its consideration of all of the relevant facts and circumstances, the Committee will decide whether or not to approve such transaction and will approve only those transactions that are in the best interests of the Company. If the Company becomes aware of an existing Transaction with a Related Person which has not been approved under this Policy, the matter will be referred to the Committee. The Committee will evaluate all options available, including ratification, revision or termination of such transaction.

TRANSACTIONS WITH RELATED PERSONS

Dr. Henry McKinnell, former Chairman and CEO, was employed by the Company and served as a director until February 28, 2007. As an employee director, Dr. McKinnell received no compensation in connection with his director service but received $15,860,666 under the terms of his employment agreement and other plans and programs to which he was entitled. This amount included salary, severance, savings plan contribution, 2006 bonus, pay in lieu of benefits continuation and unused vacation in 2007 as indicated below:

- Salary and savings plan match of $395,445
- Severance of $11,941,000 (equal to two times the sum of his base salary plus 2005 bonus)
- Prorated 2006 bonus of $2,158,300
- Unused vacation of $305,644
- Two years equivalent Pfizer Savings Plan matching contributions, dental plan, long term disability and life insurance coverage, Healthy Pfizer incentive and financial planning of $576,656
- Interest of $483,621 on deferral for 409A purposes

Dr. McKinnell had personal use of car services with an incremental cost to the Company of $8,883.

As a retiree, Dr, McKinnell also received typical retiree benefits as follows:

- Retiree medical coverage

- Ability to exercise all stock options in accordance with their normal terms and conditions
- Pension benefit with a lump sum value of $84,033,301 (updated from 2007 estimate)
- Continued participation in outstanding performance periods under the Pfizer Performance Share program with target value of $11,854,491 (actual payout will depend on Pfizer performance)
- Vesting of outstanding restricted stock and restricted stock unit awards of $5,809,650

Dr. McKinnell received $15,665,483 in January 2008 as deferred compensation, with $68,146,743 remaining in his deferred compensation account, which will be distributed pursuant to his election. Other than matching contributions to the Pfizer Supplemental Savings Plan, this amount is solely attributable to deferrals of previously earned compensation and the earnings on his account balance.

Dr. McKinnell agreed to be bound by customary confidentiality and non-competition covenants and to provide reasonable litigation assistance to Pfizer and its counsel following his February 28, 2007 departure date and has executed a release of claims in favor of Pfizer.

Dr. McKinnell s and Pfizer s rights and obligations under his employment agreement (other than Dr. McKinnell s right to indemnification, which survives) and his change-in-control severance agreement terminated as a result of the execution of his separation agreement.

Dr. McKinnell was entitled to receive pension benefits and non-qualified deferred compensation. These amounts were earned by Dr. McKinnell during his 36-year tenure with Pfizer and his rights with respect to these amounts are fully vested in accordance with the terms of Pfizer s pension, savings and non-qualified deferred compensation plans.

In connection with his retirement in 2001, we entered into a consulting agreement with Mr. Steere, a member of our Board of Directors. The agreement provides that Mr. Steere will serve as Chairman Emeritus of the Company and, when and as requested by the Chief Executive Officer, will provide consulting services and advice to the Company and participate in various external activities and events for the benefit of the Company. The term of the agreement, which began on July 1, 2001 after Mr. Steere ceased his employment with the Company, was for five years, with automatic extensions for successive five-year terms, unless Mr. Steere or the Company terminates the agreement at the end of its then-current term. The contract was extended for a five-year term in 2006 and currently extends until 2011. Mr. Steere may provide up to 30 days per year to the Company, subject to his reasonable availability, for his consulting services or his participation as a Company representative in external activities and events. He must obtain the approval of the Board of Directors before providing any consulting services, advice or service of any kind to any other company or organization that competes with us. For his services and commitments, the Company pays Mr. Steere (i) an annual retainer of $50,000 for his consulting services (subject to his ability to continue to provide the contemplated services), and (ii) an additional fee of $5,000 for each day in excess of 30 days per year that he renders services as described above. We also reimburse him for reasonable expenses that he incurs in providing these services for us.

In addition, under the terms of the agreement, we provide him lifetime access to Company facilities and services comparable to those that were made available to him by the Company prior to his retirement. These include the use of an office and access to the secretarial services of an administrative assistant; access to financial planning services; and the use of a car and driver and of Company aircraft. Mr. Steere has chosen to personally pay for his financial planning services and voluntarily reimburses the Company for all personal use of Company-provided transportation.

We paid Mr. Steere $50,000 in 2007 under the terms of this consulting agreement.

INDEMNIFICATION

We indemnify our Directors and our elected officers to the fullest extent permitted by law so that they will be free from undue concern about personal liability in connection with their service to the Company. This is required under our By-laws, and we have also entered into agreements with certain of those individuals contractually obligating us to provide this indemnification to them.

LEGAL PROCEEDINGS

Beginning in late 2004, actions relating to Pfizer s sale of certain arthritis medicines, including purported class and shareholder derivative actions, have been filed in various federal and state courts against Pfizer and certain current and former officers, Directors and employees of Pfizer. These actions include: (i) purported class actions alleging that Pfizer and certain current and former officers of Pfizer violated federal securities laws by misrepresenting the safety of certain arthritis medicines; (ii) purported shareholder derivative actions alleging that certain of Pfizer s current and former officers and Directors breached fiduciary duties by causing Pfizer to misrepresent the safety of those arthritis medicines; and (iii) purported class actions filed by persons who claim to be participants in the Pfizer Savings Plan alleging that Pfizer and certain current and former officers, Directors and employees of Pfizer violated certain provisions of the Employee Retirement Income Security Act of 1974 (ERISA) by selecting and maintaining Pfizer stock as an investment alternative when it allegedly no longer was a suitable or prudent investment option. In June 2005, the federal securities, fiduciary duty and ERISA actions were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (In re Pfizer Inc. Securities, Derivative and ERISA Litigation MDL-1688) in the U.S. District Court for the Southern District of New York.

Pursuant to the indemnification provision contained in our By-laws, the Company is paying the expenses (including attorneys fees) incurred by current and former officers and Directors in defending these actions and certain other actions. Each of these individuals in such actions has provided an undertaking to repay all amounts advanced if it is ultimately determined that he or she is not entitled to be indemnified.

PROPOSALS REQUIRING YOUR VOTE

ITEM 1 ELECTION OF DIRECTORS

Fourteen members of our Board are standing for re-election, to hold office until the next Annual Meeting of Shareholders. A majority of votes cast is required for the election of directors.

A majority of the votes cast means that the number of votes cast for a director nominee must exceed the number of votes cast against that director nominee. In contested elections (an election in which the number of nominees for director is greater than the number of directors to be elected) the vote standard will continue to be a plurality of votes cast.

In accordance with our Corporate Governance Principles, the Board will nominate for election or re-election as a Director only candidates who agree to tender, promptly following their failure to receive the required vote for election or re-election at the next meeting at which they would face election or re-election, an irrevocable resignation that will be effective upon acceptance by the Board. In addition, the Board will fill Director vacancies and new directorships only with candidates who agree to tender the same form of resignation, promptly following their appointment to the Board.

If an incumbent Director fails to receive the required vote for re-election, then, within 90 days following certification of the shareholder vote, the Corporate Governance Committee will act to determine whether to accept the Director s resignation and will submit the recommendation for prompt consideration by the Board, and the Board will act on the Committee s recommendation.

Thereafter, the board will promptly disclose its decision-making process and decision regarding whether to accept the Director s resignation offer (or the reason(s) for rejecting the resignation offer, if applicable) in a Form 8-K furnished to the Securities and Exchange Commission.

Any Director who tenders his or her resignation pursuant to this provision of our Corporate Governance Principles may not participate in the Corporate Governance Committee recommendation or Board action regarding whether to accept the resignation offer. If each member of the Corporate Governance Committee fails to receive the required vote in favor of his or her election in the same election, then those independent Directors who did receive the required vote will appoint a committee amongst themselves to consider the resignation offers and recommend to the Board whether to accept them. However, if the only Directors who did not receive the required vote in the same election constitute three or fewer Directors, all Directors may participate in the action regarding whether to accept the resignation offers.

Each nominee elected as a Director will continue in office until his or her successor has been elected and qualified, or until his or her earlier death, resignation or retirement.

We expect each nominee for election as a Director to be able to serve if elected. If any nominee is not able to serve, proxies will be voted in favor of the remainder of those nominated and may be voted for substitute nominees, unless the Board chooses to reduce the number of Directors serving on the Board.

The principal occupation and certain other information about the nominees is set forth on the following pages.

The Proxy Committee appointed by the Board of Directors intends to vote the proxy (if you are a shareholder of record) for the election of each of these nominees, unless you indicate otherwise on the proxy card.

The Board of Directors unanimously recommends a vote FOR the election of these nominees as Directors.

NOMINEES FOR DIRECTORS

Name and Age as of the April 24, 2008 Annual Meeting		Position, Principal Occupation, Business Experience and Directorships
Dennis A. Ausiello	62	The Jackson Professor of Clinical Medicine at Harvard Medical School and Chief of Medicine at Massachusetts General Hospital since 1996. President of the Association of American Physicians in 2006. Member of the Institute of Medicine of the National Academy of Sciences and a Fellow of the American Academy of Arts and Sciences. Director of MicroCHIPS (drug delivery technology) and Advisor to the Chairman of the Board of TIAX (formerly Arthur D. Little). Our Director since December 2006. Member of our Science and Technology Committee and our Corporate Governance Committee.
Michael S. Brown	67	Distinguished Chair in Biomedical Sciences from 1989 and Regental Professor from 1985 at the University of Texas Southwestern Medical Center at Dallas. Co-recipient of the Nobel Prize in Physiology or Medicine in 1985 and the National Medal of Science in 1988. Member of the National Academy of Sciences, the Institute of Medicine and Foreign Member of the Royal Society (London). Director of Regeneron Pharmaceuticals, Inc. Our Director since 1996. Chair of our Science and Technology Committee and member of our Corporate Governance Committee.
M. Anthony Burns	65	Chairman Emeritus since May 2002, Chairman of the Board from May 1985 to May 2002, Chief Executive Officer from January 1983 to November 2000, and President from December 1979 to June 1999 of Ryder System, Inc., a provider of transportation and logistics services. Director of The Black & Decker Corporation and J.C. Penney Company, Inc. Life Trustee of the University of Miami. Our Director since 1988. Member of our Audit Committee and our Executive Committee.
Robert N. Burt	70	Retired Chairman and Chief Executive Officer of FMC Corporation, a company that manufactures chemicals, and FMC Technologies Inc., a company that manufactures machinery. Mr. Burt was Chairman of the Board of FMC Corporation from 1991 to December 2001, its Chief Executive Officer from 1991 to August 2001 and a member of its Board of Directors from 1989 to April 2002. Chairman of the Board of FMC Technologies, Inc. from June 2001 to December 2001 and its Chief Executive Officer from June 2001 to August 2001. Life Trustee of the Rehabilitation Institute of Chicago and Chicago Symphony Orchestra. Our Director since June 2000. Member of our Compensation Committee.

NOMINEES FOR DIRECTORS

Name and Age as of the April 24, 2008 Annual Meeting		Position, Principal Occupation, Business Experience and Directorships
W. Don Cornwell	60	Chairman of the Board and Chief Executive Officer since 1988 of Granite Broadcasting Corporation, a group broadcasting company. On December 11, 2006, Granite Broadcasting Corporation filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code, and emerged from its restructuring on June 4, 2007. Director of Avon Products, Inc. Director of the Wallace Foundation. Trustee of Big Brothers/Sisters of New York. Our Director since February 1997. Chair of our Audit Committee.
William H. Gray III	66	Chairman of the Amani Group, a government affairs firm, since August 2004. Pastor Emeritus of the Bright Hope Baptist Church in Philadelphia since June 2005. President and Chief Executive Officer of The College Fund/UNCF (Educational Assistance) from September 1991 to June 2004. Mr. Gray served as a Congressman from the Second District of Pennsylvania from 1979 to 1991, and at various times during his tenure, served as Budget Committee Chair and House Majority Whip. Director of Dell Inc., J. P. Morgan Chase & Co., Prudential Financial, Inc. and Visteon Corporation. Our Director since June 2000. Member of our Corporate Governance Committee.
Constance J. Horner	66	Guest Scholar from 1993 until 2005 at The Brookings Institution, an organization devoted to nonpartisan research, education and publication in economics, government, foreign policy and the social sciences. Commissioner of the U.S. Commission on Civil Rights from 1993 to 1998. Served at the White House as Assistant to President George H. W. Bush and as Director of Presidential Personnel from August 1991 to January 1993. Deputy Secretary, U.S. Department of Health and Human Services from 1989 to 1991. Director of the U.S. Office of Personnel Management from 1985 to 1989. Director of Ingersoll-Rand Company Limited and Prudential Financial, Inc., Fellow, National Academy of Public Administration; Trustee, Annie E. Casey Foundation; Member of the Board of Trustees of the Prudential Foundation. Our Director since 1993 and Lead Director since February 2007. Chair of our Corporate Governance Committee and a member of our Executive Committee.
William R. Howell	72	Chairman Emeritus of J. C. Penney Company Inc., a major retailer, since 1997. Chairman of the Board and Chief Executive Officer of J. C. Penney Company from 1983 to 1997. Director of American Electric Power Company, Exxon Mobil Corporation, Halliburton Company and The Williams Companies, Inc. Mr. Howell will not be standing for re-election at American Electric Power Company, Exxon Mobil Corporation and Halliburton Company in 2008 having reached the mandatory retirement age. He is also a Director of Deutsche Bank Trust Corporation and Deutsche Bank Trust Company Americas, the non-public wholly-owned subsidiaries of Deutsche Bank A.G. Our Director since June 2000. Member of our Audit Committee.

NOMINEES FOR DIRECTORS

Name and Age as of the April 24, 2008 Annual Meeting		Position, Principal Occupation, Business Experience and Directorships
James M. Kilts	60	Founding Partner, Centerview Partners Management, LLC, a financial advisory firm, since 2006. Vice Chairman, The Procter & Gamble Company, 2005-2006. Chairman and Chief Executive Officer, The Gillette Company, 2001-2005 and President, The Gillette Company, 2003-2005. President and Chief Executive Officer, Nabisco Group Holdings Corporation, January 1998 until its acquisition by Philip Morris Companies, now Altria, in December 1999. Director of The New York Times Company, Metropolitan Life Insurance Company and Meadwestvaco Corporation. Mr. Kilts will not be standing for re-election at the New York Times Company in 2008. Trustee of Knox College and the University of Chicago, and a member of the Board of Overseers of Weill Cornell Medical College. Our Director since September 2007 and a member of our Compensation Committee.
Jeffrey B. Kindler	52	Our Chairman since December 19, 2006. Our Chief Executive Officer since July 31, 2006. Vice Chairman and General Counsel from March 2005 to July 30, 2006. Executive Vice President and General Counsel from April 2004 to March 2005, and Senior Vice President and General Counsel from January 2002 to April 2004. Prior to joining Pfizer, Mr. Kindler served as Chairman of Boston Market Corporation from 2000 to 2001, and President of Partner Brands during 2001, both companies owned by McDonald s Corporation. He was Executive Vice President, Corporate Relations and General Counsel of McDonald s Corporation from 1997 to 2001, and from 1996 to 1997 served as that company s Senior Vice President and General Counsel. Member of the U.S.-Japan Business Council and the Boards of Trustees of Ronald McDonald House Charities and Tufts University. Our Director since July 2006. Mr. Kindler is Chair of our Board s Executive Committee and a member of the Pfizer Executive Leadership Team.
George A. Lorch	66	Chairman Emeritus of Armstrong Holdings, Inc., a global company that manufactures flooring and ceiling materials, since August 2000. Chairman and Chief Executive Officer of Armstrong Holdings, Inc. from May 2000 to August 2000. Chairman of Armstrong World Industries, Inc. from May 1994 to May 2000, its President and Chief Executive Officer from September 1993 to May 2000, and a Director from 1988 to November 2000. Director of Autoliv, Inc. and The Williams Companies, Inc. He is also a Director of HSBC Finance Co. and HSBC North America Holding Company, the non-public, wholly owned subsidiaries of HSBC LLC. Our Director since June 2000. Member of our Compensation Committee and our Science and Technology Committee.
Dana G. Mead	72	Chairman of Massachusetts Institute of Technology Corporation since July 1, 2003. Chairman and Chief Executive Officer of Tenneco, Inc. from 1994 until his retirement in 1999. Chairman of two of the successor companies of the Tenneco conglomerate, Tenneco Automotive Inc. and Pactiv Corporation, global manufacturing companies with operations in automotive parts and packaging, from November 1999 to March 2000. Chairman of the Board of the Ron Brown Award for Corporate Leadership and a Lifetime Trustee of the Association of Graduates, U.S. Military Academy, West Point. Former Chairman of the Business Roundtable and the National Association of Manufacturers. Our Director since January 1998. Chair

of our Compensation Committee and a member of our Science and Technology Committee.

NOMINEES FOR DIRECTORS

Name and Age as of the April 24, 2008 Annual Meeting		Position, Principal Occupation, Business Experience and Directorships
Suzanne Nora Johnson	50	Retired Vice Chairman, Goldman Sachs Group, Inc., since January 2007. During her 21 year tenure with Goldman Sachs, Ms. Nora Johnson served in various leadership roles, including Head of the firm s Global Healthcare Business, Head of Global Research and Chair of the Global Markets Institute. Director of Intuit and VISA. Board member of the American Red Cross, Brookings Institution, the Carnegie Institution for Science and the University of Southern California. Our Director since September 2007. Member of our Audit Committee and our Science and Technology Committee.
William C. Steere, Jr.	71	Chairman Emeritus of Pfizer Inc. since July 2001. Chairman of our Board from 1992 to April 2001 and our Chief Executive Officer from February 1991 to December 2000. Director of MetLife, Inc. and Health Management Associates, Inc. Director of the New York University Medical Center and the New York Botanical Garden. Member of the Board of Overseers of Memorial Sloan-Kettering Cancer Center. Our Director since 1987 and a member of our Science and Technology Committee.

NAMED EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS

Name and Age as of the April 24, 2008 Annual Meeting		Position, Principal Occupation, Business Experience and Directorships
David L. Shedlarz (former Vice Chairman)	60	Our Vice Chairman from March 2005 until December 2007. Executive Vice President from May 1999 to March 2005 and our Chief Financial Officer from June 1995 to March 2005. Mr. Shedlarz was appointed a Senior Vice President in January 1997 with additional worldwide responsibility for our former Medical Technology Group. He is a Director of Pitney Bowes Inc., member of the Board of Trustees of TIAA, Trustee of the International Accounting Standards Committee Foundation and a member of the J. P. Morgan Chase & Co. National Advisory Board. He also serves as Director of the Board of Overseers, Leonard N. Stern School of Business, New York University; as a Director of the National Multiple Sclerosis Society and as a Director of Junior Achievement of New York. Mr. Shedlarz, a member of the Pfizer Executive Leadership Team during 2007, joined us in 1976.
Frank A. D Amelio	50	Our Chief Financial Officer since September 2007. Previously, he was Senior Executive Vice President of Integration and Chief Administrative Officer of Alcatel-Lucent from November 2006 until August 2007. Mr. D Amelio was the Chief Operating Officer of Lucent Technologies from January 2006 until November 2006. From May 2001 until January 2006, he was Executive Vice President, Administration and Chief Financial Officer of Lucent Technologies. He is a Director of Humana, Inc., the Independent College Fund of New Jersey and the JP Morgan Chase National Advisory Board. Mr. D Amelio, a member of the Pfizer Executive Leadership Team, joined us in September 2007.
Martin Mackay	52	Our Senior Vice President; President of Pfizer Global Research & Development (PGRD) since October 2007. Early in 2007, he was named Vice President PGRD, Head of Worldwide Development. From 2003 to 2007, he held the position of Senior Vice President, Head of Worldwide Research and Technology. From 1999 to 2003 he was the Senior Vice President, Head of Worldwide Discovery. In 1998 he held the position of Vice President, UK Discovery and in 1997 he was the Senior Director, Head of Biology. Dr. Mackay, a member of the Pfizer Executive Leadership Team joined Pfizer in 1995.

NAMED EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS

Name and Age as of the April 24, 2008 Annual Meeting		Position, Principal Occupation, Business Experience and Directorships
Ian C. Read	54	Our Senior Vice President and President, Worldwide Pharmaceutical Operations since August 2006. Mr. Read has held various positions of increasing responsibility in pharmaceutical operations. He previously served as Area President, Europe, Canada, Africa and Middle East, Senior Vice President of the Pfizer Pharmaceuticals Group, and Executive Vice President of Europe and Canada. In July 2002 he was appointed President Europe and Canada. Mr. Read served as President of the Latin American region and was elected a Vice President of Pfizer Inc. in April 2001. He is a director of Kimberly Clark Corporation. Mr. Read, a member of the Pfizer Executive Leadership Team, joined us in 1978.
John L. LaMattina (former President, Pfizer Global Research and Development)	57	Our Senior Vice President; President, Pfizer Global Research and Development from October 2003 until December 2007. Dr. LaMattina has held various positions of increasing responsibility in research and development. He was elected Vice President of Pfizer Inc.; Executive Vice President Pfizer Global Research and Development; President Worldwide Research and Technology Alliances in May 2002. He was elected Vice President of Pfizer Inc.; Executive Vice President Pfizer Global Research and Development; President Worldwide Research in April 2001. He was elected Senior Vice President of Worldwide Development in 1999. He is a director of Neurogen Corporation. Dr. LaMattina, a member of the Pfizer Executive Leadership Team until 2007, joined us in 1977.
Alan G. Levin (former CFO)	46	Our Senior Vice President and Chief Financial Officer from March 2005 until September 2007. In 2003, he was named Senior Vice President of PGRD Finance & Strategic Management. In September 2000, Mr. Levin was elected Vice President, Finance, with oversight responsibility for Pfizer s Corporate Tax, Treasurers and Controllers Divisions. He was elected Treasurer in 1995, and in 1997 was elected a Vice President of the Company with additional responsibilities for the Corporate Tax Division. Mr. Levin joined us in 1987.

ITEM 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors, upon the recommendation of its Audit Committee, has ratified the selection of KPMG LLP to serve as our independent registered public accounting firm for 2008, subject to ratification by our shareholders.

Representatives of KPMG LLP will be present at the Annual Meeting to answer questions. They also will have the opportunity to make a statement if they desire to do so.

We are asking our shareholders to ratify the selection of KPMG LLP as our independent registered public accounting firm. Although ratification is not required by our By-laws or otherwise, the Board is submitting the selection of KPMG LLP to our shareholders for ratification because we value our shareholders views on the Company s independent registered public accounting firm and as a matter of good corporate practice. In the event that our shareholders fail to ratify the selection, it will be considered as a direction to the Board of Directors and the Audit Committee to consider the selection of a different firm. Even if the selection is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm, subject to ratification by the Board, at any time during the year if it determines that such a change would be in the best interests of the Company and our shareholders.

Your Board of Directors unanimously recommends a vote FOR the ratification of KPMG LLP as our independent registered public accounting firm for 2008.

Audit and Non-Audit Fees

The following table presents fees for professional services rendered by KPMG LLP for the audit of the Company s annual financial statements for the years ended December 31, 2007, and December 31, 2006, and fees billed for other services rendered by KPMG LLP during those periods.

	2007	2006
Audit fees:[1]	$ 23,125,000	$ 26,312,000
Audit-related fees:[2]	1,081,000	836,000
Tax fees:[3]	4,014,000	5,262,000
All other fees:[4]	0	0
Total	$ 28,220,000	$ 32,410,000

(1) Audit fees were principally for audit work performed on the consolidated financial statements and internal control over financial reporting, as well as statutory audits.

(2) Audit-related fees were principally for the audits of employee benefit plans.

(3) Tax fees were for services related to tax compliance, reporting and analysis services related to the divestiture of the Consumer Healthcare business and assistance with matters related to the merging of various Pfizer entities.

(4) KPMG LLP did not provide any other services during the period.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

Consistent with SEC and PCAOB requirements regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm.

Prior to engagement of the independent registered public accounting firm for the next year s audit, management will submit a list of services and related fees expected to be rendered during that year within each of four categories of services to the Audit Committee for approval.

1. ***Audit*** services include audit work performed on the financial statements and internal control over financial reporting, as well as work that generally only the independent registered public accounting firm can reasonably be expected to provide, including comfort letters, statutory audits, and discussions surrounding the proper application of financial accounting and/or reporting standards.

2. ***Audit-Related*** services are for assurance and related services that are traditionally performed by the independent registered public accounting firm, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

3. ***Tax*** services include all services, except those services specifically related to the audit of the financial statements, performed by the independent registered public accounting firm s tax personnel, including tax analysis; assisting with coordination of execution of tax-related activities, primarily in the area of corporate development; supporting other tax-related regulatory requirements; and tax compliance and reporting.

4. ***All Other*** services are those services not captured in the audit, audit-related or tax categories. The Company generally does not request such services from the independent registered public accounting firm.

Prior to engagement, the Audit Committee pre-approves independent public accounting firm services within each category and the fees for each category are budgeted. The Audit Committee requires the independent registered public accounting firm and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval categories. In those instances, the Audit Committee requires specific pre-approval before engaging the independent registered public accounting firm.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

Audit Committee Report

The Audit Committee reviews the Company s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls.

In this context, the Committee has met and held discussions with management and the independent registered public accounting firm regarding the fair and complete presentation of the Company s results and the assessment of the Company s internal control over financial reporting. The Committee has discussed significant accounting policies applied by the Company in its financial statements, as well as alternative treatments. Management represented to the Committee that the Company s consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Committee discussed with the independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards No. 114 (The Auditor s Communication with Those Charged With Governance).

In addition, the Committee reviewed and discussed with the independent registered public accounting firm the auditor s independence from the Company and its management. As part of that review, the Committee received the written disclosures and letter required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and by all relevant professional and regulatory standards relating to KPMG s independence from the Company. The Committee also has considered whether the independent registered public accounting firm s provision of non-audit services to the Company is compatible with the auditor s independence. The Committee has concluded that the independent registered public accounting firm is independent from the Company and its management.

The Committee reviewed and discussed Company policies with respect to risk assessment and risk management.

The Committee discussed with the Company s internal auditor and independent registered public accounting firm the overall scope and plans for their respective audits. The Committee meets with the internal auditor and independent registered public accounting firm, with and without management present, to discuss the results of their examinations, the evaluations of the Company s internal controls, and the overall quality of the Company s financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007, for filing with the Securities and Exchange Commission. The Committee has selected, and the Board of Directors has ratified, subject to shareholder ratification, the selection of the Company s independent registered public accounting firm.

The Audit Committee:

Mr. Cornwell (Chair)
Mr. Burns
Mr. Howell
Ms. Nora Johnson

The Audit Committee Report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other Company filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates the Audit Committee Report by reference therein.

SHAREHOLDER PROPOSALS

We expect the following proposals (Items 3 and 4 on the proxy card) to be presented by shareholders at the Annual Meeting. Some of the proposals contain assertions about Pfizer that we believe are incorrect. We have not attempted to refute all these inaccuracies. However, the Board of Directors has recommended a vote against these proposals for broader policy reasons as set forth following each proposal. Names, addresses and share holdings of the various shareholder proponents and, where applicable, of co-filers, will be supplied upon request.

ITEM 3 SHAREHOLDER PROPOSAL REGARDING STOCK OPTIONS

RESOLVED: That the Board of Directors take the necessary steps so that NO future NEW stock options are awarded to senior executive officers, nor that any current stock options are repriced or renewed (unless there was a contract to do so on some).

REASONS: Stock option awards have gotten out of hand in recent years, and some analysts MIGHT inflate earnings estimates, because earnings affect stock prices and stock options.

There are other ways to reward senior executive officers, including giving them actual STOCK instead of options.

Recent scandals involving CERTAIN financial institutions have pointed out how analysts can manipulate earnings estimates and stock prices.

If you AGREE, please vote YOUR proxy FOR this resolution.

YOUR COMPANY S RESPONSE:

The Board of Directors believes that it should have the right to award stock options as one component of a well-balanced, long-term incentive compensation system. A total prohibition on stock option grants deprives the Company of needed flexibility in designing effective incentives, since it significantly limits the Board s ability to modify compensation practices based on future circumstances. When used appropriately, as is the case at Pfizer, stock options can be an effective tool to help align employee and shareholder interests and to motivate and provide incentives to employees. It is in the best interest of our shareholders to provide compensation in forms that motivate our key employees and assure competitive compensation programs.

In 2004, shareholders overwhelmingly approved our current plan permitting stock option and restricted stock unit grants. It should be noted that the 2004 Plan does not allow the use of repriced, replaced or regranted options without shareholder approval. Grants of stock options to executive officers and other members of senior management do not vest for a period of up to five years after the grant date.

In recent years, the Company has utilized a mix of restricted stock units and stock options as an effective means of providing equity-based compensation to deserving employees. Stock options encourage our employees to act as owners of the business and focus them on the longer-term performance of the Company, which helps to further align their interests with those of shareholders. Stock options only benefit the grant recipient if the stock price increases over time a result that also benefits shareholders. Because the Company must compete to attract, motivate and retain highly qualified employees, the Board believes that this proposal, if implemented, would significantly impede its ability to achieve this goal.

Your Board of Directors unanimously recommends a vote AGAINST this proposal.

ITEM 4 SHAREHOLDER PROPOSAL REQUESTING SEPARATION OF CHAIRMAN AND CEO ROLES

Independent Board Chairman

RESOLVED: Shareholders request that our Board establish a rule (specified in our charter or bylaws unless absolutely impossible) of separating the roles of our CEO and Chairman, so that an independent director who has not served as an executive officer of our Company, serve as our Chairman whenever possible.

This proposal gives our company an opportunity to follow SEC Staff Legal Bulletin 14C to cure a Chairman s non-independence. This proposal shall not apply to the extent that compliance would necessarily breach any contractual obligations in effect at the time of our shareholder meeting.

The primary purpose of our Chairman and Board of Directors is to protect shareholders interests by providing independent oversight of management, including our CEO. Separating the roles of CEO and Chairman can promote greater management accountability to shareholders and lead to a more objective evaluation of our CEO. The Council of Institutional Investors www.cii.org recommends adoption of this proposal topic.

Nick Rossi, Boonville, Calif., said the advantage of adopting this proposal should also be considered in the context of our company s overall corporate governance. For instance in 2007 the following governance status was reported (and certain concerns are noted):

The Corporate Library (TCL) http://www.thecorporate-library.com/ an independent research firm rated our company:

D in Corporate Governance

High concern in CEO pay.

High in Overall Governance Risk Assessment

We had no Independent Chairman Independent oversight concern.

(We gave 40%-support to a shareholder proposal calling for an Independent Chairman at our 2005 annual meeting.)

Our Lead Director, Ms. Horner, had 14-year tenure (independence concern) and served on the Ingersoll-Rand (IR) rated D by The Corporate Library.

We had no shareholder right to:

1. Cumulative voting.
2. To act by written consent.
3. To call a special meeting.

Additionally:

Six of our directors also served on boards rated D by The Corporate Library:

1) Mr. Steere	MetLife (MET)
2) Mr. Kilts	MetLife (MET)
3) Mr. Brown	Regeneron Pharm (REGN)
4) Ms. Horner	Ingersoll-Rand (IR)
5) Mr. Gray	Dell (DELL)
6) Mr. Howell	Exxon (XOM)

Two of our directors held 5 director seats each Over extension concern:

Mr. Gray

Mr. Howell

Two of our directors had 19 or 20 years tenure each Independence concern.

Two directors were inside directors and Mr. Steere is a former Pfizer executive Independence concerns.

Three directors were designated   Accelerated Vesting   directors by The Corporate Library due to a director s involvement with a board that accelerated stock option vesting to avoid recognizing the corresponding expense:

Mr. Steere
Ms. Horner
Mr. Gray

The above status shows there is room for improvement and reinforces the reason to take one step forward now and vote yes:

Independent Board Chairman Yes on 4

YOUR COMPANY S RESPONSE

Pfizer s Board of Directors agrees with its shareholders, who rejected a similar proposal in 2005 and 2006, that it is in their best interest to provide the Board with the flexibility to determine the appropriate person to serve as Chairman.

We believe that our current leadership structure provides effective oversight of management and strong leadership of the independent directors. The combined roles of Chairman and CEO have served Pfizer well for many years, and we believe that the separation of these positions is not in the Company s best interest.

The defined role of the Lead Independent Director at Pfizer is closely aligned with the role of an independent Chairman. For example, the Lead Director:

- Ensures effective communication with shareholders and ensures that members of the Board develop and maintain an understanding of the views of major investors and other key stakeholders;
- Ensures that board members receive accurate, timely and clear information regarding the company s performance to enable the board to make sound decisions;
- Ensures the highest standards of corporate governance are an integral part of the Board s oversight;
- Takes into account the issues and concerns of board members; ensures that agendas strike the right balance between performance and strategic issues;
- Considers the criteria for new board members to maintain the necessary depth and breadth of knowledge and skills to enhance the effectiveness of the Board.

Although annually elected, the Lead Independent Director is expected to serve for more than one year.

In addition, we believe the function of the Board to monitor the performance of senior management is fulfilled by the presence of outside directors who have substantive knowledge of the business. Twelve of Pfizer s fourteen directors meet the independence criteria set forth in Pfizer s Director Qualification Standards listed in the proxy statement.

Your Board of Directors unanimously recommends a vote AGAINST this proposal.

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Executive Compensation: Table of Contents

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EXECUTIVE COMPENSATION

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the following Compensation Discussion and Analysis section of the Company s 2008 Proxy Statement. Based on its review and discussions, we recommend to the Board of Directors that the Compensation Discussion and Analysis be included in Pfizer s Proxy Statement for 2008.

Mr. Robert N. Burt

Mr. James M. Kilts

Mr. George A. Lorch

Dr. Dana G. Mead, Chair

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes Pfizer s executive compensation program for 2007 and program changes for 2008. We use this program to motivate and reward those whom our Board of Directors has selected to lead our business.

This section of the Proxy Statement explains how the Compensation Committee (the Committee) made its compensation decisions for our Named Executive Officers for 2007. They are our Chairman and Chief Executive Officer (CEO), Mr. Jeffrey B. Kindler, our Senior Vice President and Chief Financial Officer (CFO), Mr. Frank A. D Amelio, and our other most highly compensated executive officers, Mr. Ian C. Read, Mr. David Shedlarz, and Dr. Martin Mackay. In addition, Mr. Alan Levin, our former Chief Financial Officer, and Dr. John LaMattina, our former President of Research and Development, are Named Executive Officers for 2007. Mr. Shedlarz and Dr. LaMattina retired from Pfizer on December 31, 2007. The compensation for these individuals is listed in the tables in the Compensation Discussion and Analysis section of this Proxy Statement.

PHILOSOPHY AND GOALS OF OUR EXECUTIVE COMPENSATION PROGRAM

Pfizer s compensation philosophy is set by the Committee and approved by the Board. Our philosophy is to align executive officers compensation with Pfizer s short-term and long-term performance. A significant portion of each Named Executive Officer s total compensation opportunity is directly related to Pfizer s stock price performance as well as to other performance factors measuring our progress towards the goals of our long-term strategic plan.

Our executive compensation program is structured to provide the compensation and incentives needed to attract, motivate and retain key executives who are crucial to Pfizer s long-term success. The details of the program and how the Committee reached its compensation decisions are discussed in detail in the 2007 Executive Compensation Decisions section of this Proxy Statement.

Recent Modifications to Our Executive Compensation Program

In 2007, the Committee continued its efforts to refine the overall executive compensation structure and process consistent with evolving good governance practices and reflecting shareholder input.

In October 2007, several members of the Board met with investors to discuss governance issues and our executive compensation practices and how these align with our overall strategies. Over the last two years, and reflecting shareholder input, the Committee approved the following major changes to our executive compensation program:

2007 Compensation Committee Actions

ACTION	PRIOR PRACTICE	REASON FOR ACTION
Amended executive change-in-control severance agreements to limit covered compensation for determining severance	Severance payment under change in control was based on the greater of five-year average earnings or current salary plus bonus	Reduced potential severance upon a change-in-control consistent with competitive practice
Actively involved in the design of compensation packages for the new Executive Leadership Team, including promoted executives and new hires	Committee reviewed and approved all compensation arrangements of executive leadership team	In light of the number of executive management changes, the Committee was more actively involved than previously to ensure that compensation levels are appropriate based on the competitive marketplace and internal equity
Commenced comprehensive evaluation and redesign of executive compensation program with the objective of establishing an improved program for 2008	Executive compensation program elements were reviewed on a periodic basis to assess market competitiveness and alignment with business needs and business strategy	Ensure that the executive compensation program is an effective tool to attract, retain and motivate executive management in aligning pay with performance and the shareholders interests

2006 Compensation Committee Actions

ACTION	PRIOR PRACTICE	REASON FOR ACTION
Aligned compensation structure based on 50th percentile target pay	Compensation structure was aligned to the 75th percentile for long-term compensation and actual pay for cash compensation	Better aligns compensation with market-based pay
Initiated a detailed annual review of tally sheets for the Named Executive Officers	Less formalized process to review compensation data for the Named Executive Officers	Consistent with best practices to institute a formal annual process to review all elements of compensation for the Named Executive Officers
Initiated limitations on executive change-in-control severance by limiting payment on performance shares to target level in the event of a Change in Control	Performance shares paid out at maximum level in the event of a Change in Control	Alignment with best practices and the shareholders interests
No employment contract with new CEO (maintained employment-at-will relationship)	Prior CEO had a separate employment contract	Desire for at-will employment of CEO in light of his promotion from within the Company
Strengthened the link between CEO pay and shareholder value (for example by making Mr. Kindler s initial stock option grant upon his becoming CEO only exercisable if Pfizer s stock price appreciates by at least 50 percent)	Equity provisions for CEO tended to mirror those for other executives	Desire to align new CEO compensation package with increasing shareholder value
Established policies to recapture compensation from executives if certain acts occur	Recapture agreements were limited to gains attributable to long-term incentive compensation recognized during the	Alignment with best practices and good corporate governance procedures

	prior 12 months	
Issued Performance Shares tied solely to relative Total Shareholder Return	Performance share payouts tied to both relative Earnings per Share growth and Total Shareholder Return	Better aligns with shareholder interests

Executive Compensation: Compensation Discussion and Analysis

Elements of Total Compensation

Our approach to total compensation is to create a comprehensive compensation package designed to reward individual performance based on Pfizer s short-term and long-term performance and how this performance links to our corporate strategy. The elements of our total compensation for executive officers, including the Named Executive Officers, are as follows:

Rewarding Short-Term Performance

Salary The fixed amount of compensation for performing day-to-day responsibilities

Annual Incentive Plan (bonus) Annual cash bonus awards earned for achieving Pfizer s short-term financial goals and other strategic objectives measured over the current year. Bonuses are structured to provide competitively based incentives to our executives to drive company performance.

Rewarding Long-Term Performance

Long-Term Incentive Awards Granted to retain executives, build executive ownership, and align compensation with achievement of Pfizer s long-term financial goals, creating shareholder value and achieving strategic objectives as measured over multi-year periods. During 2007, we used the following equity instruments:

LONG-TERM INSTRUMENT	**OBJECTIVE**
Stock Options	Reward stock price appreciation
Restricted Stock Units (RSUs)	Encourage retention and provide alignment with shareholders as value received will be consistent with return to shareholders
Performance Shares	Reward relative total return to shareholders over a three-year performance period.

Other Elements of Total Compensation

Retirement Benefits Amounts accrued for Pfizer pensions and other retirement savings.

Other Compensation Matching contributions to the Pfizer Savings Plans, certain perquisites, or special benefits and severance.

Competitive Positioning

In 2005, the Committee established a compensation philosophy to target the pay of our executives at the median of both a peer group of pharmaceutical companies and a general industry comparison group of approximately 50% of the Fortune 100 companies. In 2006, the executive compensation structure was aligned with this philosophy. The Committee uses the median compensation data from these comparator groups as a guide even though Pfizer s size and market capitalization may justify using a reference point that is higher than the median.

Our pharmaceutical peer group for 2007 consisted of the following companies, which were selected based on their size, market capitalization value and complexity of their business.

Pharmaceutical Peer Group

Abbott Laboratories	GlaxoSmithKline
Amgen	Johnson & Johnson
AstraZeneca	Merck and Co., Inc.
Bristol-Myers Squibb	Schering-Plough Corporation
Eli Lilly and Company	Wyeth

The general industry comparison group was selected based on the same criteria as above, from other industry sectors determined by the Committee to have similar pay models.

General Industry Comparison Group

Alcoa	General Motors
Allstate	Hewlett-Packard
Altria Group	Honeywell
American Express	Intel
AIG	International Paper
Bank of America	IBM
Boeing	J.P. Morgan Chase
Cardinal Health	Lockheed Martin
Caterpillar	Merrill Lynch
Chevron	MetLife
Cisco	Microsoft
Citigroup	Motorola
Coca-Cola	PepsiCo
Comcast	Procter & Gamble
ConocoPhillips	TimeWarner
Dell	United Parcel Service
Dow Chemical	United Technologies
DuPont	UnitedHealth Group
ExxonMobil	Verizon
Fannie Mae	Viacom
FedEx	Wachovia
Ford Motor	Walt Disney
General Electric	Wells Fargo

Using the information from these two groups, the Committee compares each executive officer position to similar positions. Where there is no similar position, the Committee compares the Pfizer position to a range of positions in the two groups that are the closest matches, and then assigns the Pfizer position to a salary grade.

The Committee uses these salary grades to determine the preliminary salary recommendation, the preliminary target bonus award opportunity, and the target long-term equity incentive award value for each executive position. Each salary grade is expressed as a range with a minimum, midpoint, and maximum. The Committee seeks to set the midpoint for salaries, target bonus award levels, and target annual long-term incentive award values for our executive officer positions to roughly the median for executives in equivalent positions in the two comparison groups. The minimum level of each salary grade is set close to the bottom quartile of these groups, while the maximum level is set close to the top quartile of each group.

This framework provides a guide for the Committee s deliberations. The actual total compensation and/or amount of each compensation element for an individual executive officer may be more or less than this median figure.

HOW WE MAKE COMPENSATION DECISIONS

In February of each year, the Committee reviews the total compensation of our Executive Leadership Team (ELT), the executive officers reporting to the CEO, including salaries, target bonus award opportunities, target annual long-term incentive award values, perquisites and other benefits (including retirement, health, and welfare benefits), and severance arrangements. The Committee then sets each executive s compensation target for the current year. Typically, this involves establishing their annual bonus opportunities and granting long-term equity incentive awards. Regular salary adjustments become effective on April 1st. The Committee s decisions are reviewed and ratified by the Board.

In making these compensation decisions, the Committee uses several resources and tools, including competitive market information. For example, the Committee has a tally sheet for each executive officer that assigns a dollar amount to each of his or her compensation elements, including current cash compensation (salary and target annual bonus opportunity); accumulated deferred compensation; outstanding equity awards; retirement, health, and welfare benefits; perquisites; and potential severance payments. The Committee believes that the use of the tally sheets is useful in evaluating each executive officer s total compensation and the market competitiveness of that compensation.

Decisions about individual compensation elements and total compensation are ultimately made by the Committee using its judgment, focusing primarily on the executive officer s performance against his or her individual financial and strategic objectives, as well as Pfizer s overall performance. The Committee also considers a variety of qualitative factors, including the business environment in which the results were achieved. Thus, with the exception of the performance share awards discussed below, the compensation of our executives is not entirely determined by formula.

Performance Objectives and Annual Cash Incentive Awards (Bonus)

We use annual bonuses to reward our executive officers, including the Named Executive Officers, for Pfizer s short-term performance in achieving pre-established financial and strategic goals set at the overall Pfizer, business unit and individual levels. In the first quarter of each year, based on Mr. Kindler s recommendations for his direct reports, the Committee establishes the target annual bonus award opportunity for each executive salary grade and approves the performance objectives for the current year. All references to Mr. Kindler s recommendations relate to executives other than himself. All decisions related to Mr. Kindler are made by the Committee and are ratified by the Board.

Target Award Opportunities

Each Named Executive Officer s 2007 target bonus award opportunity was set as a percentage of salary based on salary grade. The Committee determined the target bonus levels based on its evaluation of competitive market data and internal equitability.

For 2007, target bonus opportunities for the Named Executive Officers ranged from 60 150% of salary. These target levels are at or below the market median for similar positions. Where an executive had responsibilities increased during the year and/or was promoted, the target bonus opportunity for the year was adjusted pro rata to reflect the new salary range and target bonus opportunity.

For purposes of Section 162(m) of the Internal Revenue Code (162(m)), the total amount of any bonus that can be paid to an executive officer in any one year is limited to a maximum of 0.3% of Pfizer s adjusted net income (which for these purposes is defined as operating income from continuing operations, reduced by taxes and interest expense, and adjusted for any one-time gains or other non-recurring events). Since actual bonus amounts are based on the Committee s assessment of each executive s level of achievement against his or her specified goals, an executive s bonus may be more or less than target, subject to the overall adjusted net income cap.

Performance Objectives

Based on Mr. Kindler s recommendation, the Committee approves the financial and strategic performance objectives for each executive officer, including each other Named Executive Officer. In selecting the financial performance objectives, the Committee sought to have the executives focus on Pfizer s operating financial performance, including cost-control and generating cash flow to maintain and increase dividends and further our research and development activities. The Committee set strategic performance goals designed to have the executives focus on business and new product development and the successful launches of new products. Goals were also set to reward each business for actions directly related to its own activities and to reinforce accountability.

2007 Performance Process

The Committee selected and weighted Mr. Kindler s goals, taking into consideration Pfizer s current financial and strategic priorities. The Committee recognizes that shareholder return should be emphasized, but also that performance against this metric may not be reflected in a single 12-month period. For 2007, 60% of Mr. Kindler s bonus award opportunity was based on the Committee s assessment of Pfizer s total financial performance. This weighting was raised from 20% in 2006. Mr. Kindler s financial performance for 2007 was measured by the following metrics:

- Total revenues
- Adjusted diluted earnings per share
- Cash flow from operations

The remaining 40% of his award opportunity was based on the Committee s assessment of the following strategic goals:

- Establishing a lower, more flexible cost base and instituting fundamental change within the organization
- Progress in advancing research and developing new products
- Executing a business development strategy to create additional sources of revenue
- Improving internal and external relationships and engaging collaboratively with colleagues, patients, customers, business partners, regulators and legislators

The Committee selected these strategic goals based on its judgment that they represent areas where Mr. Kindler should focus his energies to drive Pfizer s business forward. Mr. Kindler s goals were approved by the Board and his progress was periodically reviewed by the Committee and the Board during the year.

For 2007, annual bonuses for our other Named Executive Officers were based on performance measured against a combination of financial goals and one or more strategic goals, related to Pfizer s business for the year, as follows:

Weightings Assigned to Each Performance Objective for the Named Executive Officers

	Mr. Kindler	Mr. D Amelio(2)	Mr. Shedlarz	Mr. Read	Dr. Mackay(3)	Dr. LaMattina
Financial Objectives						
Pfizer Inc.	60%	30%	45%	30%	30%	30%
Business Unit Metric		15%	20%	40%	30%	30%
Operating Budget(1)					10%	10%
Total Financial Objectives	60%	45%	65%	70%	70%	70%
Execution of Change Priorities to improve productivity and reduce costs	20%	25%	25%	20%	20%	20%
Strategic Objectives	20%	30%	10%	10%	10%	10%
Increasing the value of the pipeline through development of new products						

Executing business development strategy to create additional sources of revenue						
Improving relationships with internal and external constituencies to better achieve objectives						
Division-specific strategic objectives						
Total	100%	100%	100%	100%	100%	100%

Mr. Levin s 2007 financial objectives were 40%, but are not included in this table based on his termination date of November 2, 2007.

(1) Operating budget is included in business unit metric for Mr. Read and Mr. Shedlarz.

(2) Mr. D Amelio joined Pfizer on September 10, 2007. Goals were set shortly thereafter.

(3) Dr. Mackay was promoted to President, R&D in October 2007.

The specific performance goals and relative weighting between financial and strategic performance varied among the Named Executive Officers depending on their individual position. Initially, Mr. Kindler made recommendations for the goals and relative weightings for each executive to reflect the priorities in their respective areas of responsibility. The Committee then considered and judgmentally adjusted these recommendations, as appropriate. The financial objectives were weighted in the range of 45% to 70% for each Named Executive Officer. The Pfizer Inc financial objective was based on targets of total revenue of $47.6 billion, adjusted diluted earnings per share of $2.20, and cash flow of $12.5 billion. The differences in weightings were based on the Committee s and Mr. Kindler s evaluation of each individual s priorities and effects on results.

The Committee set the target levels for the financial and strategic objectives relating to the annual bonus and concluded that the relationship between the payments generated at the various levels of achievement and the degree of difficulty of the targets was significant and reasonable given the business environment and related factors. The Committee increased the portion of each continuing Named Executive Officer s annual cash incentive award attributable to financial goals over 2006 levels to better align with shareholder interests. Mr. D Amelio s goals were set when he joined Pfizer in September and Dr. Mackay s goals were updated to reflect his new role upon his promotion.

2007 EXECUTIVE COMPENSATION DECISIONS

The Committee works with Mr. Kindler to evaluate the performance and set the compensation of our executive officers, including the other Named Executive Officers and his direct reports. Mr. Kindler presents his initial performance evaluation and compensation recommendations for each of the executive officers, including proposed salary adjustments, bonus awards and long-term incentive award values. The Committee supplements Mr. Kindler s recommendations with its evaluation (and that of other members of the Board of Directors) of the individual s performance as well as its view of the individual s potential within the organization, in finalizing its compensation actions. The Committee makes the decisions about Mr. Kindler s compensation and is responsible for evaluating his performance in consultation with the Board of Directors.

CASH COMPENSATION

2007 Salary

Salary increases for our Named Executive Officers in 2007 were determined by the Committee after considering salary data from the pharmaceutical and general industry comparison groups, their position in the salary range for their grade, as well as consideration of the internal pay relationships for our executives based on their relative duties and responsibilities. The Committee also considered a number of other factors, including the individual performance, experience, future advancement potential of each Named Executive Officer, impact on Pfizer s results, and importance of retention.

During 2007, the Company made significant changes in its Executive Leadership Team (ELT). As part of the annual compensation process, the Committee increased Mr. Kindler s salary from $1,350,000 to $1,500,000; Mr. Shedlarz salary from $1,016,600 to $1,070,300; Mr. Read s salary from $875,000 to $920,000, and Dr. LaMattina s salary from $885,200 to $920,000. Dr. Mackay was not part of the ELT at the time of the annual merit increase cycle but he received a merit increase from $590,000 to $650,000. In addition, as a result of assuming greater responsibilities which resulted in promotions, the Committee increased Mr. Read s salary from $920,000 to $1,026,000 and Dr. Mackay s salary from $650,000 to $900,000. Mr. D Amelio s salary was set at $1,026,000 when he joined Pfizer in September 2007.

2007 Performance Year Bonus

The actual bonuses paid to the Named Executive Officers for 2007 were determined by the Committee based on its subjective evaluation of each executive s performance with input from Mr. Kindler and the Board. Based on his evaluation of each executive s performance against goals established for the year, Mr. Kindler submitted proposed bonus recommendations to the Committee. The Committee exercised its judgment to adjust these recommendations based on its own evaluation of each executive s performance, the executive s relative contribution to the Company s overall performance and the executive s response to unplanned or unforeseen events. The Committee also placed significant emphasis on Pfizer s performance for the year against the three financial measures (i.e., adjusted earnings per share, revenue and cash flow from operations).

In determining Mr. Kindler s bonus for 2007 performance, the Committee considered its evaluation of his performance which included the Company s overall performance, the significant restructuring and cost reductions, the actions taken to expand the research pipeline of new products, his overall management of the Company and the handling of unexpected challenges.

Executive Compensation: Executive Compensation Decisions

The 2007 annual bonus award opportunities and the actual bonus payments for each of the Named Executive Officers are presented in the following table:

2007 Annual Cash Incentive Awards

Name	Target Payout as a % of Salary(1)	Payout Range as a % of Salary	Target Award (Dollar Value)	Maximum Award (Dollar Value)	Actual Award (Dollar Value)	Actual Award as a % of Salary
J. Kindler	150%	0 300%	2,193,800	4,387,600	3,100,000	212%
F. D Amelio	80%	0 160%	253,050	506,100	340,000	106%
D. Shedlarz	90%	0 180%	951,200	1,902,400	951,200	90%
I. Read	77%	0 154%	725,163	1,450,326	990,000	105%
M. Mackay	69%	0 138%	552,917	1,105,834	645,000	92%
A. Levin	60%	0 120%	412,800	825,600	486,750(2)	71%
J. LaMattina	75%	0 150%	683,550	1,367,100	683,500	75%

(1) Target bonuses for 2007 were set as a percentage of salary. Upon an increase in responsibilities or promotion during the year, the target bonus percentage may be increased to reflect the new role. The target award amounts for Mr. Read and Dr. Mackay were set by the Committee to reflect their new salaries and bonus targets in recognition of their increased responsibilities and promotions. Additionally, Mr. D Amelio s target award is based on the portion of the year worked.

(2) Represents pro-rata portion of prior year s bonus pursuant to his separation agreement.

ANNUAL EQUITY AWARDS GRANTED IN 2007

In February 2007, executive officers employed at the time of the annual grant, other than Mr. Kindler, received long term awards consisting of stock options, RSUs and performance shares. Mr. Kindler s award consisted of stock options, performance shares and no RSUs, which the Committee regarded as a way to emphasize performance in his total compensation as discussed in the Equity Award Allocation section.

Stock options represent the right to receive the appreciation of Pfizer common stock over a ten-year period. The stock options vest after three years. The appreciation of Pfizer stock is measured by the difference between the market price at the time of exercise and the grant price (closing market price on the date of grant). Therefore, the stock options deliver compensation based on absolute stock price appreciation over their term.

RSUs represent a promise to pay shares of Pfizer common stock upon the completion of a service-based vesting period. The RSUs are not considered performance-based compensation for purposes of Section 162(m) and, therefore, the value of these awards made to our executives who are subject to Section 162(m) may not be deductible by Pfizer. To mitigate this result, all Named Executive Officers upon vesting and all other executive officers upon termination of their employment are required to defer receipt of their RSUs until they are no longer subject to Section 162(m) or the January 31 of the year following their termination date, whichever is earlier. Deferred RSUs may be invested either in Pfizer stock units or in a cash fund earning interest at 120% of the applicable federal long-term rate. Until RSUs are distributed, any dividend equivalents earned are reinvested in additional RSUs.

Performance share awards provide the opportunity to earn shares of Pfizer common stock based on our total shareholder return measured over a three-year period, relative to the pharmaceutical peer group (see Competitive Positioning section). Upon completion of the performance period, dividend equivalents that would have been earned over the three-year period on the number of shares in the earned award are calculated and paid in shares.

2007 EQUITY AWARD TARGET VALUES

The target value of each Named Executive Officer s long-term equity incentive award is set based on competitive market data. Initially, all executives in the same salary grade receive the same preliminary target award value. Then, exercising its judgment, the Committee adjusts these preliminary target award values to recognize and reward individual performance during 2006, to recognize the executive s potential to assume greater responsibility in an evolving organization, and to ensure retention of the executive through Pfizer s transformational period. As a result, the actual target award values for each executive may be more or less than his or her preliminary target award value. Past equity awards did not significantly influence individual award values because the Committee determined that none of the executive officers had been materially advantaged or disadvantaged by its recent grant practices to an extent that required a current adjustment.

2007 EQUITY AWARD ALLOCATIONS

Mr. Kindler s long-term equity incentive award value was equally split between stock options and performance shares. It was structured to emphasize the Committee s expectation that he would focus his efforts on improving Pfizer s stock price performance, both on an absolute basis (since he will realize value from his stock option grant only if Pfizer s common stock appreciates in value over time) and on a relative basis (through his performance share award, which will vest only if Pfizer s total shareholder return compares favorably to peer companies in the pharmaceutical industry).

The long-term equity incentive awards for our other Named Executive Officers consisted of stock options, RSUs, and performance share awards. We use multiple equity vehicles to balance different objectives. Stock options are used to reward our executives for improving absolute shareholder value. Performance share awards are used to recognize relative shareholder value. RSUs are used for their potential retention value.

On February 22, 2007, we made our annual long-term grants. The target value of the long-term equity incentive awards for our Named Executive Officers (with the exception of Mr. Kindler) was generally allocated as follows: 50% to stock options, 25% to RSUs, and 25% to performance share awards. This allocation of value among the three vehicles was based, in part, on an analysis of the type and size of the equity awards granted to the executives of the companies in the pharmaceutical and general industry comparison groups and, in part, on where the Committee wanted our executives to focus their attention and energies in executing on our long-term business strategy.

In some instances, the Committee exercised its judgment to adjust these allocations based on an executive officer s individual performance, future advancement potential, and retention considerations. In the case of RSUs, the Committee also assessed the potential value of the executive s aggregate unvested equity holdings to ensure that there was an appropriate retentive characteristic to these holdings. As a result, the actual target award allocation for each executive could be more or less than the preliminary award allocation.

Once the target long-term equity incentive award values are set and the allocation among equity instruments determined, the number of shares of Pfizer common stock comprising the target grants in each equity instrument for the Named Executive Officers were calculated using the estimated accounting-based fair value.

2007 PERFORMANCE SHARE AWARDS

The number of shares that may be earned under the performance share awards granted in February 2007 is based on a prescribed formula comparing Pfizer s total shareholder return, including reinvestment of dividends, over a three-year period, in relation to the pharmaceutical peer group. If total shareholder return is below the threshold level compared to this peer group, then no shares are earned. If the total shareholder return is above the threshold level, but is negative in the absolute, then the number of shares awarded is limited to the target amount. If total shareholder return exceeds the threshold level compared to this peer group, varying numbers of shares (up to the maximum of 200% of target) are earned as follows:

Consistent with its decision in 2006 and to maintain continuity, the Committee selected total shareholder return as the sole performance measure for the 2007 performance share award cycle.

Performance Share Awards
Relative Performance/Payout Matrix

Pfizer Relative Performance	Maximum Payout as a % of Target
1 (highest)	200%
2	200%
3	175%
4	150%
5	125%
6	100%
7	75%
8	50%

9 (threshold)	25%
10	0%
11 (lowest)	0%

Note: See Pharmaceutical Peer Group in Elements of Total Compensation Section

In the Committee s view, our relative total shareholder return compared with the pharmaceutical peer group remained a strategic priority during this period. The specific individual performance levels listed above were set at these points to ensure that realized value would be received by our executive officers at the competitive median for target performance, in the bottom quartile of the peer group for threshold performance, and in the top quartile for maximum performance.

Outstanding Performance-Contingent Share Awards

Prior to the use of Performance Share Awards, for 2003, 2004, and 2005, we granted Performance-Contingent Share Awards, or PCSA to our executive officers, including the Named Executive Officers. Each executive officer s award was based on the individual s salary level, taking into consideration competitive data from the then-existing peer groups. These awards provide shares of Pfizer common stock if Pfizer achieves specified total shareholder return and diluted earnings-per-share levels over a five-year period compared to this pharmaceutical peer group.

The number of shares that may be earned under the PCSA is based on a prescribed formula comparing Pfizer s total shareholder return (including reinvestment of dividends) and the change in diluted earnings per share over a five-year period compared to the then-existing pharmaceutical peer group. These two performance measures are weighted equally. If Pfizer s performance in both measured areas is below the threshold level in relation to this peer group, then no shares are earned. If Pfizer s performance exceeds the threshold level compared to the peer group for either one or both measures, varying number of shares (up to a maximum of 167% of target) are earned.

Our 2006 long term equity grant made to our executive officers included Performance Share Awards. These performance shares follow the same approach that we used for the 2007 Performance Share Awards as described under Performance Share Awards above.

For the award cycles beginning in 2003 and 2004, the pharmaceutical peer group consisted of Abbott Laboratories, Baxter International Inc., Bristol-Myers Squibb, Colgate-Palmolive Company, Eli Lilly and Company, Johnson & Johnson, Merck and Co., Inc., Schering-Plough Corporation, and Wyeth. For the award cycles beginning in 2005 and thereafter, the pharmaceutical peer group is our current pharmaceutical peer group (see Competitive Positioning section).

The following table lists Pfizer s performance ranking, based on total shareholder return and diluted earnings per share (as reported), compared to the performance of our pre-2005 pharmaceutical peer group, and the corresponding performance share payout.

Performance Share Payout for 2003 2007 Performance Award Cycle

		Total Shareholder Return	Change in (As Reported) Diluted Earnings per Share(1)				
Name	**Performance Period**	**Ranking Pfizer out of # of Peer Companies**	**Ranking Pfizer out of # of Peer Companies**	**Payout as a % of Target**	**Target Award**	**Actual Award Shares**	**Actual Award Value at $22.55 Per Share**
Jeffrey Kindler	2003 2007	10 out of 10	8 out of 10	16.67%	73,860	(3)	
David Shedlarz	2003 2007	10 out of 10	8 out of 10	16.67%	77,100	12,850	$ 289,768
Ian Read	2003 2007	10 out of 10	8 out of 10	16.67%	42,600	7,100	$ 160,105
Martin Mackay	2003 2007	10 out of 10	8 out of 10	16.67%	30,600	5,100	$ 115,005
Alan Levin	2003 2007	10 out of 10	8 out of 10	16.67%	52,254(2)	8,709	$ 196,388
John LaMattina	2003 2007	10 out of 10	8 out of 10	16.67%	62,520	10,420	$ 234,971

Based on Mr. D Amelio s hire date in September 2007, he does not have any outstanding awards under this Program.

(1) Beginning in 2006, total relative shareholder return will be the only performance measure applied to the Performance Share Awards Program.

(2) Based on Mr. Levin s termination date of November 2, 2007, the target performance shares have been prorated from 54,000 to 52,254 for this performance period.

(3) Upon Mr. Kindler s promotion to CEO on July 31, 2006, the Compensation Committee added a second performance criteria which is that these shares would be settled in Restricted Stock Units (RSUs) at the end of the performance period and will only become payable, if and when, the Company s three-year Total Shareholder Return exceeds the median for the pharmaceutical peer group. These RSUs will be forfeited if this second performance criteria is not met prior to Mr. Kindler s retirement or other termination of employment (other than for death or disability). Based on the performance during the performance period ending in 2007, the number of RSUs settled from the target award is 12,310 with a value of $277,591 at $22.55 per share.

CHANGES FOR THE 2008 PROGRAM

In November 2007, based on the results of the comprehensive review of our executive compensation program, the Committee approved a restructuring of the program. The Committee believes that the restructured program, which is effective in 2008, will better support the ongoing transformation of Pfizer s business initiated in 2007. This restructuring is based on three key principles:

Positioning	**Placing**	**Rewarding**
Total direct compensation, as well as each individual compensation element, will be positioned at approximately the median of our peer companies (with an emphasis on pharmaceutical companies with a large market capitalization)	Greater emphasis on using annual incentive awards to achieve Pfizer s short-term operating financial objectives where incremental progress is critical during the transformation period	Both absolute and relative improvements in total shareholder return through long-term equity incentive awards

This restructuring, which is designed to ensure that total direct compensation (the sum of salary, annual cash incentive awards, and long-term equity awards) is competitive and tied to performance, will result in three significant changes to our executive compensation program in 2008.

First, each compensation element and total direct compensation will be structured to more closely track the median compensation of similarly sized pharmaceutical companies. Our salary midpoints continue to reflect the competitive median and our target annual bonus award opportunities are also more consistent with the competitive median, given median-level performance.

Second, during the transformational period, we have shifted 25% of the target amount of our long-term equity awards to a new short-term incentive award program. This shift will be reevaluated in three years. This target amount (denominated as a dollar value) was established early in 2008 and the actual award payout will be determined in early 2009 based on 2008 performance. Unlike the current bonuses, which are paid entirely in cash, this new short-term incentive award will be paid 50% in cash and 50% in restricted stock units that are subject to a three-year, service-based vesting schedule (the Named Executive Officers may also elect to receive 100% of this award in restricted stock units). The Committee believes that this redesign will further promote the achievement of Pfizer s annual financial objectives during this transformation period while strengthening the link to shareholder value. This new short-term incentive award does not contribute to pensionable earnings.

Finally, for 2008 our long-term equity awards will be allocated equally among three forms:

Stock Appreciation Rights (SARs)	**Restricted Stock Units (RSUs)**	**Performance Shares**
SARs with dividend equivalents that vest after three years and are automatically exercised on the fifth anniversary of grant. Upon exercise, the change in the market price of Pfizer common stock (which could be positive or negative) difference in the market price of Pfizer common stock over the five-year term plus accumulated dividend equivalents over the term, is payable in stock	Stock units that vest after three years based on continued service. The value of the units, plus reinvested dividend equivalents, are payable in stock upon vesting	Shares tied to Pfizer s relative total shareholder return as compared to a peer group of pharmaceutical companies with a large market capitalization. Shares earned, plus corresponding accumulated dividend equivalents, are payable in stock at the end of the three-year performance period

These changes are intended to focus our executive officers on meeting Pfizer s annual financial objectives, as well as setting our long-term equity incentive awards to more closely track our stockholders return on their investment. As a result of these changes, approximately 60% of the CEO s total direct compensation, at target levels, is being delivered in equity. For the remaining active Named Executive Officers, approximately 56% of their total direct compensation, at target levels, is being delivered in equity.

Our SARs differ from traditional stock options as our SARs will mirror Total Shareholder Return. They will deliver value equal to the difference between the Settlement Price and the Grant Price, plus the dividends accumulated during the five-year term. If the difference in stock price is negative, then the accumulated dividends are reduced by this amount to achieve the total shareholder return reward result. The Grant Price is the closing stock price on the date of the grant ($22.55) and the Settlement Price is the 20-day average closing stock price ending on the fifth anniversary of the grant. The value will be delivered in shares of common stock, net of tax withholding.

Executive Compensation: Changes for the 2008 Program

The Compensation Committee approved salary increases and 2008 target bonus levels for the continuing Named Executive Officers as follows:

2008 Salaries and Target Annual Cash Incentive (Bonus) Amounts

Name	January 1, 2008 Salary ($)	April 1, 2008 Salary ($)	2008 Target Bonus (%)	2008 Target Bonus[(1)] ($)
J. Kindler	1,500,000	1,600,000	150%	2,390,250
F. D Amelio	1,026,000	1,060,000	90%	861,840
I. Read	1,026,000	1,060,000	90%	861,840
M. Mackay	900,000	950,000	90%	861,840

Note: *This table only includes continuing executives.*

(1) 2008 target bonus amounts are based on salary range midpoints rather than actual salary as was the practice in prior years.

BONUS CRITERIA

For 2008, 50% of Mr. Kindler s bonus will be based on the financial performance of the Company as measured by the following metrics:

- Total revenues
- Adjusted diluted earnings per share
- Cash flow from operations

The remaining 50% of his bonus will be based on the Committee s assessment of the following strategic goals:

- Increasing the value of the product portfolio through both internal and external development
- Company Performance Objectives designed to deliver revenue, maximize R&D productivity, and effectively manage resources
- Implementation of substantial initiatives based on continuous improvement and innovation to enhance the efficiency and effectiveness of all areas of the business
- Improvement in important organizational metrics associated with engagement, talent management and diversity to ensure our business is positioned for long-term success

The Committee selected these strategic goals based on its judgment that they represent areas where Mr. Kindler should focus his energies to drive Pfizer s business forward. The ELT, including the continuing Named Executive Officers, will also be accountable for achievement of these financial and strategic goals with each individual having the same allocation as Mr. Kindler between the financial and strategic goals.

2008 LONG-TERM EQUITY INCENTIVE AWARDS

In February 2008, the Committee granted long-term equity incentive awards to the Named Executive Officers in consideration of their 2007 performance and their future performance. The table below shows the SARs, RSUs, and performance share awards made to the Named Executive Officers:

Name	Performance Period (or Other Period	Estimated Future Payouts Under the Performance-Share Program[(1)]	Long-Term Value Shifted to Short-

	Unit Maturation or Payment)		Threshold[2] (#)	Target[3] (#)	Maximum (#)	SARs Grant[4] (#)	RSU Grant[5] (#)	Term[6]
J. Kindler	1/1/08	12/31/10	24,693	98,771	197,542	399,645	98,771	$ 2,250,000
F. D Amelio	1/1/08	12/31/10	10,426	41,703	83,406	168,739	41,703	$ 950,000
I. Read	1/1/08	12/31/10	10,426	41,703	83,406	168,739	41,703	$ 950,000
M. Mackay	1/1/08	12/31/10	9,877	39,508	79,016	159,858	39,508	$ 900,000

Note: *This table only includes continuing executives.*

(1) The actual number of shares that will be paid out at the end of the performance period, if any, cannot be determined because the shares earned by the Named Executive Officers will be based upon our future performance compared to the future performance of the peer group. Dividend equivalents on the actual shares earned will be paid in shares at the end of the performance period.

(2) If our performance is below the threshold level relative to the pharmaceutical peer group, then no shares will be earned. To the extent the Company s performance exceeds the threshold performance level relative to the pharmaceutical peer group, a varying amount of shares of common stock up to the maximum will be earned.

(3) The target amounts varied up or down based on individual performance for 2007.

(4) These stock appreciation rights vest on the third anniversary of the grant date (February 28, 2011) and become payable on the fifth anniversary of the grant (February 28, 2013). The value delivered will be equal to the change in stock price over the term plus dividend equivalents accumulated during that period. The ending value will be the 20-day average closing stock price ending on the fifth anniversary of the grant.

(5) These restricted stock units vest on February 28, 2011. Dividend equivalents are reinvested during the restricted period.

(6) As part of the restructuring of the Executive Compensation Program, 25% of the long-term award value has been allocated as a short-term incentive target award (the actual award will be made in 2009 based on 2008 performance). The payout will be 50% RSUs/50% cash or 100% RSUs, if an election is made.

NEW CHIEF FINANCIAL OFFICER

COMPENSATION STRUCTURE

In filling our Chief Financial Officer position, the Committee recognized that it would be necessary to recruit from outside Pfizer to find an individual with the requisite experience, skills, and acumen. Accordingly, the Committee understood that it would need to develop a competitive total compensation package and, potentially, replace accrued compensation and benefits that would be forfeited, to successfully recruit a qualified candidate. Moreover, any employment offer would have to contain a financial inducement sufficient to motivate the candidate to leave his or her current employer for the uncertainty of a demanding position in a new and unfamiliar organization. At the same time, the Committee was sensitive to the need to integrate the new executive into Pfizer s existing executive compensation structure, balancing both competitive and internal equity considerations.

Ultimately, the Committee settled on an employment offer comprising three principal pay components: a regular ongoing compensation proposal, a buy-out to replace foregone compensation, and an inducement award. The ongoing compensation component was designed to be consistent with Pfizer s existing compensation arrangements with its other senior executives. The buy-out component, which is reflected below, was designed to ensure that Mr. D Amelio was not financially advantaged or disadvantaged as a result of the compensation that he forfeited by leaving his former employer. As described below, this amount was structured to approximate the benefit provisions (e.g., the additional service credit under Pfizer s retirement plan) and distribution timing of his foregone compensation arrangements (e.g., the vesting requirements for the RSU award). The inducement component was determined by the Committee in its judgment as a reasonable amount to motivate him to accept our employment offer. This amount is also reflected in the additional cash compensation and RSUs that were awarded.

Sign-on Bonus and Replacement Compensation

Mr. D Amelio joined Pfizer as Chief Financial Officer on September 10, 2007. At that time, Mr. D Amelio received a onetime sign-on payment of $1 million payable in March 2008, if he remained employed with Pfizer through the end of 2007. In addition, to replace certain compensation and benefits he forfeited when he left his former employer to join Pfizer, Mr. D Amelio received the following amounts:

- $2.7 million cash payment made on or around October 10, 2007
- 233,600 RSUs, and 292,000 stock options each vesting in one-third increments on September 28, 2008, 2009, and 2010 provided he is employed on the respective vesting date. If Mr. D Amelio voluntarily terminates his employment without good reason after September 28, 2008 and before September 28, 2009, he will be required to pay to us an amount equal to the fair market value of the shares of Pfizer common stock issued to him for the RSUs that vested prior to the termination of employment
- A supplemental retirement benefit representing six years of additional pension service credit, subject to five-year cliff vesting

Severance Agreement

As part of his hiring offer, we entered into a severance agreement with Mr. D Amelio, providing that, if at any time before September 10, 2009, his employment is terminated without cause or for good reason, he will be entitled to receive a lump sum payment equal to the sum of:

- his earned but unpaid salary through the termination date, and
- a prorated portion of either his target or earned annual incentive award, whichever is greater, for the year in which the termination occurs.

In addition, he will be entitled to receive a lump sum amount equal to two full years salary, plus two times either his target or earned annual incentive award, whichever is greater, for the year of termination. Further, for the two-year period following termination of employment (or, if earlier, until he becomes eligible to receive group health coverage from another employer), he will continue to receive group health benefits from Pfizer at our expense.

The payments and benefits provided under the severance agreement will be reduced by any payments and benefits payable to Mr. D Amelio as a result of termination of his employment following a change in control of Pfizer that occurs during the term of the severance agreement. Under the terms of the severance agreement, he is subject to certain confidentiality and non-disparagement provisions and, during his employment and for a subsequent period of 12 months, certain non-compete and non-solicitation provisions.

The Committee decided, in its judgment, that this agreement was needed to recruit Mr. D Amelio to join Pfizer and to mitigate the risks associated with leaving his former employer and assuming the challenges of his new position. Mindful of the potential total value of this agreement in the event of a termination of employment during his first three years with Pfizer, the Committee limited the amount of severance to his salary and target or earned annual incentive award for this period, did not provide accelerated vesting of unearned equity awards, and provided for a reduced payment in the event that his change-of-control severance clause was triggered during the period of the agreement. As a result, the Committee determined that the potential payments under this agreement were not excessive in relation to his employment service.

EQUITY AWARD GRANT PRACTICES

Each year, the Committee grants equity awards to eligible employees, including executive officers, at its February meeting. Typically, this meeting is scheduled for the fourth Thursday in February and is scheduled months in advance. Equity grants to newly hired employees, including executive officers, are made on the last business day of the month of hire. Special equity grants to continuing employees are made on the last business day of the month in which the award is approved. Stock option and SAR grants have an exercise price equal to the closing market price of Pfizer s common stock on their grant date. Our equity incentive plans strictly prohibit the re-pricing of stock options without shareholder approval.

POST-EMPLOYMENT COMPENSATION

SEVERANCE

Continuing Named Executive Officers

Our executive officers, including the Named Executive Officers, do not have employment agreements and are not covered by a general severance plan, except Mr. D Amelio as previously presented. Any severance payments or benefits paid to them upon a termination of employment, not related to a change in control of Pfizer, would be determined by the Committee, in its discretion, at that time. In making these decisions, the Committee considers an executive s accumulated equity compensation values and projected pension benefits.

Severance Following a Change-in-Control

We have entered into change-in-control severance agreements with our elected corporate officers, including each of the Named Executive Officers. These agreements, which provide severance payments and benefits upon a termination of employment following a change in control of Pfizer, are described in the section headed Estimated Benefits Upon Termination Following a Change in Control in this Proxy Statement.

After considering industry practices and reviewing the policies and practices of the companies in the pharmaceutical and general industry comparison groups in 2006, the Committee determined that these agreements were necessary and appropriate to provide competitive compensation to the types of individuals we wanted to recruit and retain. The Committee also believes that these agreements are consistent with our overall compensation philosophy.

These agreements include a double trigger, meaning that they do not become operative in the event of a change in control unless the executive s employment is terminated involuntarily following the transaction or voluntarily with good reason. We believe this structure strikes a balance between the incentives and the executive hiring and retention effects described above, without providing these benefits to executives who remain employed with an acquiring company in the event of a change-in-control transaction. The Committee continues to periodically monitor industry practice in this area to ensure that these agreements remain consistent with our overall compensation philosophy of targeting the competitive median while preserving our ability to attract and retain key executives.

EMPLOYMENT AND RETIREMENT BENEFITS

DEFERRED COMPENSATION

We permit our executive officers to defer receipt of their earned annual bonuses and any shares earned under performance share awards. Bonus award payments may be deferred into either a Pfizer stock unit fund or a cash fund earning interest at 120% of the applicable federal long-term rate (which fluctuated between 5.54% and 6.21% in 2007). The Pfizer stock unit fund is credited with reinvested dividend equivalent units. Performance shares may be deferred only into the Pfizer stock unit fund.

INSURANCE PLANS

We provide a number of health and family security benefits, such as medical insurance, dental insurance, life insurance (up to $250,000 coverage), and long-term disability insurance (up to $300,000 coverage) through our active employee flexible benefits plan. These benefits are available to all U.S.-based employees, including each Named Executive Officer, and are

Insurance Plan Costs 2007

Officer	Company Cost ($)
J. Kindler	19,226
F. D Amelio	5,292
D. Shedlarz	20,082
I. Read	17,073
M. Mackay	19,526
A. Levin	12,312
J. LaMattina	14,826

comparable to those provided by the companies in the general industry comparison group. These programs are designed to provide certain basic quality of life benefits and protections to Pfizer employees and at the same time enhance Pfizer s attractiveness as an employer of choice.

VACATION AND PAID HOLIDAYS

All U.S.-based Pfizer employees, including our executive officers, qualify for paid holidays.

RETIREMENT AND SAVINGS PLANS

We provide a number of benefit plans, including the Pfizer Retirement Annuity Plan (a tax-qualified defined benefit plan), the Pfizer Savings Plan (a tax-qualified defined contribution plan), and related supplemental benefit restoration plans to our executive officers, including the Named Executive Officers, and other U.S.-based employees. These plans are described in the narrative accompanying the Pension Plan Table and Nonqualified Deferred Compensation Table in the Compensation Tables section of this Proxy Statement.

RETIREE HEALTHCARE BENEFITS

In addition to active employee benefits, we provide post-retirement medical, dental, and life insurance to retirees according to each legacy company plan under which the eligible employees are covered. A legacy company is the employee s original employer, before Pfizer s mergers with Warner-Lambert and Pharmacia. The Named Executive Officers are all covered under the legacy-Pfizer plans, which provide up to $12,000 of annual medical premium cost before age 65, $3,000 of annual medical premium cost after age 65, and up to $250,000 of life insurance coverage which reduces ratably to $2,500 10 years after retirement.

PERQUISITES

We provide a limited number of perquisites and other personal benefits to our Named Executive Officers, including the personal use of company aircraft, the use of a company car and driver for Mr. Kindler only, and financial counseling services. In limited instances, we allow executives the use of company transportation related to relocations. These benefits provide flexibility to our executives and increase travel efficiencies, allowing more productive use of their time, which, in turn, allows greater focus on Pfizer-related activities.

PERQUISITES POLICIES

The Company provided certain perquisites to senior management in 2007 as summarized below.

Company Aircraft

With the approval of the Chairman and CEO, the Company s aircraft were used in the following situations:

The ELT members of Pfizer are eligible to use the aircraft for business purposes.

A spouse/partner is allowed to accompany the ELT member on the aircraft for Pfizer business purposes;

Under our policies, approximately 20 hours of personal use of each type of aircraft (fixed wing and helicopter) are generally allowed for use by the ELT member and their guests, flying on the same flight. The 20 hours of personal use does not include deadhead time. Occasionally, non-employee Directors when traveling on Pfizer business, may be accompanied by family members. The amounts disclosed in the All Other Compensation column in the Summary Compensation Table, were valued based on the incremental cost of the personal use of Company aircraft, using a method that takes into account the following items for the number of flight hours used (flight hours include deadhead time):

landing/parking/flight planning services expenses;

crew travel expenses;

supplies and catering;

aircraft fuel and oil expenses per hour of flight;

aircraft accrual expenses per hour of flight;

maintenance, parts and external labor (inspections and repairs) per hour of flight;

any customs, foreign permit and similar fees; and

passenger ground transportation.

Tax Reporting Personal Use of Aircraft

As a result of the recommendations contained in an independent, third-party security study, the Board of Directors passed a resolution requiring that Mr. Kindler use the Company aircraft for personal travel. For income tax purposes, the amount included in the executive s income is based on IRS regulations. This amount is not grossed up for taxes. This amount is generally lower than the incremental costs shown in the Incremental Cost of Perquisites Provided to Named Executive Officers in 2007 table.

Car and Driver

The amounts disclosed below for the personal use of a Company car are based on the incremental cost to the Company, calculated as a portion of the cost of the annual lease, a portion of the cost of the driver and fuel used. The policy on the use of the cars for 2007 is outlined below:

cars and drivers were available to all ELT members for business reasons; to the extent they do use them for personal use, they are required to reimburse the Company.

for security reasons, cars and drivers were available to Mr. Kindler for personal use and for commutation. Mr. Shedlarz was permitted the continued use of the cars and drivers for personal use and commutation pursuant to the legacy policy.

a spouse/partner of an ELT member, if unaccompanied by the ELT member is allowed to use a Company-leased car for Pfizer business purposes only.

For tax purposes, with respect to the personal use and commutation by the CEO, the cost of the cars and fuel were imputed as income. As a result of the recommendations contained in an independent, third-party security study, the cost of the drivers is not reportable as income to Mr. Kindler for tax purposes.

Other Perquisites

The Company provides a taxable allowance of up to $10,000 to our executive officers for financial counseling services, which may include tax preparation and estate planning services. We value this benefit based on the actual charge for the services.

The Company does not provide or reimburse for country club memberships for any officers. Home security systems were available to the ELT members. The cost of any such systems was imputed as income to the recipients.

The following table summarizes the incremental value of perquisites for the Named Executive Officers in 2007.

2007 Incremental Cost of Perquisites Provided to Named Executive Officers

Name	Aircraft Usage ($)	Financial Counseling ($)	Car Usage ($)	Security ($)	Company Apt. ($)	Total ($)
J. Kindler	173,550	10,000	42,377	1,217		227,144
F. D Amelio	30,810					30,810
D. Shedlarz	39,492	8,713	35,824	325		84,354
I. Read	73,118	15,000(1)				88,118
M. Mackay(2)	92	5,000				5,092
A. Levin		10,012(1)				10,012
J. LaMattina	2,111	10,000				12,111

(1) Financial counseling limit is $10,000 for each Named Executive Officer per year. Mr. Read and Mr. Levin s financial counseling amount reflects $15,000 and $10,012, respectively which includes $5,000 and $12 attributable to 2006 benefits which were subsequently paid in 2007.

(2) Dr. Mackay became an ELT member in October 2007.

OTHER COMPENSATION POLICIES

TAX AND ACCOUNTING POLICIES

Section 162(m) limits to $1 million the amount of remuneration that Pfizer may deduct in any calendar year for its CEO and the three other highest-paid Named Executive Officers, other than the Chief Financial Officer. We have structured our annual cash incentive awards, SARs, performance share awards, and performance-contingent share awards to meet the exception to this limitation for performance-based compensation, as defined in Section 162(m), so that these amounts will be fully deductible for income tax purposes.

To maintain flexibility so that the executive compensation may be delivered in a manner that promotes varying corporate goals, we do not have a policy requiring all compensation to be deductible. Since Mr. Kindler s and Mr. Shedlarz 2007 salaries were in excess of $1 million, a portion of these salaries and the value of their perquisites and other benefits were not deductible.

DERIVATIVES TRADING

No employee, including executive officers, may purchase or sell options on Pfizer common stock, nor engage in short sales of Pfizer common stock. Also, trading by executive officers and directors in puts, calls, straddles, equity swaps, or other derivative securities that are directly linked to Pfizer common stock is prohibited. These same provisions also apply to our non-employee directors.

STOCK OWNERSHIP

We have stock ownership requirements for our executive officers, including the Named Executive Officers. Mr. Kindler is required to own Pfizer common stock equal in value to at least five times his annual salary. The other Named Executive Officers are required to own Pfizer common stock equal in value to at least four times their annual salaries. We have also established milestone guidelines that we use to monitor progress toward meeting these targets over a five-year period. Under these milestone guidelines, Mr. Kindler s ownership requirement is currently four times his salary. As of March 1, 2008, Mr. Kindler has reached his milestone guideline and is expected to reach the full guideline in 2009.

COMPENSATION RECOVERY

The Committee may, if permitted by law, make retroactive adjustments to any cash- or equity-based incentive compensation paid to executive officers and other executives where the payment was predicated upon the achievement of specified financial results that were the subject of a subsequent restatement. Where applicable, we will seek to recover any amount determined to have been inappropriately received by the individual executive officer. In addition, all of the equity incentive awards that we grant contain compensation recovery provisions.

ROLE OF COMPENSATION CONSULTANT

Since 2003, the Compensation Committee has engaged George Paulin, Chief Executive Officer of F.W. Cook & Co. as an independent outside compensation consultant in accordance with the policy outlined below to fulfill the following responsibilities:

- advise the Committee Chair on management proposals as requested;
- undertake special projects at the request of the Committee Chair;
- advise the Committee Chair on setting agenda items for Committee meetings;
- review Committee agendas and supporting materials in advance of each meeting;
- attend Committee meetings;
- review the Company s total compensation philosophy, peer group and competitive positioning for reasonableness and appropriateness;
- review the Company s total executive compensation program and advise the Committee of plans or practices that might be changed to improve effectiveness;
- audit the selected peer group and survey data for competitive comparisons;
- oversee and audit survey data on executive pay practices and amounts that come before the Committee;
- provide market data and recommendations on CEO compensation without prior review by management except for necessary fact checking;
- review draft Compensation Discussion & Analysis and related tables for our proxy statement;
- review any significant executive employment or severance agreements in advance of being presented to the Committee for approval;

periodically review the Committee s charter and recommend changes; and

proactively advise the Committee on best-practice ideas for Board governance of executive compensation as well as areas of concern and risk in the Company s program.

In 2007, as part of his ongoing services to the Compensation Committee as described above, Mr. Paulin attended all meetings of the Committee and worked on the following projects:

advised the Committee with respect to the design and amounts of compensation for newly hired executive officers as well as promotion packages for executive officers promoted from within Pfizer;

actively participated in review and discussions of the new executive compensation program, described in the Changes for the 2008 Program section of this Proxy Statement. The consultant was involved in developing the new approach to setting bonus targets based on salary range midpoints as well as defining the appropriate long term incentives to best align executive performance with shareholder interests

performed a study on the relationship of total shareholder return to annual bonuses;

- reviewed proposed compensation and grading structure in connection with management re-organization;
- advised on valuing severance obligations for departing executives;
- advised on appropriate executive performance goals and metrics

The total amount of fees paid to Frederick W. Cook & Co. for services to the Committee in 2007 was $150,901. In addition, the Committee reimburses Mr. Paulin for all reasonable travel and business expenses. Frederic W. Cook & Co. receives no other fees or compensation from the Company, except a fee of less than $5,000 to provide an executive compensation survey.

POLICY CRITERIA FOR SELECTION OF COMPENSATION COMMITTEE CONSULTANT

The Compensation Committee established the following criteria used to select a consultant to the Compensation Committee.

- Degree of independence
  - Financial independence measured by dollar volume of other business conducted with Pfizer
  - Independent thinking subjectively assessed by their known work as well as information gathered in the screening interviews
- Familiarity with the business environment
  - Knowledge of the pharmaceutical industry
  - Specific knowledge of Pfizer Inc, its senior management, and Board of Directors
  - Broad knowledge of general industry current practices and emerging trends
  - Public relations
- Particular strengths and/or distinguishing characteristics including, but not limited to:
  - Creative thinking
  - Strong sense of corporate governance
  - Special areas of expertise
  - Ability to establish rapport or dynamic presence with groups
- References from current clients where the consultant acts in an advisory role similar to the role desired by the Pfizer Compensation Committee
- Potential issues
  - Conflict of interest with other clients
  - Degree of availability/accessibility

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COMPENSATION TABLES

2007 Summary Compensation Table

Name and Principal Position (a)	**Year (b)**	**Salary (c)**	**Bonus(1) (d)**	**Stock Awards(3) (e)**
J. Kindler Chairman and Chief Executive Officer	2007 2006	$1,462,500 1,103,883	$3,100,000 3,300,000	$ 1,162,835 2,736,265
F. D Amelio Chief Financial Officer	2007 2006	$ 320,625 N/A	$4,040,000(2) N/A	$ 907,717 N/A
D. Shedlarz Former Vice Chairman	2007 2006	$1,056,875 1,008,225	$ 951,200 1,263,400	$ 62,339 3,181,563
I. Read President, Worldwide Pharmaceutical Operations	2007 2006	$ 944,083 813,450	$ 990,000 667,200	$ 190,134 1,651,580
M. Mackay President, Global Research & Development	2007 2006	$ 702,159 N/A	$ 645,000 N/A	$ 166,291 N/A
A. Levin Former Chief Financial Officer	2007 2006	$ 687,943 784,575	$ 486,750 580,600	$ 36,998 2,026,454
J. LaMattina Former President, Global Research & Development	2007 2006	$ 911,300 873,275	$ 683,500 718,300	$ 247,364 2,451,516

(1) The amounts shown in this column constitute the annual cash bonus incentive awards made to the Named Executive Officers under the Annual Incentive Plan. The receipt of these awards may be deferred at the election of the recipient in accordance with the plan provisions. See related discussion in the section headed Compensation Discussion and Analysis in this Proxy Statement. For Mr. Levin, this bonus amount represents a pro-rata portion of prior year s bonus pursuant to his severance agreement.

(2) Upon hire in September 2007, Mr. Frank D Amelio received a $2.7 million cash replacement award for his style="font-family:inherit;font-size:10pt;">

$
8,304

$
275,615

St. Clair

February and August

2031

CAD 161.0

7,761

143,124

Canyon

March and September

2030

$
215.1

11,894

203,255

Trillium

February and August

2033

CAD 313.3

6,651

286,897

Genesis

February and August

2038

$
852.0

356,282

(2)

495,718

Genesis

March and September

2038

$
280.0

—

280,000

Bluewater

June and December

2032

CAD 170.0

5,145

154,632

Total

$
396,037

$
1,839,241

(1) The amortization of project financings is principally related to the length of the applicable PPA, FIT Contract or RESOP Contract.

(2)

Includes $337.1 million of mandatory prepayment of indebtedness using CITC proceeds or, to the extent of any shortfall in CITC proceeds, using equity contributions from NEER.

Expenses

NEP's O&M expenses are expected to increase by approximately $4 million per year as a result of becoming a publicly-traded limited partnership. This increase will be due, in part, to increased third-party accounting services, filing reports with the SEC, independent auditor fees, investor relations activities, directors' fees, compensation and expenses, directors' and officers' insurance, stock exchange listing fees, registrar and transfer agent fees and other expenses. NEP OpCo will reimburse NEP for such expenses. Beginning in the third quarter of 2014, NEP financial statements will reflect the impact of these increased expenses, which will affect the comparability of NEP's accounting predecessor's historical financial statements for periods prior to the completion of the Offering.

NEP OpCo's O&M expenses are expected to increase by approximately $5.8 million per year as a result of the annual management fee equal to the greater of 1% of NEP OpCo's EBITDA (net income plus interest expense, income tax expense, depreciation and amortization less certain non-cash, non-recurring items) or $4 million (as adjusted for inflation beginning in 2016), and the $1.8 million annual credit support fee, which will be paid by NEP OpCo in quarterly installments. NEP's financial statements following the completion of the Offering will reflect the impact of this increased expense, which will affect the comparability of its accounting predecessor's historical financial statements for periods prior to the completion of the Offering.

O&M expenses related to the initial portfolio are expected to remain relatively stable from year to year once all of the projects are operational. However, O&M expenses are likely to be higher for the year ending December 31, 2014, as compared to historical periods due to the timing of commencement of commercial operations at a number of the projects in the initial portfolio, which will affect the comparability of NEP's accounting predecessor's historical financial statements for periods prior to the completion of the Offering. NEP's O&M expenses are likely to increase as it acquires new projects.

Results of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands)			
Statement of Operations Data:				
Operating revenues	$86,724	$34,462	$146,222	$66,408
Operating expenses:				
Operations and maintenance	15,485	5,942	26,701	14,045
Depreciation and amortization	18,761	8,220	35,197	16,028
Transmission	540	526	1,083	1,051
Taxes other than income taxes and other	1,527	931	2,765	1,781
Total operating expenses	36,313	15,619	65,746	32,905
Operating income	50,411	18,843	80,476	33,503
Other income (deductions):				
Interest expense	(23,619)	(9,789)	(42,367)	(19,887)
Gain on settlement of contingent consideration of project acquisition	—	4,809	—	4,809
Other—net	68	48	92	43
Total deductions—net	(23,551)	(4,932)	(42,275)	(15,035)
Income before income taxes	26,860	13,911	38,201	18,468
Income taxes	4,691	6,213	10,687	11,165
Net income	$22,169	$7,698	$27,514	$7,303

Three Months Ended June 30, 2014, Compared to Three Months Ended June 30, 2013

Operating Revenues

Operating revenues primarily consist of income from the sale of energy under NEP's PPAs, RESOP Contracts and FIT Contracts. Operating revenues increased $52.3 million during the three months ended June 30, 2014, as compared to the three months ended June 30, 2013, primarily due to the commencement of commercial operations at Summerhaven in August 2013, Genesis Unit 1 in November 2013 and Genesis Unit 2 in March 2014.

	Three Months Ended June 30,	
	2014	2013
	(dollars in thousands)	
Operating revenues	$86,724	$34,462
Generation	698 GWh [(1)]	422 GWh [(1)]

(1) gigawatt hours

Operating Expenses

Operations and Maintenance

O&M expenses include interconnection costs, labor expenses, turbine servicing costs, lease royalty payments, property taxes, insurance, materials, supplies, shared services and administrative expenses attributable to NEP's projects, and costs and expenses under administrative services agreements (ASAs) and O&M agreements. O&M expenses also include the cost of maintaining and replacing certain parts for the projects in the initial portfolio to maintain, over the long-term, operating income or operating capacity. O&M expense increased $9.5 million for the three months ended June 30, 2014, as compared to the three months ended June 30, 2013, primarily due to the commencement of commercial operations at Summerhaven in August 2013, Genesis Unit 1 in November 2013 and Genesis Unit 2 in March 2014. In addition, O&M expenses increased $2.6 million due to costs associated with the formation of certain entities, which were funded by NEER through an equity contribution.

Depreciation and Amortization

Depreciation and amortization expense reflects costs associated with depreciation and amortization of NEP's assets, based on consistent depreciable asset lives and depreciation methodologies. For all of the U.S. projects, NEP elected to receive CITCs, which are recorded as a reduction in property, plant and equipment, net on the condensed combined balance sheets and are amortized as a reduction to depreciation and amortization expense over the estimated life of the related property. Depreciation expense also includes a provision for wind and solar facility dismantlement, interim asset removal costs and accretion related to asset retirement obligations.

Depreciation and amortization increased $10.5 million during the three months ended June 30, 2014, as compared to the three months ended June 30, 2013, primarily due to the commencement of commercial operations at Summerhaven in August 2013, Genesis Unit 1 in November 2013 and Genesis Unit 2 in March 2014.

Other Income (Deductions)

Interest Expense

Interest expense primarily consists of interest accrued under project financings, partially offset by interest capitalization on qualified expenditures. Interest expense increased $13.8 million during the three months ended June 30, 2014, as compared to the three months ended June 30, 2013, primarily due to entering into a financing (Trillium) for the Conestogo and Summerhaven Projects for approximately CAD 315 million in December 2013, $150 million of incremental borrowings under Genesis' bank loan and a new financing of $280 million for the Genesis project in June 2014, as well as lower capitalized interest associated with the conclusion of construction of Genesis Unit 1 in November 2013 and Genesis Unit 2 in March 2014.

Gain on Settlement of Contingent Consideration of Project Acquisition

Gain on settlement of contingent consideration of project acquisition decreased $4.8 million during the three months ended June 30, 2014, as compared to the three months ended June 30, 2013, primarily due to a change in estimate relating to the contingent consideration related to the acquisition of the Moore and Sombra projects.

Income Taxes

Income taxes are calculated using the separate return method for each of the project entities that are structured as limited liability companies or corporations. Income taxes are not included for entities that are structured as flow through entities (partnerships). Income tax expense includes federal, state and Canadian taxes on operations, as applicable.

Income tax expense decreased $1.5 million during the three months ended June 30, 2014, as compared to the three months ended June 30, 2013, primarily resulting from a decrease in the valuation allowance on deferred tax assets of $7.2 million mainly related to Genesis, and an increase in deferred tax assets related to CITCs on Genesis of $0.4 million, partially offset by an increase of $1.0 million related to flow through entities and an increase of $4.5 million due to higher pretax book income.

NEP's effective tax rate for the three months ended June 30, 2014 and 2013, was 17.5% and 44.7%, respectively. The effective tax rate is affected by recurring items, such as the relative amount of income earned in jurisdictions, the 50% tax basis reduction due to CITCs, which are recognized when assets are placed into service, and valuation allowances on deferred tax assets. The 27.2% decrease in the tax rate from the three months ended June 30, 2013, to the three months ended June 30, 2014, is largely caused by the impact of changes in valuation allowances and the 50% basis reduction on the receipt of CITCs.

The effective tax rate decreased 27.2% in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013 due to:

State income taxes	(1.4	)%
Change in valuation allowances[1]	(53.5	)%
50% basis reduction due to CITCs[1]	17.8	%
Foreign rate differential and effect of flow-through[2]	9.3	%
Other	0.6	%
Total Change	(27.2	)%

(1) The changes relating to CITCs and valuation allowances are primarily related to Genesis.

(2) The Summerhaven and Conestogo project entities, as well as the Trillium entities, are Canadian limited partnerships, the partners of which are not predecessor entities and are therefore not included in the predecessor financial statements. Because of their flow through nature, no income taxes have been provided with regard to these entities. Foreign rate differential is the difference in taxes calculated on Canadian income from Canadian projects (excluding flow through entities) at Canadian statutory rates compared to the U.S. statutory rate.

Six Months Ended June 30, 2014, Compared to Six Months Ended June 30, 2013

Operating Revenues

Operating revenues primarily consist of income from the sale of energy under NEP's PPAs, RESOP Contracts and FIT Contracts. Operating revenues increased approximately $79.8 million during the six months ended June 30, 2014, as compared to the six months ended June 30, 2013, primarily due to the commencement of commercial operations at Summerhaven in August 2013, Genesis Unit 1 in November 2013 and Genesis Unit 2 in March 2014.

Six Months Ended June 30,	
2014	2013

	(dollars in thousands)	
Operating revenues	$146,222	$66,408
Generation	1,346 GWh	873 GWh

Operating Expenses

Operations and Maintenance

O&M expenses include interconnection costs, labor expenses, turbine servicing costs, lease royalty payments, property taxes, insurance, materials, supplies, shared services and administrative expenses attributable to NEP's projects, and costs and expenses under ASAs and O&M agreements. O&M expenses also include the cost of maintaining and replacing certain parts for the projects in the initial portfolio to maintain over the long-term, operating income or operating capacity. O&M expenses increased approximately $12.7 million for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013, primarily due to the commencement of commercial operations at Summerhaven in August 2013, Genesis Unit 1 in November 2013 and Genesis Unit 2 in March 2014. In addition, O&M expenses increased $2.6 million due to costs associated with the formation of certain entities, which were funded by NEER through an equity contribution.

Depreciation and Amortization

Depreciation and amortization expense reflects costs associated with depreciation and amortization of NEP's assets, based on consistent depreciable asset lives and depreciation methodologies. For all of NEP's U.S. projects, CITCs were elected, which are recorded as a reduction in property, plant and equipment, net on the condensed combined balance sheets and are amortized as a reduction to depreciation and amortization expense over the estimated life of the related property. Depreciation expense also includes a provision for wind and solar facility dismantlement, interim asset removal costs and accretion related to asset retirement obligations. Depreciation and amortization increased approximately $19.2 million during the six months ended June 30, 2014, as compared to the six months ended June 30, 2013, primarily due to the commencement of commercial operations at Summerhaven in August 2013, Genesis Unit 1 in November 2013 and Genesis Unit 2 in March 2014.

Other Income (Deductions)

Interest Expense

Interest expense primarily consists of interest accrued under the project financings, partially offset by interest capitalization on qualified expenditures. Interest expense increased approximately $22.5 million during the six months ended June 30, 2014, as compared to the six months ended June 30, 2013, primarily due to entering into a financing (Trillium) for the Conestogo and Summerhaven Projects for approximately CAD 315 million in December 2013, $150 million of incremental borrowings under Genesis' bank loan and a new financing of $280 million for the Genesis project in June 2014, as well as lower capitalized interest associated with the conclusion of construction of Genesis Unit 1 in November 2013 and Genesis Unit 2 in March 2014.

Gain on Settlement of Contingent Consideration of Project Acquisition

Gain on settlement of contingent consideration of project acquisition decreased $4.8 million during the six months ended June 30, 2014 as compared to the six months ended June 30, 2013, primarily due to a change in estimate relating to the contingent consideration related to the acquisition of the Moore and Sombra projects.

Income Taxes

Income taxes are calculated using the separate return method for each of the project entities that are structured as limited liability companies or corporations. Income taxes are not included for entities that are structured as flow through entities (partnerships). Income tax expense includes federal, state and Canadian taxes on operations, as applicable.

Income tax expense decreased $0.5 million for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013, primarily resulting from a decrease in the valuation allowance on deferred tax assets of $4.4 million mainly related to Genesis, an increase in deferred tax assets related to CITCs on Genesis of $2.3 million, a decrease of $1.2 million related to flow through entities, partially offset by an increase of $6.9 million due to higher pretax book income.

NEP's effective tax rate for the six months ended June 30, 2014 and 2013, was 28.0% and 60.5%, respectively. The effective tax rate is affected by recurring items, such as the relative amount of income NEP earns in jurisdictions, the 50% tax basis reduction due to CITCs, which are recognized when assets are placed into service, and valuation allowances on deferred tax assets.

The 32.5% decrease in the tax rate from the six months ended June 30, 2013, to the six months ended June 30, 2014, is largely caused by the impact of changes in valuation allowances and the 50% basis reduction on the receipt of CITCs.

The effective tax rate decreased 32.5% for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 due to:

State income taxes	(2.5	)%
Change in valuation allowances[1]	(54.1	)%
50% basis reduction due to CITCs[1]	21.9	%
Foreign rate differential and effect of flow-through[2]	1.5	%
Other	0.7	%
Total Change	(32.5	)%

(1) The changes relating to CITCs and valuation allowances are primarily related to Genesis.

(2) The Summerhaven and Conestogo project entities, as well as the Trillium entities, are Canadian limited partnerships, the partners of which are not predecessor entities and therefore not included in the predecessor financial statements. Because of their flow through nature, no income taxes have been provided with regard to these entities. Foreign rate differential is the difference in taxes calculated on Canadian income from Canadian projects (excluding flow through entities) at Canadian statutory rates compared to the U.S. statutory rate.

LIQUIDITY AND CAPITAL RESOURCES

NEP's business requires substantial capital to fund:

- current O&M costs;
- debt service payments;
- distributions to holders of common units;
- maintenance and expansion capital expenditures and other investments;
- unforeseen events; and
- other business expenses.

Prior to the completion of the Offering, NEP’s operations largely relied on, and will continue to largely rely on, internally generated cash flow. NEP expects to satisfy its future capital requirements through a combination of cash on hand, cash flow from operations, borrowings under existing and anticipated future financing arrangements. These sources of funds are expected to be adequate to provide for NEP's short-term and long-term liquidity and capital needs. However, NEP is subject to business and operational risks that could adversely affect its cash flow. A material decrease in cash flows would likely produce a corresponding adverse effect on NEP's borrowing capacity.

As a normal part of its business, depending on market conditions, NEP expects from time to time to consider opportunities to repay, redeem, repurchase or refinance its indebtedness. In addition, NEP expects from time to time to consider potential investments in new acquisitions. These events may cause NEP to seek additional debt or equity financing, which may not be available on acceptable terms or at all. Debt financing, if available, could impose additional cash payment obligations, additional covenants and operating restrictions.

NEP OpCo has agreed to allow NEER or one of its affiliates to withdraw funds received by its subsidiaries, including NEP OpCo, and to hold those funds in accounts of NEER or one of its affiliates to the extent the funds are not required to pay project costs or otherwise required to be maintained by NEP's subsidiaries, until the financing agreements permit distributions to be made, or, in the case of NEP OpCo, until such funds are required to make distributions or to pay expenses or other operating costs. If NEER fails to return withdrawn funds when required by NEP's subsidiaries’ financings, the lenders will be entitled to draw on credit support provided by NEER in the amount of such withdrawn funds. In addition, NEP OpCo will have a claim for any funds that NEER fails to return:

- when required by its subsidiaries’ financings;
- when its subsidiaries’ financings otherwise permit distributions to be made to NEP OpCo;
- when funds are required to be returned to NEP OpCo; or
- when otherwise demanded by NEP OpCo.

If NEER or one of its affiliates realizes any earnings on the withdrawn funds prior to the return of such funds, it will be permitted to retain those earnings.

Liquidity Position

At June 30, 2014 and December 31, 2013, NEP's liquidity position was approximately $143.3 million and $62.8 million, respectively. The table below provides the components of NEP’s liquidity position as of June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
	(In thousands)	
Cash and cash equivalents	$107,095	$26,580
Letter of credit facilities - Genesis	82,888	82,888

Less amounts outstanding	(46,663)	(46,663)
Total[1]	$143,320	$62,805

(1) Excludes restricted cash of $346.4 million and $2.4 million at June 30, 2014 and December 31, 2013, respectively. The restricted cash at June 30, 2014 includes CITC cash for use in mandatory debt repayments as required by the Genesis financing agreement.

Management believes that NEP's liquidity position and cash flows from operations will be adequate to finance O&M, capital expenditures, distributions to its unitholders and other liquidity commitments. Management continues to regularly monitor NEP's financing needs consistent with prudent balance sheet management.

Financing Arrangements

Revolving Credit Facility

In connection with the Offering, on July 1, 2014, the Loan Parties entered into a $250 million revolving credit facility. For a discussion of the terms of the revolving credit facility, see Note 3 to NextEra Energy Partners, LP's balance sheet.

Project Financings

Projects in the initial portfolio are subject to project financings that contain certain financial covenants and distribution tests, including debt service coverage ratios. In general, these project financings contain representations and warranties that are customary for these types of financings, including limitations on investments and restricted payments. Generally, NEP's project financings accrue interest at a fixed interest rate. However, two of NEP's project financings accrue interest at variable rates based on the LIBOR and one project accrues interest at a variable rate based upon the three-month CDOR. Several interest rate swaps were entered into for two of these financings to hedge against interest rate movements with respect to interest payments on the loan. Under the project financings, each project will be permitted to pay distributions out of available cash on a semi-annual basis so long as certain conditions are satisfied, including that reserves are funded with cash or credit support, no default or event of default under the applicable financings has occurred and is continuing at the time of such distribution or would result therefrom, and each project is otherwise in compliance with the project financing's covenants and the applicable minimum debt service coverage ratio is satisfied. The minimum debt service coverage ratio that must be satisfied under all of NEP's project financings is 1.20:1.00. At June 30, 2014, NEP was in compliance with all covenants under its project financings and its debt service coverage ratios equaled or exceeded 1.20:1.00 in all periods subsequent to obtaining each financing.

Contractual Obligations

NEP's contractual obligations as of June 30, 2014 were as follows:

	2014 (millions)	2015	2016	2017	2018	Thereafter	Total
Contractual Obligations							
Long-term debt, including interest(1)	$403.6	$173.0	$176.1	$174.6	$161.5	$2,268.8	$3,357.6
Asset retirement activities(2)	—	—	—	—	—	88.1	88.1
Land lease payments(3)	1.9	3.9	4.0	4.0	4.1	116.9	134.8
Total	$405.5	$176.9	$180.1	$178.6	$165.6	$2,473.8	$3,580.5

(1) Includes principal, interest and interest rate swaps. Variable rate interest was computed using June 30, 2014 rates.
(2) Represents expected cash payments adjusted for inflation for estimated costs to perform asset retirement activities.
(3) Represents various agreements that provide for payments to landowners for the right to use the land upon which the projects are located.

Capital Expenditures

Annual capital spending plans are developed based on projected requirements by the projects. Capital expenditures primarily represent the estimated cost of acquisitions or capital improvements, including construction expenditures that are expected to increase over the long-term, NEP OpCo's operating income or operating capacity. Capital expenditures for projects that have already commenced commercial operations are generally not significant because most expenditures relate to repairs and maintenance and are expensed when incurred. For the six months ended June 30, 2014 and 2013, NEP had capital expenditures of approximately $135 million and $431 million, respectively. At June 30, 2014, estimated capital expenditures for the remainder of 2014 and 2015 were $28 million, primarily for the completion of construction of the Bluewater facility to be funded by NEER, and $2 million, respectively. There are no significant planned capital expenditures for 2016 through 2018. These estimates are subject to continuing review and adjustment and actual capital expenditures may vary significantly from these estimates.

Cash Distributions to Unitholders

NEP's partnership agreement requires it to distribute available cash quarterly. Generally, available cash is all cash on hand at the date of determination in respect of such quarter (including any expected distributions from NEP OpCo), less the amount of cash reserves established by NEP's general partner. NEP currently expects that cash reserves would be established solely to provide for the payment of income taxes payable by NEP, if any. Cash flow is generated from distributions NEP receives from NEP OpCo each quarter and, during the purchase price adjustment period, from NEE Equity, which payments will be funded solely by any distributions NEE Equity receives from NEP OpCo with respect to such quarter. Although NEP currently expects that cash reserves would be established solely to provide for the payment of any of NEP's income taxes as described above, NEP expects NEP OpCo to establish cash reserves prior to making distributions to NEP to pay costs and expenses of NEP's subsidiaries, in addition to NEP's expenses, as well as any debt service requirements and future capital expenditures. During the purchase price adjustment period, should NEP OpCo not make a quarterly distribution in an amount at least equal to the minimum quarterly distribution, the purchase price will be reduced by the difference for such quarter and NEE Equity will pay NEP a purchase price adjustment equal to such shortfall, provided that NEE Equity will not be required to pay a purchase price adjustment in any quarter in excess of the distribution actually received by NEP OpCo.

NEP OpCo will distribute all of its available cash (as defined in NEP OpCo's partnership agreement) to its unitholders, including NEP, each quarter. The majority of such available cash will be derived from the operations of the initial portfolio. The cash available for distribution is likely to fluctuate from quarter to quarter, and in some cases significantly, as a result of the performance of the initial portfolio, seasonality, maintenance and outage schedules and other factors.

Cash Flows

Six Months Ended June 30, 2014, Compared to Six Months Ended June 30, 2013

The following table reflects the changes in cash flows for the comparative periods:

	2014	2013	Change
Six Months Ended June 30,	(in millions)		
Net cash provided by operating activities	$84.6	$42.5	$42.1
Net cash used in investing activities	$(127.9)	$(152.8)	$24.9
Net cash provided by financing activities	$122.8	$102.0	$20.8

Net Cash Provided by Operating Activities

Changes in net cash provided by operating activities were driven by higher cash flows from projects that commenced commercial operations after June 2013. These projects included Summerhaven, Genesis Unit 1 and Genesis Unit 2.

Net Cash Used in Investing Activities

Changes in net cash used in investing activities were driven by decreased capital expenditures related to construction activities and changes in restricted cash balances related to the timing of construction payments for projects that commenced commercial operations after June 30, 2013. These projects included Summerhaven, Genesis Unit 1 and Genesis Unit 2. In addition, during 2014, the proceeds received from CITCs related to Genesis have been restricted for use in mandatory debt repayment as required by the Genesis financing agreement.

	2014	2013
Six Months Ended June 30,	(in millions)	
Capital expenditures	$(90.5)	$(364.2)
Proceeds from CITCs	306.2	—
Changes in restricted cash	(344.0)	207.3
Other	0.4	4.1
Net cash used in investing activities	$(127.9)	$(152.8)

Net Cash Provided by Financing Activities

Changes in net cash provided by financing activities were driven by higher net member contributions.

	2014	2013
Six Months Ended June 30,	(in millions)	
Member contributions – net	$126.8	$118.5

Issuances of long-term debt	14.7	—
Other	(18.7)	(16.5)
Net cash provided by financing activities	$122.8	$102.0

Critical Accounting Policies and Estimates

NEP's significant accounting policies are described in Note 2 to the unaudited condensed combined financial statements, which were prepared under generally accepted accounting principles. Critical accounting policies are those that NEP believes are both

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most important to its financial condition and results of operations, and require complex, subjective judgments, often as a result of the need to make estimates and assumptions about the effect of matters that are inherently uncertain. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions. The following policies are those considered to be the most critical in understanding the judgments that are involved in preparing the condensed combined financial statements.

Income Taxes

The U.S. project entities presented in these financial statements were historically included in the consolidated federal income tax return of NEE. Income taxes as presented herein attribute current and deferred income taxes to the U.S. project entities in a manner that is systematic, rational and consistent with the asset and liability method prescribed by Accounting Standards Codification Topic (ASC) 740, “Accounting for Income Taxes.” Accordingly, the U.S. project entities’ income tax provisions are prepared under the separate return method. The separate return method applies ASC 740 to the stand-alone financial statements of each member of the consolidated group as if the group member were a separate taxpayer and a stand-alone enterprise. Accordingly, the sum of the amounts allocated to the U.S. project entities’ provisions may not equal the income taxes that would have resulted from a consolidated filing of these entities.

The Canadian project entities have not been included in the consolidated U.S. tax filing of NextEra, as they are excluded from the U.S. federal income tax group. The Moore and Sombra project entities, as well as St. Clair and Varna (owner of Bluewater), were Canadian corporations that filed separate Canadian income tax returns and taxes have been provided herein on that basis. The Summerhaven and Conestogo project entities, as well as the Trillium entities, are Canadian limited partnerships from which virtually all of the tax attributes flow through to the owner, a Canadian corporation, which is not a predecessor entity. None of the income nor any tax attributes of the flow through entities flow through to a U.S. taxpayer and are not reflected in any U.S. tax return. Because of their flow-through nature, no income taxes have been provided with regard to these entities.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating NEP's ability to recover its deferred tax assets individually by entity and by taxing jurisdiction, NEP considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, NEP begins with historical results and incorporates assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates NEP is using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, NEP generally considers three years of cumulative operating income (loss).

ASC 740 provides that a tax benefit from an uncertain tax position will be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. ASC 740 also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, and disclosure and transition. There are no material uncertain tax positions recognized in the financial statements.

NEP recognizes tax liabilities in accordance with ASC 740 and adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from NEP's current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

Impairment of Long-Lived Assets

NEP evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with the asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounting estimated future cash flows using an appropriate interest rate.

The amount of future net cash flows, the timing of such cash flows and the determination of an appropriate interest rate all involve estimates and judgments about future events. In particular, the aggregate amount of cash flows determines whether an impairment exists, and the timing of the cash flows is critical in determining fair value for the purposes of determining the impairment loss to be recognized. Because each assessment is based on the facts and circumstances associated with each long-lived asset, the effects of changes in assumptions cannot be generalized.

Quantitative and Qualitative Disclosures about Market Risk

NEP is exposed to several market risks in its normal business activities. Market risk is the potential loss that may result from market changes associated with its business. The types of market risks include interest rate and counterparty credit risks.

Interest Rate Risk

NEP is exposed to risk resulting from changes in interest rates associated with current and future issuances of debt. The debt of some of its subsidiaries accrues interest at fixed rates and the debt of some of its other subsidiaries accrues interest at variable rates. NEP manages interest rate exposure by monitoring current interest rates, entering into interest rate swap contracts and using a combination of fixed rate and variable rate debt. Interest rate swaps are used to mitigate or adjust interest rate exposure when appropriate based upon market conditions or when required by financing agreements.

NEP has long-term debt instruments that subject us to the risk of loss associated with movements in market interest rates. As of June 30, 2014, less than 10% of the long-term debt, including current maturities, was exposed to such risk as the balance was either financially hedged or comprised of fixed rate debt. As of June 30, 2014, the estimated fair value of NEP's debt was approximately $2.4 billion and the carrying value of the debt was $2.2 billion. NEP estimates that a 0.1% decrease in market interest rates would have increased the fair value of its long-term debt by $18 million as of June 30, 2014.

Counterparty Credit Risk

Risks surrounding counterparty performance and credit risk could ultimately impact the amount and timing of expected cash flows. Credit risk relates to the risk of loss resulting from non-performance or non-payment by counterparties under the terms of their contractual obligations. NEP intends to monitor and manage credit risk through credit policies that include a credit approval process and the use of credit mitigation measures such as prepayment arrangements in certain circumstances. NEP also seeks to mitigate counterparty risk by having a diversified portfolio of counterparties. In addition, the projects in NEP's initial portfolio are fully contracted to creditworthy counterparties with a capacity-weighted average Moody’s Investor Service, Inc. credit rating of A2 under long-term contracts that will have a capacity-weighted average remaining contract term of approximately 21 years as of June 30, 2014, after giving effect to the Bluewater FIT Contract.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See Management's Discussion - Quantitative and Qualitative Disclosures About Market Risk.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of June 30, 2014, NEP had performed an evaluation, under the supervision and with the participation of its management, including the chief executive officer and chief financial officer of NEP GP, the general partner of NEP, of the effectiveness of the design and operation of NEP's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, the chief executive officer and the chief financial officer of NEP GP concluded that NEP's disclosure controls and procedures were effective as of June 30, 2014.

(b) Changes in Internal Control Over Financial Reporting

This report does not include management's assessment regarding changes in internal control over financial reporting due to a transition period established by rules of the SEC for newly public companies.

PART II - OTHER INFORMATION

Item 1A. Risk Factors

Limited partner interests are inherently different from shares of capital stock of a corporation, although many of the business risks to which NEP is subject are similar to those that would be faced by a corporation engaged in similar businesses and NEP will be treated as a corporation for U.S. federal income tax purposes. If any of the following risks were to occur, NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders could be materially and adversely affected. In that case, it may not be able to pay distributions to its unitholders, the trading price of its common units could decline and investors could lose all or part of their investment in NEP.

Operational Risks

NEP has a limited operating history and its projects may not perform as expected.

The projects in NEP's initial portfolio are relatively new with all projects having commenced operations within the past five years. In addition, NEP expects that many of the projects that it may acquire, including the NEER ROFO Projects, will not have commenced operations, will have recently commenced operations or otherwise will have a limited operating history. As a result, the assumptions and estimates regarding the performance of these projects are and will be made without the benefit of a meaningful operating history, which may impair NEP's ability to accurately estimate its results of operations, financial condition and liquidity. The ability of NEP's projects to perform as expected will also be subject to risks inherent in newly constructed energy projects, including equipment performance below NEP's expectations, system failures and outages. The failure of some or all of the projects to perform as expected could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP's ability to make cash distributions to its unitholders will be affected by wind and solar conditions at its projects.

The amount of energy that a wind project can produce depends on wind speeds, air density, weather and equipment, among other factors. If wind speeds are too low, NEP's wind projects may not perform as expected or may not be able to generate energy at all and, if wind speeds are too high, the wind projects may have to shut down to avoid damage. As a result, the output from NEP's wind projects can vary greatly as local wind speeds and other conditions vary. Similarly, the amount of energy that a solar project is able to produce depends on several factors, including the amount of solar energy that reaches its solar panels. Wind project or solar panel placement, interference from nearby wind projects or other structures and the effects of vegetation, snow, ice, land use and terrain also affect the amount of energy that NEP's wind and solar projects generate. If wind, solar, meteorological, topographical or other conditions at NEP's wind or solar projects are less conducive to energy production than its calculations based on historical conditions and its projections suggest, NEP's projects may not produce the amount of energy expected. The failure of some or all of NEP's projects to perform according to NEP's expectations could have a material adverse effect on its business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Operation and maintenance of energy projects involve significant risks that could result in unplanned power outages or reduced output.

There are risks associated with the operation of NEP's projects. These risks include:

- breakdown or failure of turbines, blades, solar panels, mirrors and other equipment;
- catastrophic events, such as fires, earthquakes, severe weather, tornadoes, ice or hail storms or other meteorological conditions, landslides and other similar events beyond NEP's control, which could severely damage or destroy a project, reduce its energy output or result in personal injury or loss of life;
- technical performance below expected levels, including the failure of wind turbines, solar panels, mirrors and other equipment to produce energy as expected due to incorrect measures of expected performance provided by equipment suppliers;
- increases in the cost of operating the projects, including costs relating to labor, equipment, insurance and real estate taxes;
- operator or contractor error or failure to perform;
- serial design or manufacturing defects, which may not be covered by warranty;
- extended events, including force majeure, under certain PPAs, RESOP Contracts and FIT Contracts that may give rise to a termination right of the customer under such a PPA, FIT Contract or RESOP Contract (Energy Sale Counterparty);
- failure to comply with permits and the inability to renew or replace permits that have expired or terminated;
- the inability to operate within limitations that may be imposed by current or future governmental permits;
- replacements for failed equipment, which may need to meet new interconnection standards or require system impact studies and compliance that may be difficult or expensive to achieve;
- land use, environmental or other regulatory requirements;
- disputes with the BLM, other owners of land on which NEP's projects are located or adjacent landowners;
- changes in law, including changes in governmental permit requirements;
- government or utility exercise of eminent domain power or similar events; and
- existence of liens, encumbrances and other imperfections in title affecting real estate interests.

These and other factors could require NEP to shut down its wind or solar projects. These factors could also degrade equipment, reduce the useful life of interconnection and transmission facilities and materially increase maintenance and other costs. Unanticipated capital expenditures associated with maintaining or repairing NEP's projects may reduce profitability.

In addition, replacement and spare parts for solar panels, wind turbines and other key equipment may be difficult or costly to acquire or may be unavailable. For example, the projects in NEP's initial portfolio do not always hold spare substation main transformers and, if any of these projects had to replace any of such transformers, they would be unable to sell energy until replacement equipment was installed. Each solar and wind project requires a specific transformer design and, if it does not have an acceptable spare available, it may need to order a replacement. Order lead times can be lengthy, potentially reaching up to one year.

Any of the operational risks described above could significantly decrease or eliminate the revenues of a project, significantly increase its operating costs, cause a default under NEP's financing agreements or give rise to damages or penalties owed by NEP to an Energy Sale Counterparty, another contractual counterparty, a governmental authority or other third parties or cause defaults under related contracts or permits. Any of these events could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Some of NEP's projects' and some of NEER's ROFO Projects' wind turbines are not generating the amount of energy estimated by their manufacturers' original power curves, and the manufacturers may not be able to restore energy capacity at the affected turbines.

Wind turbine generators for NEP's projects representing approximately 167 MW of nameplate generating capacity are not generating the amount of energy they should be according to the turbine manufacturer's original power curves. NEP expects that the turbine manufacturer will undertake a combination of modifications to improve the electricity generation to within the manufacturers' guaranteed levels with respect to approximately 107 MW of the affected turbines. Because of regulatory issues, NEP does not expect that the energy generation with respect to the approximately 60 MW of remaining affected turbines will be able to be restored to within guaranteed levels, although NEP expects some incremental improvements.

In addition, NEP believes that the wind turbine generators of certain NEER ROFO Projects totaling approximately 568 MW of nameplate capacity are not generating the amount of energy they should be according to the turbine manufacturer's original power curves. NEP expects that the turbine manufacturer will undertake a combination of modifications to improve the energy generation to within guaranteed levels with respect to approximately 162 MW of these affected turbines but that only incremental improvements will be made with respect to the remaining affected turbines due to regulatory issues. The financial analysis for each of the affected projects and the affected NEER ROFO Projects utilizes a revised power curve that reflects expected performance and not the original power curve.

Although NEP's projections assume that these efforts will restore the energy generation of the affected turbines as described above, there is no assurance that the proposed efforts will restore the energy generation as expected, if at all, or that these or other turbines

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will not experience additional energy generation deficiencies. The occurrence of any of these events could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Initially, NEP will depend on certain of the projects in its initial portfolio for a substantial portion of its anticipated cash flows.

Initially, NEP will depend on certain of the projects in its initial portfolio for a substantial portion of its anticipated cash flows. For example, NEP expects its largest project, Genesis, to account for between approximately 20% and 25% of the net generation of its initial portfolio and between approximately 40% and 45% of its EBITDA for the twelve-month period ending June 30, 2015. NEP may not be able to successfully execute NEP's acquisition strategy in order to further diversify NEP's sources of cash flow and reduce NEP's portfolio concentration. Consequently, the impairment or loss of any one or more of the projects in NEP's initial portfolio, such as Genesis, could materially and disproportionately reduce its total energy generation and cash flows and, as a result, have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Terrorist or similar attacks could impact NEP's projects or surrounding areas and adversely affect its business.

Terrorists have attacked energy assets such as substations and related infrastructure in the past and may attack them in the future. Any attacks on NEP's projects or the facilities of third parties on which its projects rely could severely damage such projects, disrupt business operations, result in loss of service to customers and require significant time and expense to repair. Additionally, energy-related facilities, such as substations and related infrastructure, are protected by limited security measures, in most cases only perimeter fencing. Cyber-attacks, including those targeting information systems or electronic control systems used to operate the energy projects and the facilities of third parties on which NEP's projects rely could severely disrupt business operations, result in loss of service to customers and significant expense to repair security breaches or system damage. NEP's initial portfolio, as well as projects it may acquire and the facilities of third parties on which NEP's projects rely, may be targets of terrorist acts and affected by responses to terrorist acts, each of which could fully or partially disrupt NEP's projects' ability to produce, transmit, transport and distribute energy. To the extent such acts equate to a force majeure event under NEP's PPAs and FIT Contracts, the Energy Sale Counterparty may terminate such PPAs or FIT Contracts if such force majeure event continues for a period ranging from 12 months to 36 months as specified in the applicable agreement. A terrorist act or similar attack could significantly decrease revenues or result in significant reconstruction or remediation costs, any of which could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP's energy production may be substantially below its expectations if a natural disaster or meteorological conditions damage its turbines, solar panels, other equipment or facilities.

A natural disaster or other meteorological conditions could damage or require NEP to shut down its turbines, solar panels, other equipment or facilities, impeding NEP's ability to maintain and operate its projects, decreasing its energy production levels and revenues. To the extent these conditions equate to a force majeure event under NEP's PPAs and FIT Contracts, the Energy Sale Counterparty may terminate such PPAs or FIT Contracts if the force majeure event continues for a period ranging from 12 months to 36 months as specified in the applicable agreement. These conditions could also damage or reduce the useful life of interconnection and transmission facilities of third parties relied upon by NEP's projects and increase maintenance costs. For example, Genesis is located in an area of California that has experienced substantial seismic activity, the reoccurrence of which could cause significant physical damage to Genesis' facilities and the surrounding energy transmission infrastructure. Replacement and spare parts for solar panels, wind turbines and key pieces of equipment may be difficult or costly to acquire or may be unavailable. In certain instances, NEP's projects would be unable to sell energy until a replacement part is installed. If NEP experiences a prolonged interruption at one of its projects, energy production could decrease. Production of less energy than expected due to these or other conditions could reduce NEP's revenues, which could have a material adverse effect on its business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP is not able to insure against all potential risks and it may become subject to higher insurance premiums.

NEP is exposed to numerous risks inherent in the operation of wind and solar projects, including equipment failure, manufacturing defects, natural disasters, terrorist attacks, sabotage, vandalism and environmental risks. The occurrence of any one of these events may result in NEP being named as a defendant in lawsuits asserting claims for substantial damages, including environmental cleanup costs, personal injury, property damage, fines and penalties. Further, with respect to Bluewater and any future acquisitions of any projects that are under construction or development, NEP is, or will be, exposed to risks inherent in the construction of these projects.

NEP shares insurance coverage with NEE and its affiliates, for which NEP will reimburse NEE under various agreements. NEE currently maintains liability insurance coverage for itself and its affiliates, including NEP, which covers legal and contractual liabilities arising out of bodily injury, personal injury or property damage, including resulting loss of use, to third parties. Additionally, NEE also maintains coverage for itself and its affiliates, including NEP, for physical damage to assets and resulting business interruption, including damage caused by terrorist acts committed by a U.S. person or interest. However, such policies do not cover all potential losses and coverage is not always available in the insurance market on commercially reasonable terms. To the extent NEE or any of its affiliates experiences covered losses under the insurance policies, the limit of NEP's coverage for potential losses may be decreased.

NEE may also reduce or eliminate such coverage at any time. NEP may not be able to maintain or obtain insurance of the type and amount NEP desires at reasonable rates and NEP may elect to self-insure a portion of its portfolio. The insurance coverage NEP does obtain may contain large deductibles or fail to cover certain risks or all potential losses. In addition, NEP's insurance policies are subject to annual review by its insurers and may not be renewed on similar or favorable terms, including coverage, deductibles or premiums, or at all. If a significant accident or event occurs for which NEP is not fully insured, it could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Warranties provided by the suppliers of equipment for NEP's projects may be limited by the ability of a supplier to satisfy its warranty obligations or by the expiration of applicable time or liability limits, which could reduce or void the warranty protections, or the warranties may be insufficient to compensate NEP's losses.

NEP expects to benefit from various warranties, including product quality and performance warranties, provided by suppliers in connection with the purchase of equipment necessary to operate its projects. NEP's suppliers may fail to fulfill their warranty obligations. For example, the supplier of solar reflector panels for Genesis, Flabeg Solar US Corp., filed for Chapter 7 bankruptcy on April 2, 2013, and may not be able to perform under its warranty. Even if a supplier fulfills its obligations, the warranty may not be sufficient to compensate NEP for all of its losses. In addition, these warranties generally expire within two to five years after the date each equipment item is delivered or commissioned and are subject to liability limits. If installation is delayed, NEP may lose all or a portion of the benefit of a warranty. If NEP seeks warranty protection and a supplier is unable or unwilling to perform its warranty obligations, whether as a result of its financial condition or otherwise, or if the term of the warranty has expired or a liability limit has been reached, there may be a reduction or loss of warranty protection for the affected equipment, which could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Supplier concentration at certain of NEP's projects may expose it to significant credit or performance risks.

NEP often relies on a single supplier or a small number of suppliers to provide equipment, technology and other services required to operate its projects. If any of these suppliers cannot perform under their agreements with NEP, NEP may need to seek alternative suppliers. Alternative suppliers, products and services may not perform similarly and replacement agreements may not be available on favorable terms or at all. NEP may be required to make significant capital contributions to remove, replace or redesign equipment that cannot be supported or maintained by replacement suppliers. A number of factors, including the credit quality of NEP's suppliers, may impact their ability to perform under NEP's supply agreements. The failure of any supplier to fulfill its contractual obligations to NEP could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP relies on interconnection and transmission facilities of third parties to deliver energy from its projects, and if these facilities become unavailable, NEP's projects may not be able to operate or deliver energy.

NEP depends on interconnection and transmission facilities owned and operated by third parties to deliver the energy from its projects. In addition, some of the projects in NEP's initial portfolio share essential facilities, including interconnection and transmission facilities, with other projects that are owned by NEE and its affiliates. Many of the interconnection and transmission arrangements for the projects in NEP's initial portfolio are governed by separate agreements with the owners of the transmission or distribution system. Congestion, emergencies, maintenance, outages, overloads, requests by other parties for transmission service, actions or omissions by other projects with which NEP shares facilities and other events beyond NEP's control could partially or completely curtail deliveries of energy by its projects and increase project costs. For example, Southern California Edison recently requested approval from the California Public Utilities Commission to upgrade four transmission circuits over a 36 to 48 month time period beginning in 2016, which may limit the ability of Genesis to deliver its full output capability into the electric grid during that time period. In addition, any termination of a project’s interconnection or transmission arrangements or non-compliance by an interconnection provider, the owner of shared facilities or another third party with its obligations under an interconnection or transmission arrangement may delay or prevent NEP's projects from delivering energy to its energy sale counterparties or into Ontario's Independent Electricity System Operator (IESO)-managed system, as applicable. If the interconnection or transmission arrangement for a project is terminated, NEP may not be able to replace it on similar terms to the existing arrangement, or at all, or NEP may experience significant delays or costs in connection with such replacement. Moreover, if NEP acquires any projects that are under construction or development, a failure or delay in the construction or development of interconnection or transmission facilities could delay the completion of the project. The unavailability of interconnection, transmission or shared facilities could adversely affect the operation of its projects and the revenues received, which could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP's business is subject to liabilities and operating restrictions arising from environmental, health and safety laws and regulations.

NEP's projects are subject to numerous environmental, health and safety laws, regulations, guidelines, policies, directives and other requirements governing or relating to, among other things:

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- the protection of wildlife, including migratory birds, bats and threatened and endangered species, such as desert tortoises, or protected species such as eagles, and other protected plants or animals whose presence or movements often cannot be anticipated or controlled;
- controlled or uncontrolled air emissions, including greenhouse gases;
- water use, and discharges of process materials or pollutants into surface waters;
- the storage, handling, use, transportation and distribution of hazardous or toxic substances and other regulated substances, materials, and/or chemicals;
- releases of hazardous materials into the environment and the prevention of and responses to releases of hazardous materials into soil and groundwater;
- federal, state, provincial or local land use, zoning, building and transportation laws and requirements, which may mandate conformance with sound levels, radar and communications interference, hazards to aviation or navigation, or other potential nuisances such as the flickering effect caused when rotating wind turbine blades periodically cast shadows through openings such as the windows of neighboring properties, which is known as shadow flicker;
- the presence or discovery of archaeological, religious or cultural resources at or near NEP's operations; and
- the protection of workers' health and safety.

If NEP's projects do not comply with such laws, regulations or requirements, NEP may be required to pay penalties or fines, or curtail or cease operations of the affected projects. Violations of environmental and other laws, regulations and permit requirements, including certain violations of laws protecting wetlands, migratory birds, bald and golden eagles and threatened or endangered species, may also result in criminal sanctions or injunctions.

NEP's projects also carry inherent environmental, health and safety risks, including the potential for related civil litigation, regulatory compliance, remediation orders, fines and other penalties. For instance, NEP's projects could malfunction or experience other unplanned events that cause spills or emissions that exceed permitted levels, resulting in personal injury, fines or property damage.

Additionally, NEP may be held liable for related investigatory and cleanup costs, which are typically not limited by law or regulation, for any property where there has been a release or potential release of a hazardous substance, regardless of whether NEP knew of or caused the release or potential release. NEP could also be liable for other costs, including fines, personal injury or property damage or damage to natural resources. In addition, some environmental laws place a lien on a contaminated site in favor of the government as security for damages and costs it may incur for contamination and cleanup. Contained or uncontained hazardous substances on, under or near NEP's projects, regardless of whether it owns or leases the sited property, or the inability to remove or otherwise remediate such substances may restrict or eliminate NEP's ability to operate its projects.

Each of NEP's projects are designed specifically for the landscape of the project site and each covers a large area. As such, archaeological discoveries could occur at its projects at any time. Such discoveries could result in the restriction or elimination of NEP's ability to operate its business at any project. Landscape-scale projects and operations may cause impacts to certain landscape views, trails, or traditional cultural activities. Such impacts may trigger claims from citizens that a NEP project and/or its operations are infringing upon their legal rights or other claims, resulting in the restriction or elimination of NEP's ability to operate its business at the affected project.

Environmental, health and safety laws and regulations have generally become more stringent over time, and NEP expects this trend to continue. Significant capital and operating costs may be incurred at any time to keep NEP's projects in compliance with environmental, health and safety laws and regulations. If it is not economical to make those expenditures, or if NEP violates any of these laws and regulations, it may be necessary to retire projects or restrict or modify its operations, which could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP's projects may be adversely affected by legislative changes or a failure to comply with applicable energy regulations.

NEP's project entities and energy sale counterparties are subject to regulation by U.S. and Canadian federal, state, provincial and local authorities. The wholesale sale of electric energy in the continental U.S. states, other than portions of Texas, is subject to the jurisdiction of the FERC and the ability of a U.S. project entity to charge the negotiated rates contained in its PPA is subject to that project entity's maintenance of its general authorization from the FERC to sell electricity at market-based rates. The FERC may revoke a U.S. project entity's market-based rate authorization if it determines that the U.S. project entity can exercise market power in transmission or generation, create barriers to entry or has engaged in abusive affiliate transactions. The negotiated rates entered into under the U.S. project entities' PPAs could be changed by the FERC if it determined such change is in the public interest. While this threshold public interest determination would require extraordinary circumstances under the FERC precedent, if the FERC decreases the prices paid to NEP for energy delivered under any of its PPAs, its revenues could be below its projections and its business, financial condition, results of operations and ability to make cash distributions to its unitholders could be materially adversely affected.

The renewable energy industry in Ontario is subject to provincial government regulation. A change in government could result in a provincial government that is not supportive of renewable energy projects. Changing political priorities or a change in government in Ontario could affect the ability of the Ontario Power Authority (OPA) to perform its obligations under NEP's FIT Contracts and RESOP Contracts or could result in the cancellation of its FIT Contracts or RESOP Contracts. The provincial government may fail

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to pass legislation to preserve sufficient funds for payments to various Ontario projects, including NEP's, which could have a material adverse effect on its business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP's project entities, with the exceptions of Conestogo, Sombra and Moore, are subject to the mandatory reliability standards of the North American Electric Reliability Corporation (NERC). The NERC reliability standards are a series of requirements that relate to maintaining the reliability of the North American bulk electric system and cover a wide variety of topics including physical and cybersecurity of critical assets, information protocols, frequency response and voltage standards, testing, documentation and outage management. If NEP fails to comply with these standards, NEP could be subject to sanctions, including substantial monetary penalties. Although NEP's U.S. project entities are not subject to state utility rate regulation because they sell energy exclusively on a wholesale basis, NEP is subject to other state regulations that may affect NEP's projects' sale of energy and operations. Changes in state regulatory treatment are unpredictable and could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

The structure of the industry and regulation in the U.S. and Canada is currently, and may continue to be, subject to challenges and restructuring proposals. Additional regulatory approvals may be required due to changes in law or for other reasons. NEP expects the laws and regulation applicable to its business and the energy industry generally to be in a state of transition for the foreseeable future. Changes in such laws and regulations could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

As a result of the FPA and the FERC's regulations of transfers of control over public utilities, an investor could be required to obtain the FERC approval to acquire common units that would give the investor and its affiliates indirect ownership of 10% or more in NEP's U.S. project entities.

NEP's U.S. project entities are public utilities as defined in the FPA. Any transfer of direct or indirect control over them requires pre-approval by the FERC under FPA Section 203, either under existing blanket authorizations or by application. A violation of FPA Section 203 by NEP as the seller, or an investor as the purchaser of NEP's voting securities, could subject the party in violation to civil or criminal penalties under the FPA, including civil penalties of up to $1 million per day per violation and other possible sanctions imposed by the FERC under the FPA. The FERC generally presumes that a direct or indirect holder of 10% or more of a public utility's voting securities controls the public utility.

NEP has submitted an application to the FERC requesting an order under FPA Section 203 or a declaratory order determining that NEP's common units are passive, non-voting securities that will not allow any unitholders to exercise control over its public utility subsidiaries. Unless and until the FERC grants NEP's application, NEP will include restrictions in its partnership agreement under which an investor and its affiliates that acquire 10% or more of its outstanding limited partnership interests will lose their voting rights. If the FERC grants NEP's application, the 10% restriction will no longer apply. However, under NEP's partnership agreement, upon the approval by the FERC of NEP's application, an investor and its affiliates that acquire 20% or more of its outstanding limited partnership interests will lose their voting rights.

NEP does not own all of the land on which the projects in its initial portfolio are located and its use and enjoyment of the property may be adversely affected to the extent that there are any lienholders or leaseholders that have rights that are superior to NEP's rights.

NEP does not own all of the land on which the projects in its initial portfolio are located and they generally are, and its future projects may be, located on land occupied under long-term easements, leases and rights of way. The ownership interests in the land subject to these easements, leases and rights of way may be subject to mortgages securing loans or other liens and other easement, lease rights and rights of way of third parties that were created prior to NEP's projects' easements, leases and rights of way. As a result, some of NEP's projects' rights under such easements, leases or rights of way may be subject to the rights of these third parties. While NEP performs title searches, obtains title insurance, records its interests in the real property records of the projects' localities and enters into non-disturbance agreements to protect itself against these risks, such measures may be inadequate to protect against all risk that NEP's rights to use the land on which its projects are or will be located and its projects' rights to such easements, leases and rights of way could be lost or curtailed. Any such loss or curtailment of NEP's rights to use the land on which its projects are or will be located could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP is subject to risks associated with litigation or administrative proceedings that could materially impact its operations, including future proceedings related to projects it subsequently acquires.

NEP is subject to risks and costs, including potential negative publicity, associated with lawsuits or claims contesting the operation or, if it acquires a project that has not reached the commercial operation date (COD) at the time of the acquisition, construction of its projects. The result and costs of defending any such lawsuit, regardless of the merits and eventual outcome, may be material. For example, individuals and interest groups may sue to challenge the issuance of a permit for a project or seek to enjoin a project's operations. NEP may also become subject to claims based on alleged negative health effects related to acoustics, shadow flicker or other claims associated with wind turbines from individuals who live near NEP's projects. Any such legal proceedings or disputes could materially increase the costs associated with NEP's operations. In addition, NEP may subsequently become subject to legal proceedings or claims contesting the construction or operation of NEP's projects. Any such legal proceedings or disputes could materially delay NEP's ability to complete construction of a project in a timely manner or at all or materially increase the costs associated with commencing or continuing a project's commercial operations. Settlement of claims and unfavorable outcomes or developments relating to these proceedings or disputes, such as judgments for monetary damages, injunctions or denial or revocation of permits, could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

The Summerhaven, Conestogo and Bluewater projects are subject to Canadian domestic content requirements under their FIT Contracts.

The FIT Contracts relating to Summerhaven, Conestogo and Bluewater require suppliers to source a minimum percentage of their equipment and services from Ontario resident suppliers to meet the minimum required domestic content level (MRDCL). The MRDCL for Summerhaven and Conestogo is 25% and the MRDCL for Bluewater is 50%. Following their respective CODs, Summerhaven and Conestogo submitted reports to the OPA summarizing how they achieved the MRDCL for their respective projects (Domestic Content Reports) and the OPA issued letters to Summerhaven and Conestogo acknowledging the completeness of their Domestic Content Reports. Bluewater is not expected to achieve COD until the third quarter of 2014 and, accordingly, has not yet submitted a Domestic Content Report to the OPA. The OPA may not deem the Bluewater Domestic Content Report complete as required under the terms of the Bluewater FIT Contract and may request additional information from Bluewater and supporting documentation related to the activities that Bluewater undertook in order to meet its MRDCL. Following the issuance by the OPA of letters acknowledging the completeness of the Domestic Content Reports for Summerhaven, Conestogo and Bluewater, the OPA will have the right to audit these projects for a period of up to 7 years post-COD to confirm that they complied with the domestic content requirements under their respective FIT Contracts and achieved their respective MRDCLs. The failure by any of these projects to achieve its MRDCL could result in a default by such project under its FIT Contract, which default may not be possible to cure and could result in a termination of its FIT Contract, without compensation, by the OPA. A termination of the FIT Contract for Summerhaven, Conestogo or Bluewater could negatively affect revenues generated by such project and have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP's cross-border operations require NEP to comply with anti-corruption laws and regulations of the U.S. government and non-U.S. jurisdictions.

Doing business in the U.S. and Canada requires NEP to comply with anti-corruption laws and regulations of the U.S. and Canadian governments. NEP's failure to comply with these laws and regulations may expose NEP to liabilities. These laws and regulations may apply to NEP, NEE and its affiliates and its individual directors, officers, employees and agents and may restrict NEP's operations, trade practices, investment decisions and partnering activities. In particular, NEP's Canadian operations are subject to U.S. laws and regulations, such as the Foreign Corrupt Practices Act of 1977 (FCPA), as well as Canadian anti-corruption laws. The FCPA prohibits U.S. companies and their officers, directors, employees and agents acting on their behalf from offering, promising, authorizing or providing anything of value to foreign officials for the purposes of influencing official decisions or obtaining or retaining business or otherwise securing an improper advantage. The FCPA also requires companies to make and keep books, records and accounts that accurately and fairly reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. As part of NEP's business, it deals with foreign officials for purposes of the FCPA. As a result, business dealings between NEP's employees and any such foreign official could expose NEP to the risk of violating anti-corruption laws even if such business practices may be customary or are not otherwise prohibited between NEP and a private third party. Violations of these legal requirements are punishable by criminal fines and imprisonment, civil penalties, disgorgement of profits, injunctions, debarment from government contracts as well as other remedial measures. NEP has established policies and procedures designed to assist it and personnel acting on its behalf in complying with applicable U.S. and Canadian laws and regulations; however, these policies and procedures may not be effective and any such violation of these legal requirements, inadvertent or otherwise, could have a material adverse effect on its business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP is subject to risks associated with its ownership or acquisition of projects that remain under construction, which could result in its inability to complete construction projects on time or at all, and make projects too expensive to complete or cause the return on an investment to be less than expected.

As part of its acquisition strategy, NEP may choose to acquire other projects that have not yet commenced operations and remain under construction. There may be delays or unexpected developments in completing any future construction projects, which could cause the construction costs of these projects to exceed NEP's expectations, result in substantial delays or prevent the project from commencing commercial operations. Various factors could contribute to construction-cost overruns, construction halts or delays or failure to commence commercial operations, including:

- delays in obtaining, or the inability to obtain, necessary permits and licenses;
- delays and increased costs related to the interconnection of new projects to the transmission system;
- the inability to acquire or maintain land use and access rights;
- the failure to receive contracted third-party services;
- interruptions to dispatch at the projects;
- supply interruptions;
- work stoppages;

- labor disputes;
- weather interferences;
- unforeseen engineering, environmental and geological problems, including discoveries of contamination, protected plant or animal species or habitat, archaeological or cultural resources or other environment-related factors;
- unanticipated cost overruns in excess of budgeted contingencies; and
- failure of contracting parties to perform under contracts.

In addition, where NEP has a relationship with a third party to complete construction of any construction project, NEP is subject to the viability and performance of the third party. NEP's inability to find a replacement contracting party, where the original contracting party has failed to perform, could result in the abandonment of the construction of such project, while it could remain obligated under other agreements associated with the project, including offtake power sales agreements.

Any of these risks could cause NEP's financial returns on these investments to be lower than expected or otherwise delay or prevent the completion of such projects or distribution of cash to NEP, or could cause NEP to operate below expected capacity or availability levels, which could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Contract Risks

NEP relies on a limited number of Energy Sale Counterparties and NEP is exposed to the risk that they are unwilling or unable to fulfill their contractual obligations to NEP or that they otherwise terminate their agreements with NEP.

In most instances, NEP sells the energy generated by each of its projects to a single Energy Sale Counterparty under a long-term PPA, RESOP Contract or FIT Contract or into the IESO-managed system subject to a FIT Contract with a single Energy Sale Counterparty. NEP expects that these contracts will be the primary, and possibly the exclusive, source of cash flows available to make distributions to its unitholders. Thus, the actions of even one Energy Sale Counterparty may cause variability of NEP's overall revenue, profitability and cash flows that are difficult to predict. Similarly, significant portions of its credit risk may be concentrated among a limited number of Energy Sale Counterparties and the failure of even one of these key customers to pay its obligations to NEP could significantly impact NEP's business and financial results. NEP expects its largest Energy Sale Counterparties, which are PG&E and the OPA, to account for an aggregate of between approximately 45% and 50% of the net generation of its initial portfolio and an aggregate of between approximately 75% and 80% of its EBITDA for the twelve-month period ending June 30, 2015. Any or all of NEP's Energy Sale Counterparties may fail to fulfill their obligations under their PPAs, RESOP Contracts or FIT Contracts or with NEP, whether as a result of the occurrence of any of the following factors or otherwise:

- Specified events beyond NEP's control or the control of an Energy Sale Counterparty may temporarily or permanently excuse the Energy Sale Counterparty from its obligation to accept and pay for delivery of energy generated by a project. These events could include a system emergency, transmission failure or curtailment, adverse weather conditions or labor disputes.
- Since a governmental entity makes payments with respect to the energy produced by some of NEP's projects under FIT Contracts and RESOP Contracts, NEP is subject to the risk that the governmental entity may unilaterally change or terminate its contract with NEP, whether as a result of legislative, regulatory, political or other activities.
- The ability of NEP's Energy Sale Counterparties to fulfill their contractual obligations to NEP depends on their creditworthiness. NEP is exposed to the credit risk of its Energy Sale Counterparties over an extended period of time due to the long-term nature of NEP's PPAs, RESOP Contracts or FIT Contracts with them. These customers could become subject to insolvency or liquidation proceedings or otherwise suffer a deterioration of their creditworthiness when they have not yet paid for energy delivered, any of which could result in underpayment or nonpayment under such agreements.

- A default or failure by NEP to satisfy minimum energy delivery requirements or in mechanical availability levels under NEP's PPAs could result in damage payments to the applicable Energy Sale Counterparty or termination of the applicable PPA.

If NEP's Energy Sale Counterparties are unwilling or unable to fulfill their contractual obligations to NEP, or if they otherwise terminate such agreements prior to their expiration, NEP may not be able to recover contractual payments and commitments due to NEP. Since the number of customers that purchase wholesale bulk energy is limited, NEP may be unable to find a new energy purchaser on similar or otherwise acceptable terms or at all. In some cases, there currently is no economical alternative counterparty to the original Energy Sale Counterparty. For example, if the OPA fails to make payments as required by its FIT Contracts with NEP's Ontario projects, these projects would receive only wholesale spot prices for output sold into the IESO-managed system, which could result in a reduction of cash flows and impact NEP's ability to cover operational or financing costs for such projects. The loss of or a reduction in sales to any of NEP's Energy Sale Counterparties could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP may not be able to extend, renew or replace expiring or terminated agreements, such as its PPAs, RESOP Contracts and Canadian FIT Contracts, at favorable rates or on a long-term basis.

As of June 30, 2014, after giving effect to the Bluewater FIT Contract, the capacity weighted average remaining contract life under NEP's PPAs, FIT Contracts and RESOP Contracts will be approximately 21 years. NEP's ability to extend, renew or replace its existing PPAs, RESOP Contracts and FIT Contracts depends on a number of factors beyond its control, including:

- whether the Energy Sale Counterparty has a continued need for energy at the time of expiration, which could be affected by, among other things, the presence or absence of governmental incentives or mandates, prevailing market prices, and the availability of other energy sources;
- the satisfactory performance of NEP's delivery obligations under such PPAs, RESOP Contracts or FIT Contracts;
- the regulatory environment applicable to NEP's Energy Sale Counterparties at the time;
- macroeconomic factors present at the time, such as population, business trends and related energy demand; and
- the effects of regulation on the contracting practices of NEP's Energy Sale Counterparties.

If NEP is not able to extend, renew or replace on acceptable terms existing PPAs, RESOP Contracts or FIT Contracts before contract expiration, or if such agreements are otherwise terminated in accordance with their terms prior to their expiration, NEP may be forced to sell the energy on an uncontracted basis at prevailing market prices, which could be materially lower than NEP received under the applicable contract. Alternatively, if there is no market for a project's uncontracted energy, NEP may be required to decommission the project before the end of its useful life. Any failure to extend or replace a significant portion of NEP's existing PPAs, RESOP Contracts or FIT Contracts, or extending, renewing or replacing them at lower prices or with other unfavorable terms or the decommissioning of a project could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

If the energy production by or availability of NEP's U.S. projects is less than expected, they may not be able to satisfy minimum production or availability obligations under NEP's U.S. project entities' PPAs.

NEP's energy production or its projects' availability could be less than historically has been the case or less than projected due to various factors, including unexpected wind or solar conditions, natural disasters, equipment underperformance, operational issues, changes in law or actions taken by third parties. NEP's U.S. project entities' existing PPAs contain provisions that require NEP to produce a minimum amount of energy or be available a minimum percentage of time over periods of time specified in the PPAs. A failure to produce sufficient energy or to be sufficiently available to meet NEP's commitments under its PPAs could result in the payment of damages or the termination of PPAs and could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Risks Related to NEP's Acquisition Strategy and Future Growth

NEP's growth strategy depends on locating and acquiring interests in additional projects consistent with its business strategy at favorable prices.

NEP intends to pursue opportunities to acquire contracted clean energy projects that are either operational or, in limited circumstances, construction-ready or under development, from NEER and others consistent with its business strategy. Various factors could affect the availability of such projects to grow NEP's business, including the following factors and those described in more detail in the additional risk factors below:

- competing bids for a project, including the NEER ROFO Projects, from companies that may have substantially greater purchasing power, capital or other resources or a greater willingness to accept lower returns or more risk than NEP does;
- fewer acquisition opportunities than NEP expects, which could result from, among other things, available projects having less desirable economic returns or higher risk profiles than NEP believes suitable for its acquisition strategy and future growth;
-

NEER’s failure to complete the development of the NEER ROFO Projects or other projects that have not yet commenced commercial operations, which could result from, among other things, failure to obtain or comply with permits, failure to procure the requisite financing or interconnection or failure to satisfy the conditions to the project agreements or any of the other projects in its development pipeline, in a timely manner or at all;

- NEP's failure to successfully develop and finance projects, to the extent that it decides to acquire projects that are not yet operational or to otherwise pursue development activities with respect to new projects;
- NEP's inability to obtain the necessary consents to consummate the acquisition; and
- the presence or potential presence of:

pollution, contamination or other wastes at the project site;
protected plant or animal species;
archaeological or cultural resources;

wind waking or solar shadowing effects caused by neighboring activities, which reduce potential energy production by decreasing wind speeds or reducing available insolation;

land use restrictions and other environment-related siting factors;

growing local opposition to wind and solar projects in certain markets due to concerns about noise, health, environmental or other alleged impacts of wind or solar projects; and

slower industry growth than indicated in the third party sources upon which NEP's industry growth estimates are based.

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Any of these factors could limit NEP's acquisition opportunities and prevent it from executing its growth strategy and making cash distributions to its unitholders. In addition, antidumping cases have been filed at the U.S. Department of Commerce that seek to impose duties on solar cells manufactured in Taiwan that are incorporated in solar panels imported into the U.S. by Chinese companies. If these cases are successful, the price of solar panels could increase which may make development of solar projects less competitive and adversely impact NEP's ability to acquire solar projects in the future.

Further, even if NEP consummates acquisitions that it believes will be accretive to cash available for distribution per common unit, those acquisitions may decrease the cash available for distribution as a result of incorrect assumptions in NEP's evaluation of such acquisitions, unforeseen consequences or other external events beyond its control.

Any failure to locate and acquire interest in additional, contracted clean energy projects at favorable prices could have a material adverse effect on NEP's ability to grow its business and make cash distributions to its unitholders.

NEP OpCo’s partnership agreement requires that it distribute its available cash, which could limit its ability to grow and make acquisitions.

NEP expects that NEP OpCo will distribute its available cash (as defined in NEP OpCo’s partnership agreement) to its unitholders, including NEP, and will rely primarily upon external financing sources, including commercial borrowings and the issuance of debt and equity securities, to fund acquisitions and expansion capital expenditures. The incurrence of additional commercial borrowings or other debt to finance NEP's growth strategy would result in increased interest expense, which in turn could have a material adverse effect on its ability to grow its business and make cash distributions to its unitholders. To the extent NEP or NEP OpCo issue additional units in connection with any acquisitions or expansion capital expenditures, the payment of distributions on those additional units may increase the risk that NEP will be unable to maintain or increase its per unit distribution level. There are no limitations in NEP's or NEP OpCo’s partnership agreements or in NEP OpCo’s revolving credit facility, on its or NEP OpCo’s ability to issue additional units, including units ranking senior to NEP's or NEP OpCo’s common units. In addition, because NEP OpCo intends to distribute its available cash, NEP's growth may not be as fast as that of businesses which reinvest their available cash to expand ongoing operations. As a result, to the extent NEP OpCo is unable to finance growth externally or external financing significantly increases interest expense or results in the issuance of additional units, NEP's cash distribution policy will significantly impair its ability to grow and increase its distributions to NEP.

Lower prices for other fuel sources reduce the demand for wind and solar energy.

The amount of wind and solar energy demand is affected by the price and availability of other fuels, including nuclear, coal, natural gas and oil, as well as other sources of renewable energy. For example, low natural gas prices have led, in some instances, to increased natural gas consumption in lieu of other energy sources. To the extent renewable energy, particularly wind and solar energy, becomes less cost-competitive due to reduced government targets and incentives that favor renewable energy, cheaper alternatives or otherwise, demand for wind and solar energy and other forms of renewable energy could decrease. Slow growth or a long-term reduction in the energy demand could have a material adverse effect on NEP's ability to grow its business and make cash distributions to its unitholders.

Government regulations providing incentives and subsidies for clean energy could change at any time and such changes may negatively impact NEP's growth strategy.

NEP's strategy to grow its business through the acquisition of clean energy projects partly depends on current government policies that promote and support clean energy and enhance the economic viability of owning clean energy projects. Clean energy projects currently benefit from various U.S. federal, state and local governmental incentives, such as PTCs, ITCs, CITCs, loan guarantees, RPS, the U.S. federal Modified Accelerated Cost-Recovery System for depreciation and other incentives, as well as similar Canadian incentives, RPS, accelerated cost recovery deductions and other commercially oriented incentives. These policies have had a significant impact on the development of clean energy and they could change at any time. These incentives make the development of clean energy projects more competitive by providing tax credits or grants and accelerated depreciation for a portion of the development costs, decreasing the costs associated with developing such projects or creating demand for renewable energy assets through RPS programs. A loss or reduction in such incentives could decrease the attractiveness of clean energy projects to developers, including NEE, which could reduce NEP's acquisition opportunities. Such a loss or reduction could also reduce NEP's willingness to pursue or develop certain clean energy projects due to higher operating costs or lower PPAs, RESOP Contracts and FIT Contracts.

If these policies are not renewed, the market for future clean energy PPAs or FIT Contracts may be smaller and the prices for future clean energy PPAs or FIT Contracts may be lower. For example, the U.S. Internal Revenue Code of 1986, as amended (Code) provides a PTC on a ¢/kWh basis for all qualifying energy produced by a qualifying U.S. wind project during the first ten years after it commences commercial operations. The PTC is no longer available for new wind projects unless they were “under construction” by the end of 2013 and the developer uses continuous efforts towards commencing commercial operations. Under IRS guidance, projects that were under construction by the end of 2013 and have commenced commercial operations by the end of 2015 will be deemed to have used continuous efforts. The ITC and CITC are U.S. federal incentives that provide an income tax credit or cash grant after the project commences commercial operations of up to 30% of eligible installed costs. An owner of a project that meets the requirements of the applicable incentive has the option to choose which of the foregoing incentives to pursue. A solar project must commence commercial operations on or before December 31, 2016, to qualify for the 30% ITC. A solar project that commences commercial operations after December 31, 2016, may qualify for an ITC equal to 10% of eligible installed costs. Alternatively, in order to qualify for the CITC, a solar project must have begun construction by the end of 2011 and have commenced commercial operations on or before December 31, 2016. To the extent that these policies are changed in a manner that reduces the incentives that benefit NEP's projects, they could generate reduced revenues and reduced economic returns, experience increased financing costs and encounter difficulty obtaining financing.

Additionally, some states with RPS targets have met, or in the near future will meet, their renewable energy targets. For example, California, which has one of the most aggressive RPS in the U.S., is poised to meet its current target of 25% renewable energy generation by 2016 and has the potential to meet its goal of 33% renewable power generation by 2020 with already-proposed new renewable energy projects. Ontario anticipates meeting its non-hydro renewable energy target of 10.7 GW by 2025. If, as a result of achieving these targets, these and other U.S. states and Canadian provinces do not increase their targets in the near future, demand for additional renewable energy could decrease. To the extent other states and provinces adopt RPS targets, programs or goals, demand for renewable energy could decrease in the future. Any of the foregoing could have a material adverse effect on NEP's business, financial condition, results of operations and ability to grow its business and make cash distributions to its unitholders.

NEP's growth strategy depends on the acquisition of projects developed by NEE and third parties, which face risks related to project siting, financing, construction, permitting, the environment, governmental approvals and the negotiation of project development agreements.

Project development is a capital intensive business that relies heavily on the availability of debt and equity financing sources to fund projected construction and other capital expenditures. As a result, in order to successfully develop a project, development companies, including NEE and its subsidiaries, must obtain sufficient financing to complete the development phase of their projects. Any significant disruption in the credit and capital markets or a significant increase in interest rates could make it difficult for development companies to raise funds when needed to secure construction financing, which would limit a project’s ability to obtain financing to complete the construction of a project NEP may seek to acquire.

Project developers, including NEE, develop, construct, manage, own and operate clean energy and transmission facilities. A key component of their businesses is their ability to construct and operate generation and transmission facilities to meet customer needs. As part of these activities, project developers must periodically apply for licenses and permits from various regulatory authorities and abide by their respective conditions and requirements. If project developers, including NEE, are unsuccessful in obtaining necessary licenses or permits on acceptable terms or encounter delays in obtaining or renewing such licenses or permits, or if regulatory authorities initiate any associated investigations or enforcement actions or impose penalties or reject projects, the potential number of projects that may be available for NEP to acquire may be reduced or potential transaction opportunities may be delayed.

If the challenges of developing projects increase for project developers, including NEE, NEP's pool of available opportunities may be limited, which could have a material adverse effect on NEP's ability to grow its business and make cash distributions to its unitholders.

NEP's ability to effectively consummate future acquisitions will also depend on its ability to arrange the required or desired financing for acquisitions.

NEP may not have sufficient availability under NEP OpCo's credit facilities or have access to project-level financing on commercially reasonable terms when acquisition opportunities arise. An inability to obtain the required or desired financing could significantly limit NEP's ability to consummate future acquisitions and effectuate its growth strategy. If financing is available, it may be available only on terms that could significantly increase NEP's interest expense, impose additional or more restrictive covenants and reduce cash available for distribution. Similarly, the issuance of additional equity securities as consideration for acquisitions could cause significant unitholder dilution and reduce the cash available for distribution per unit if the acquisitions are not sufficiently accretive. NEP's inability to effectively consummate future acquisitions could have a material adverse effect on NEP's ability to grow its business and make cash distributions to its unitholders.

Acquisitions of existing clean energy projects involve numerous risks.

NEP's strategy includes growing its business through the acquisition of existing clean energy projects. The acquisition of existing clean energy projects involves numerous risks, including exposure to existing liabilities and unanticipated post-acquisition costs associated with the pre-acquisition activities by the project, difficulty in integrating the acquired projects into NEP's business and, if the projects are in new markets, the risks of entering markets where NEP has limited experience. Additionally, NEP risks overpaying for such projects (or not making acquisitions on an accretive basis) and failing to retain the customers of such projects. While NEP will perform due diligence on prospective acquisitions, NEP may not discover all potential risks, operational issues or other issues in such projects. Further, the integration and consolidation of acquisitions require substantial human, financial and other resources and, ultimately, NEP's acquisitions may divert NEP's management’s attention from its existing business concerns, disrupt its ongoing business or not be successfully integrated. Future acquisitions might not perform as expected or the returns from such acquisitions might not support the financing utilized to acquire them or maintain them. A failure to achieve the financial returns NEP expects when NEP acquires clean energy projects could have a material adverse effect on NEP's ability to grow its business and make cash distributions to its unitholders.

Renewable energy procurement is subject to U.S. state and Canadian provincial regulations, with relatively irregular, infrequent and often competitive procurement windows.

With few material federal policies driving the growth of renewable energy, each U.S. state and Canadian province has its own renewable energy regulations and policies. Renewable energy developers must anticipate the future policy direction in each state and province and secure viable projects before they can bid to procure a PPA or FIT Contract or other contract through often highly competitive auctions. In particular, energy policy in the key market of Ontario is subject to a political process with respect to its FIT Program and renewable energy procurements that may change dramatically as a result of changes in the provincial or political climate. A failure to anticipate accurately the future policy direction in a jurisdiction or to secure viable projects could have a material adverse effect on NEP's ability to grow its business and make cash distributions to its unitholders.

While NEP currently owns only wind and solar projects, NEP may acquire other sources of clean energy, including natural gas and nuclear projects, and may expand to include other types of assets including transmission projects, and any future acquisition of non-renewable energy projects, including transmission projects, may present unforeseen challenges and result in a competitive disadvantage relative to NEP's more-established competitors.

NEP may acquire other sources of clean energy, including contracted natural gas and nuclear projects, and other types of projects, including transmission projects. NEP may be unable to identify attractive non- renewable energy or transmission acquisition opportunities or acquire such projects at a price and on terms that are attractive. In addition, the consummation of such acquisitions could expose NEP to increased operating costs, unforeseen liabilities or risks including regulatory and environmental issues associated with entering new sectors of the energy industry, including requiring a disproportionate amount of NEP's management’s attention and resources, which could have an adverse impact on NEP's business and place NEP at a competitive disadvantage relative to more established non-renewable energy market participants. A failure to successfully integrate such acquisitions with NEP's then-existing projects as a result of unforeseen operational difficulties or otherwise, could have a material adverse effect on NEP's business, financial condition, results of operations and ability to grow its business and make cash distributions to its unitholders.

NEP faces substantial competition primarily from developers, IPPs, pension and private equity funds for opportunities in North America.

NEP believes its primary competitors for opportunities in North America are developers, IPPs, pension and private equity funds. NEP also competes for personnel with requisite industry knowledge and experience. Furthermore, the industry has experienced and may experience volatile demand for wind turbines, solar panels and related components. If demand for this equipment increases, suppliers may give priority to other market participants, including NEP's competitors, who may have greater resources than NEP does. An inability to effectively compete with developers, IPPs, pension and private equity funds for opportunities in North America could have a material adverse effect on NEP's ability to grow its business and make cash distributions to its unitholders.

Risks Related to NEP's Financial Activities

Restrictions in NEP OpCo's subsidiaries' revolving credit facility could adversely affect NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

The direct subsidiaries of NEP OpCo have entered into a $250 million revolving credit facility. This credit facility contains various covenants and restrictive provisions that will limit NEP OpCo’s ability to, among other things:

- incur or guarantee additional debt;
- make distributions on or redeem or repurchase common units;
- make certain investments and acquisitions;
- incur certain liens or permit them to exist;
- enter into certain types of transactions with affiliates;
- merge or consolidate with another company; and
- transfer, sell or otherwise dispose of projects.

The credit facility also will contain covenants requiring NEP OpCo to maintain certain financial ratios, including as a condition to making cash distributions to NEP and its other unitholders. NEP OpCo's ability to meet those financial ratios and tests can be affected by events beyond NEP's control, and it may be unable to meet those ratios and tests and therefore may be unable to make cash distributions to its unitholders including NEP. As a result, NEP may be unable to make distributions to its unitholders. In addition, the credit facility contains events of default customary for transactions of that nature, including the occurrence of a change of control.

The provisions of the credit facility may affect NEP's ability to obtain future financing and pursue attractive business opportunities and NEP's flexibility in planning for, and reacting to, changes in business conditions. A failure to comply with the provisions of the credit facility could result in an event of default, which could enable the lenders to declare, subject to the terms and conditions of the credit facility, any outstanding principal of that debt, together with accrued and unpaid interest, to be immediately due and payable and entitle lenders to enforce their security interest. If the payment of the debt is accelerated, the revenue from the projects may be insufficient to repay such debt in full, lenders could enforce their security interest and NEP's unitholders could experience a partial or total loss of their investment.

NEP's cash available for distribution to its unitholders may be reduced as a result of restrictions on NEP's subsidiaries' cash distributions to NEP under the terms of their indebtedness.

NEP and NEP OpCo intend to pay quarterly cash distributions on all of their respective outstanding common units. However, in any period, NEP's and NEP OpCo's ability to pay cash distributions to its respective unitholders will depend on the performance of NEP's subsidiaries as well as all of the other factors. The ability of NEP's subsidiaries to make distributions to NEP and NEP OpCo may be restricted by, among other things, the provisions of existing and future indebtedness.

The agreements governing NEP's subsidiaries' project-level debt contain financial tests and covenants that NEP's subsidiaries must satisfy prior to making distributions and restrict the subsidiaries from making more than one distribution per quarter or per six-month period. If any of NEP's subsidiaries is unable to satisfy these restrictions or is otherwise in default under such agreements, it would be prohibited from making distributions that could, in turn, affect the amount of cash distributed by NEP OpCo, and ultimately limit NEP's ability to pay cash distributions to its unitholders. Additionally, such agreements require NEP's projects to establish a number of reserves out of their revenues, including reserves to service NEP's debt and reserves for O&M expenses, which have already been funded. These cash reserves will affect the amount of cash distributed by NEP OpCo, which ultimately will affect the amount of cash available for distribution to its unitholders. Also, upon the occurrence of certain events, including NEP's subsidiaries' inability to satisfy distribution conditions for an extended period of time, NEP's subsidiaries' revenues may be swept into one or more accounts for the benefit of the lenders under the subsidiaries' debt agreements and the subsidiaries may be required to prepay indebtedness. Restrictions preventing NEP's subsidiaries' cash distributions could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP's subsidiaries' substantial amount of indebtedness may adversely affect NEP's ability to operate its business and its failure to comply with the terms of its subsidiaries' indebtedness could have a material adverse effect on NEP's financial condition.

NEP's subsidiaries' substantial indebtedness could have important consequences. For example,

- failure to comply with the covenants in the agreements governing these obligations could result in an event of default under those agreements, which could be difficult to cure, result in bankruptcy or, with respect to subsidiary debt, result in loss of NEP OpCo's ownership interest in one or more of its subsidiaries or in some or all of their assets as a result of foreclosure;
- NEP's subsidiaries' debt service obligations require them to dedicate a substantial portion of their cash flow to pay principal and interest on their debt, thereby reducing their cash available to execute NEP's business plan and make cash distributions to its unitholders;
- NEP's subsidiaries' substantial indebtedness could limit NEP's ability to fund operations of any projects acquired in the future and NEP's financial flexibility, which could reduce its ability to plan for and react to unexpected opportunities;
- NEP's subsidiaries' substantial debt service obligations make NEP vulnerable to adverse changes in general economic, credit markets, capital markets, industry, competitive conditions and government regulation that could place NEP at a disadvantage compared to competitors with less debt; and
- NEP's subsidiaries' substantial indebtedness could limit NEP's ability to obtain financing for working capital including collateral postings, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes.

If NEP's subsidiaries, including NEP OpCo, do not comply with their obligations under their debt instruments, they may be required to refinance all or a part of their indebtedness, which they may not be able to do on similar terms or at all. Increases in interest rates and changes in debt covenants may reduce the amounts that NEP and its subsidiaries can borrow, reduce NEP's cash flows and increase the equity investment NEP may be required to make in any projects NEP may acquire. In addition, the project-level financing for projects that NEP may acquire that are under construction may prohibit distributions until such project commences operations. If NEP's subsidiaries are not able to generate sufficient operating cash flow to repay their outstanding indebtedness or otherwise are unable to comply with the terms of their indebtedness, NEP could be required to reduce overhead costs, reduce the scope of its projects, sell some or all of its projects or delay construction of projects NEP may acquire, all of which could have a material adverse effect on its business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Currency exchange rate fluctuations may affect NEP's operations.

NEP is exposed to currency exchange rate fluctuations to the extent the cash flows generated by NEP's projects are in multiple currencies. For example, 36% of NEP's revenue for the year ended December 31, 2013, was denominated in Canadian dollars and NEP expects net revenue from Canadian dollar markets to continue to represent a meaningful portion of its net revenue. Any measures that NEP may implement to reduce the effect of currency exchange rate fluctuations and other risks of its multinational operations may not be effective or may be overly expensive. In addition, foreign currency translation risk arises upon the translation of the financial statements of NEP's subsidiaries whose functional currency is the Canadian dollar into U.S. dollars for the purpose of preparing NEP's condensed combined financial statements included elsewhere in this report. The assets and liabilities of its Canadian dollar denominated subsidiaries are translated at the closing rate at the date of reporting and income statement items are translated at the average rate for the period. These currency translation differences may have significant negative impacts. Foreign currency transaction risk also arises when NEP or its subsidiaries enter into transactions where the settlement occurs in a currency other than the functional currency of NEE or its subsidiaries. Exchange differences arising from the settlement or translation of monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized as profit or loss in the period in which they arise, which could materially impact NEP's net income.

To the extent that NEP engages in hedging activities to reduce its currency exchange rate exposure, NEP may be prevented from realizing the full benefits of exchange rate increases above the level of the hedges. However, because NEP is not fully hedged, NEP will continue to have exposure on the unhedged portion of the currency NEP exchanges.

Additionally, NEP's hedging activities may not be as effective as it anticipates in reducing the volatility of its future cash flows. NEP's hedging activities can result in substantial losses if hedging arrangements are imperfect or ineffective or its hedging policies and procedures are not followed properly or do not work as intended. Further, hedging contracts are subject to the credit risk that the other party may prove unable or unwilling to perform its obligations under the contracts, particularly during periods of weak and volatile economic conditions. Certain of the financial instruments NEP uses to hedge its exchange rate exposure must be accounted for on a mark-to-market basis. This causes periodic earnings volatility due to fluctuations in exchange rates. Any exposure to adverse currency exchange rate fluctuations could materially and adversely affect NEP's financial condition, results of operations and cash flows and its ability to make cash distributions to its unitholders.

NEP is exposed to risks inherent in its use of interest rate swaps.

Some of NEP's subsidiaries’ indebtedness accrues interest at variable rates, and some of its subsidiaries have used interest rate swaps to try to protect against market volatility. The use of interest rate swaps, however, does not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines. Such transactions may also limit the opportunity for gain if the value of a position increases. In addition, to the extent that actively quoted market prices and pricing information from external sources are not available, the valuation of these contracts will involve judgment or the use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. If the values of these financial contracts change in a manner that NEP does not anticipate, or if a counterparty fails to perform under a contract, it could materially adversely affect its business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Risks Related to NEP's Relationship with NEE

NEE will exercise substantial influence over NEP and NEP is highly dependent on NEE and its affiliates.

NEE indirectly owns NEP GP and has the ability to appoint all of the executive officers and directors of its general partner. In addition, NEE, through NEE Equity, holds 79.9% of the common units of NEP OpCo. As a result, NEE will continue to have a substantial influence on NEP's affairs and has majority voting power on certain matters requiring the approval of NEP's unitholders that do not exclude votes of NEE and its affiliates. This concentration of ownership may delay or prevent a change in control of NEP, which could prevent unitholders from receiving a premium for their common units. In addition, certain of NEP's project subsidiaries are party to agreements or subject to various regulatory or tax regimes that require NEE or its affiliates to maintain certain levels of direct or indirect ownership, which could limit NEE's ability to decrease its ownership percentage in the future. NEE will also have the right to appoint all of the directors of NEP GP.

NEP will depend on NEE's affiliates to provide or arrange O&M services under agreements with NEE management and NEER, respectively, and to continue to provide existing credit support on behalf of its subsidiaries under an agreement with NEER. Any failure by NEE management to perform its O&M services obligations or the failure by NEP to identify and contract with replacement management service providers or provide replacement credit support on similar terms, if required, could materially impact the successful operation of its projects. Under these agreements, certain NEE employees will provide services to NEP. These services will not be the primary responsibility of these employees, nor will these employees be required to act for NEP alone. The agreements do not require any specific individuals to be provided by NEE and NEE will have the discretion to determine which of its employees will perform services required to be provided to NEP.

NEP's future success will depend on the continued service of employees of NEE or its affiliates, who are not obligated to remain employed with NEE. NEP's future also depends on NEE's successful renegotiation of collective bargaining agreements with its bargaining employees on acceptable terms when those agreements expire or otherwise terminate. NEE has experienced departures of key professionals and personnel and key professionals and personnel may depart in the future, and any such departures may adversely affect NEP's ability to achieve its objectives. The departure of a significant number of NEE's professionals or a significant portion of the NEE employees who work at any of NEP's projects for any reason, or the failure to appoint qualified or effective successors in the event of such departures, could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP is highly dependent on credit support from NEE and its affiliates. NEP's subsidiaries may default under contracts or become subject to cash sweeps if credit support is terminated, if NEE or its affiliates fail to honor their obligations under credit support arrangements, or if NEE or another credit support provider ceases to satisfy creditworthiness requirements, and NEP will be required in certain circumstances to reimburse NEE for draws that are made on credit support.

NEP depends on guarantees and letters of credit that have been provided by NextEra Energy Capital Holdings, Inc., NEER and other NEE affiliates to counterparties on behalf of its subsidiaries to satisfy NEP's subsidiaries' contractual obligations to provide credit support, including under PPAs, FIT Contracts and RESOP Contracts. These NEE affiliates also have provided credit support to lenders to fund reserve accounts, to facilitate NEE's cash management practices, to support Genesis' debt repayment obligations in relation to its expected CITC and to cover the risk that CITC proceeds received by any U.S. project entity are later recaptured by the U.S. Department of the Treasury. NEP expects NEECH, NEER and other NEE affiliates, upon NEP's request and at NEER's option, to provide credit support on behalf of any projects NEP may acquire in the future on similar terms but they are under no obligation to do so. Any failure of NEP's subsidiaries to maintain acceptable credit support or credit support providers to honor their obligations under their respective credit support arrangements could cause, among other things, events of default to arise under NEP's subsidiaries' PPAs, FIT Contracts or RESOP Contracts and financing agreements. Such events of default could entitle Energy Sale Counterparties to terminate their contracts with NEP's subsidiaries or could entitle lenders to accelerate indebtedness owed to them, which could result in the insolvency of NEP's subsidiaries. In addition, if beneficiaries draw on credit support provided by NEECH, NEER and these other NEE affiliates, then NEP OpCo may be required to reimburse them for the amounts drawn, which would reduce NEP OpCo's available cash. These events could decrease NEP's revenues, restrict distributions from its subsidiaries, or result in a sale of or foreclosure on its assets. Further, NEE affiliates may not provide credit support in respect of new projects on the same terms on which they currently provide credit support for its existing projects, which may require NEP to obtain the required credit support from third parties on less favorable terms and may prevent NEP from consummating the acquisition of additional projects. All of the foregoing events, including a failure of NEP OpCo to have sufficient funds to satisfy its reimbursement obligations, could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEER, an indirect wholly-owned subsidiary of NEE, or one of its affiliates will be permitted to borrow funds received by NEP's subsidiaries, including NEP OpCo, as partial consideration for its obligation to provide credit support to NEP, and NEER will use these funds for its own account without paying additional consideration to NEP and is obligated to return these funds only as needed to cover project costs and distributions or as demanded by NEP OpCo. NEP's financial condition and ability to make distributions to its unitholders, as well as its ability to grow distributions in the future, is highly dependent on NEER's performance of its obligations to return a portion of these funds.

Under the cash sweep and client support (CSCS) agreement, NEER or one of its affiliates will be permitted to withdraw funds received by NEP's subsidiaries, including NEP OpCo, and hold them in an account of NEER or one of its affiliates to the extent the funds are not required to pay NEP or its subsidiaries' costs or otherwise required to be retained by its subsidiaries, until the financing agreements of its subsidiaries permit distributions to be made to NEP OpCo or, in the case of NEP OpCo, until a minimum quarterly distribution is scheduled to be paid. To the extent that NEER and its affiliates choose to use such excess funds in their own operations instead of returning them to NEP, it would reduce the amount of cash available to NEP to be used for acquisitions, capital expenditures and distributions to unitholders. For example, NEER's obligation to return funds prior to a scheduled distribution date is limited to the amount required to fund NEP OpCo's anticipated quarterly distribution, unless the return of such funds is demanded by NEP OpCo. NEP's ability to grow its distributions in the future is dependent on the growth of NEP OpCo's distributions to NEP, which could be limited if NEER decides to retain excess funds for its own operations instead of returning them to NEP. In addition, because NEP is managed by NEER, NEP may also choose not to request such funds even if they could be used for acquisitions or growth projects. Further, NEER will not pay NEP any interest or additional consideration for the use of these funds. If NEER or one of its affiliates realizes any earnings on NEP OpCo’s or its subsidiaries’ funds prior to the return of such funds, it will be permitted to retain those earnings for its own account. The failure of NEER to return funds to NEP's subsidiaries for any reason could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP may not be able to consummate future acquisitions from NEER.

NEP's ability to grow through acquisitions and increase distributions to unitholders is dependent in part on its ability to make acquisitions that result in an increase in cash available for distribution per unit. NEP's growth strategy is based in part on its right of first offer with respect to certain projects that NEER may elect to sell. Such acquisitions may not be available to NEP on acceptable terms or at all. Other than the right of first offer with respect to any NEER ROFO Projects that NEER elects to sell during the six-year period ending in July 2020, NEER has no obligation to make any projects available to NEP for potential purchase. The consummation and timing of any future acquisitions will depend upon, among other things, whether:

- NEP is able to identify attractive acquisition candidates;
- NEP is able to negotiate acceptable purchase agreements;
- NEP is able to obtain financing for these acquisitions on economically acceptable terms; and
- NEP is outbid by competitors.

Additionally, several factors could materially and adversely impact the extent to which suitable acquisition opportunities are made available from NEER, including an assessment by NEER relating to its liquidity position, the risk profile of an opportunity, its fit with NEP's operations, limits on NEE personnel's ability to devote their time to NEP and other factors. The overall question of an acquisition's suitability is highly subjective and specific to NEP. For example, if NEER determines that a future acquisition opportunity other than the NEER ROFO Projects is not suitable for NEP, NEER will not be precluded from determining that the same opportunity is suitable for itself or another NEE affiliate. Furthermore, if NEER reduces its ownership interest in NEP, it may be less willing to sell the NEER ROFO Projects to NEP. In addition, there are limited restrictions on NEER's ability to sell the NEER ROFO Projects to a third party. An inability by NEER to identify, or a failure by NEER to make available, suitable acquisition opportunities could hinder NEP's growth and materially adversely impact its business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP may not be able to successfully consummate any future acquisitions, whether from NEER or any third parties. Any acquisitions that may be available to NEP may require that it be able to access the debt and equity markets. However, NEP may be unable to access such markets on attractive terms or at all. If NEP is unable to make future acquisitions, its future growth and ability to increase distributions will be limited. Furthermore, even if NEP does consummate acquisitions that NEP believes will be accretive, they may in fact result in a decrease in cash available for distribution per unit as a result of incorrect assumptions in NEP's evaluation of such acquisitions or unforeseen consequences or other external events beyond its control. Acquisitions involve numerous risks, including difficulties in integrating acquired businesses, inefficiencies and unexpected costs and liabilities. These events could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP GP and its affiliates, including NEE, have conflicts of interest with NEP and limited duties to NEP and its unitholders, and they may favor their own interests to the detriment of NEP and holders of NEP common units.

NEE indirectly owns and controls NEP GP and will appoint all of NEP GP's officers and directors. All of NEP GP's executive officers and a majority of NEP GP's current directors also are officers of NEE. Conflicts of interest exist and may arise as a result of the relationships between NEP GP and its affiliates, including NEE, on the one hand, and NEP and NEP's limited partners, on the other hand. Although NEP GP has a duty to manage NEP in a manner beneficial to NEP and its limited partners, NEP GP's directors and officers have fiduciary duties to manage NEP GP in a manner beneficial to its owner, NEE. In addition, NEE Management or certain of its affiliates will provide or arrange for certain services to be provided to NEP, including with respect to carrying out NEP's day-to-day management and providing individuals to act as NEP GP's executive officers. These same executive officers may help NEP GP's board of directors evaluate potential acquisition opportunities presented by NEER under the ROFO Agreement.

In resolving such conflicts of interest, NEP GP may favor its own interests and the interests of its affiliates, including NEE, over the interests of its unitholders. These conflicts include the following situations, among others:

- No agreement to which NEP is a party requires NEE or its affiliates to pursue a business strategy that favors NEP or uses NEP's projects or dictates what markets to pursue or grow. NEE's directors and officers have a fiduciary duty to make these decisions in the best interests of NEE, which may be contrary to NEP's interests.
- Contracts between NEP, on the one hand, and NEP GP and its affiliates, on the other, are not and will not be the result of arm's length negotiations.
- NEP GP's affiliates are not limited in their ability to compete with NEP and neither NEP GP nor its affiliates have any obligation to present business opportunities to NEP except for the NEER ROFO Projects.
- NEP GP is allowed to take into account the interests of parties other than NEP, such as NEE, in resolving conflicts of interest.
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NEP does not have any officers or employees and relies solely on officers and employees of NEP GP and its affiliates, including NEE. The officers of NEP GP will also devote significant time to the business of NEE and its affiliates and will be compensated by NEE accordingly.

- NEP's partnership agreement replaces the fiduciary duties that would otherwise be owed by NEP GP with contractual standards governing its duties and limits NEP GP's liabilities and the remedies available to NEP's unitholders for actions that, without these limitations, might constitute breaches of fiduciary duty under applicable Delaware law.
- Except in limited circumstances, NEP GP has the power and authority to conduct NEP's business without unitholder approval.
- Actions taken by NEP GP may affect the amount of cash available to pay distributions to unitholders.
- NEP GP determines which costs incurred by it are reimbursable by NEP.
- NEP reimburses NEP GP and its affiliates for expenses.
- NEP GP has limited liability regarding NEP's contractual and other obligations.
- NEP's common units are subject to NEP GP's limited call right.
- NEP GP controls the enforcement of the obligations that it and its affiliates owe to NEP, including NEER’s obligations under the ROFO Agreement and its other commercial agreements with NEER.
- NEP may choose not to retain counsel, independent accountants or other advisors separate from those retained by NEP GP to perform services for NEP or for the holders of common units.

A decision by NEP GP to favor its own interests and the interests of NEE over NEP's interests and the interests of its unitholders could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEE and other affiliates of NEP GP are not restricted in their ability to compete with NEP.

NEP's partnership agreement provides that its general partner will be restricted from engaging in any business activities other than acting as NEP GP and those activities incidental to its ownership of interests in NEP. Affiliates of NEP GP, including NEE and its other subsidiaries, are not prohibited, including under the Management Services Agreement, from owning projects or engaging in businesses that compete directly or indirectly with NEP. NEE currently holds interests in, and may make investments in and purchases of, entities that acquire, own and operate other power generators. NEER will be under no obligation to make any acquisition opportunities available to NEP, other than under the ROFO Agreement.

Under the terms of NEP's partnership agreement, the doctrine of corporate opportunity, or any analogous doctrine, does not apply to NEP GP or any of its affiliates, including its executive officers and directors and NEE. Any such person or entity that becomes aware of a potential transaction, agreement, arrangement or other matter that may be an opportunity for NEP will not have any duty to communicate or offer such opportunity to NEP. Any such person or entity will not be liable to NEP or to any limited partner for breach of any fiduciary duty or other duty by reason of the fact that such person or entity pursues or acquires such opportunity for itself, directs such opportunity to another person or entity or does not communicate such opportunity or information to NEP. This may create actual and potential conflicts of interest between NEP and affiliates of NEP GP and result in less than favorable treatment of NEP and holders of its common units.

NEP may be unable to terminate the Management Services Agreement.

The Management Services Agreement provides that NEP and certain affiliates may only terminate the agreement upon 90 days' prior written notice to NEE Management upon the occurrence of any of the following:

- NEE Management defaults in the performance or observance of any material term, condition or covenant contained therein in a manner that results in material harm to NEP or certain affiliates and the default continues unremedied for a period of 90 days after written notice thereof is given to NEE Management;
- NEE Management engages in any act of fraud, misappropriation of funds or embezzlement that results in material harm to NEP;
- NEE Management is reckless in the performance of its duties under the agreement and such recklessness results in material harm to NEP or its affiliates; or
- upon the happening of certain events relating to the bankruptcy or insolvency of NEP or certain of its affiliates.

NEP will not be able to terminate the agreement for any other reason, including if NEE Management experiences a change of control. The agreement continues for twenty years and thereafter renews for successive five-year periods unless NEP OpCo or NEE Management provides written notice to the other that it does not wish for the agreement to be renewed. If NEE Management’s performance does not meet the expectations of investors and NEP is unable to terminate the Management Services Agreement, the market price of NEP's common units could suffer. In addition, even if the Management Services Agreement is terminated, it may not terminate in respect of provisions relating to the payment of the IDR Fee payable to NEE Management under that agreement, which could result in NEE or its affiliates receiving payments that would otherwise be distributed to NEP's common unitholders even though NEE Management would be no longer obligated to provide services to NEP under the Management Services Agreement.

If NEE Management terminates the Management Services Agreement, NEER terminates the Management Sub-Contract or either of them defaults in the performance of its obligations thereunder, NEP may be unable to contract with a substitute service provider on similar terms, or at all.

NEP will rely on NEE Management and NEER to provide NEP with management services under the Management Services Agreement and the Management Sub-Contract, respectively and will not have independent executive or senior management personnel. Each of the Management Services Agreement and the Management Sub-Contract, respectively, provides that NEE Management and NEER, respectively, may terminate the applicable agreement upon 180 days prior written notice of termination to NEP if NEP defaults in the performance or observance of any material term, condition or covenant contained in the agreement in a manner that results in material harm to NEE Management or any of its affiliates other than NEP or its subsidiaries and NEER, respectively, and the default continues unremedied for a period of 90 days after written notice of the breach is given to NEP upon the happening of certain specified events. If NEE Management terminates the Management Services Agreement, if NEER terminates the Management Sub-Contract or if either of them defaults in the performance of its obligations thereunder, NEP may be unable to contract with a substitute service provider on similar terms or at all, and the costs of substituting service providers may be substantial. In addition, NEE Management and NEER are familiar with NEP's projects and, as a result, NEE Management and NEER have certain synergies with NEP. Substitute service providers would lack such synergies and may not be able to provide the same level of service to NEP. If NEP cannot locate a service provider that is able to provide NEP with substantially similar services as NEE Management and NEER provide under the Management Services Agreement and Management Sub-Contract, respectively, on similar terms, it would likely have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP's arrangements with NEE limit its liability, and NEP has agreed to indemnify NEE against claims that it may face in connection with such arrangements, which may lead NEE to assume greater risks when making decisions relating to NEP than it otherwise would if acting solely for its own account.

Under the Management Services Agreement, NEE Management and its affiliates does not assume any responsibility other than to provide or arrange for the provision of the services described in the Management Services Agreement in good faith. Additionally, under the Management Services Agreement, the liability of NEE Management and its affiliates is limited to the fullest extent permitted by law to conduct involving bad faith, fraud, willful misconduct or recklessness or, in the case of a criminal matter, to action that was known to have been unlawful. NEP has agreed, and will cause certain affiliates to, indemnify NEE Management and its affiliates and any of their directors, officers, agents, members, partners, stockholders and employees and other representatives of NEE Management and its affiliates to the fullest extent permitted by law from and against any claims, liabilities, losses, damages, costs or expenses incurred by an indemnified person or threatened in connection with NEP's, NEE Operating GP's, NEP OpCo and certain affiliates' operations, investments and activities or in respect of or arising from the Management Services Agreement or the services provided thereunder by NEE Management and its affiliates, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the conduct in respect of which such persons have liability as described above. Additionally, the maximum amount of the aggregate liability of NEE Management or any of its affiliates in providing services under the Management Services Agreement or otherwise (including NEER under the Management Sub-Contract), or of any director, officer, employee, contractor, agent, advisor or other representative of NEE Management or any of its affiliates, will be equal to the base management fee previously paid by NEP in the most recent calendar year under the Management Services Agreement but in no event less than $4.0 million. These protections may result in NEE Management and its affiliates tolerating greater risks when making decisions than otherwise would be the case, including when determining whether to use leverage in connection with acquisitions. The indemnification arrangements to which NEE Management and its affiliates are a party may also give rise to legal claims for indemnification, which could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

The credit and risk profile of NEP GP and its owner, NEE, could adversely affect NEP's credit ratings and risk profile, which could increase NEP's borrowing costs or hinder NEP's ability to raise capital.

The credit and business risk profiles of NEP GP and NEE may be considered in credit evaluations of NEP because NEP GP, which is indirectly owned by NEE, controls NEP's business activities, including NEP's and NEP OpCo's cash distribution policy and growth strategy. Any adverse change in the financial condition of NEE, including the degree of its financial leverage and its dependence on cash flows from NEP to service its indebtedness, or a downgrade of NEE’s investment-grade credit rating, may adversely affect NEP's credit ratings and risk profile, as well as any credit ratings NEP may seek.

If NEP were to seek a credit rating, NEP's credit rating may be adversely affected by the leverage of NEP GP or NEE, as credit rating agencies such as Standard & Poor’s Ratings Services, Moody’s Investors Service, Inc. and Fitch Ratings, Inc. may consider the leverage and credit profile of NEE because of its ownership interest in and control of NEP. Any adverse effect on NEP's credit rating would increase NEP's cost of borrowing or hinder NEP's ability to raise financing in the capital markets, which could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Risks Related to Ownership of NEP's Common Units

NEP's ability to make distributions to its unitholders depends on the ability of NEP OpCo to make cash distributions to its limited partners.

NEP's cash flow is generated from distributions NEP receives from NEP OpCo, which will consist solely of cash distributions that it has received from its subsidiaries. Additionally, during the purchase price adjustment period which, subject to certain early termination provisions, will extend until the first business day following the distribution of available cash by NEP OpCo in respect of any quarter beginning with the quarter ending June 30, 2017, for which certain tests are met, NEP may receive additional cash flows from any payments NEP receives from NEE Equity under the Purchase Agreement by and between NEE Equity and NEP, which will be funded solely by the distributions NEE Equity receives from NEP OpCo. The amount of cash that NEP OpCo's subsidiaries will be able to distribute to NEP OpCo each quarter principally depends upon the amount of cash such subsidiaries generate from their operations. NEP OpCo may not have sufficient available cash each quarter to continue paying distributions at its current level or at all. If NEP OpCo reduces its per unit distribution, either because of reduced operating cash flow, higher expenses, capital requirements or otherwise, NEP will have less cash available for distribution to its common unitholders and would likely be required to reduce its per unit distribution.

The amount of cash that NEP OpCo can distribute to its unitholders, including NEP, each quarter principally depends upon the amount of cash it generates from its operations, which will fluctuate from quarter to quarter based on, among other things:

- the amount of power generated from its projects and the prices received therefor;
- its operating costs;

- payment of interest and principal amortization, which depends on the amount of its indebtedness and the interest payable thereon;
- the ability of NEP OpCo's subsidiaries to distribute cash under their respective financing agreements;
- the completion of any ongoing construction activities on time and on budget;
- its capital expenditures; and
- if NEP OpCo acquires a project prior to its COD, timely completion of future construction projects.

In addition, the amount of cash that NEP OpCo will have available for distribution will depend on other factors, some of which are beyond its control, including:

- availability of borrowings under its credit facility to pay distributions;
- the costs of acquisitions, if any;
- fluctuations in its working capital needs;
- timing and collectability of receivables;
- restrictions on distributions contained in its credit facility and financing documents;
- prevailing economic conditions;
- access to credit or capital markets; and
- the amount of cash reserves established by NEE Operating GP for the proper conduct of its business.

Because of these factors, NEP OpCo may not have sufficient available cash each quarter to pay its minimum quarterly distribution per common unit or any other amount. Furthermore, the amount of cash that NEP OpCo has available for distribution depends primarily upon its cash flow, including cash flow from financial reserves and working capital borrowings, and is not solely a function of profitability, which will be affected by non-cash items. As a result, NEP OpCo may be able to make cash distributions during periods when it records net losses and may not be able to make cash distributions during periods when it records net income.

If NEP incurs material tax liabilities, NEP's distributions to its unitholders may be reduced, without any corresponding reduction in the amount of the IDR Fee.

The IDR Fee is an expense of NEP OpCo that reduces the amount of cash available for distribution by NEP OpCo to its owners, including NEP. The IDR Fee is not reduced for NEP's income tax liabilities. Instead, NEP must use the cash proceeds of any distributions NEP receives from NEP OpCo and any purchase price adjustment payment NEP receives from NEE Equity to satisfy NEP's income tax liabilities. Any such payments of income taxes by NEP will reduce the amount of cash available for distribution by NEP to its unitholders. As a result, if NEP incurs material income tax liabilities, NEP's distributions to its unitholders may be reduced, without any corresponding reduction in the amount of the IDR Fee.

Holders of NEP's common units have limited voting rights and are not entitled to elect NEP's general partner or its directors.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting NEP's business and, therefore, limited ability to influence management's decisions regarding NEP's business. Unitholders will have no right on an annual or ongoing basis to elect NEP's general partner or its board of directors. Rather, the board of directors of NEP GP will be appointed by NEE. Furthermore, if the unitholders are dissatisfied with the performance of NEP's general partner, they will have limited ability to remove NEP's general partner. As a result of these limitations, the price at which the common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price. NEP's partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about NEP's operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.

NEP's partnership agreement restricts the remedies available to holders of NEP's common units for actions taken by NEP GP that might otherwise constitute breaches of fiduciary duties.

NEP's partnership agreement contains provisions that restrict the remedies available to unitholders for actions taken by NEP GP that might otherwise constitute breaches of fiduciary duties under state fiduciary duty law. For example, NEP's partnership agreement provides that:

- whenever NEP GP, the board of directors of NEP GP or any committee thereof (including the conflicts committee) makes a determination or takes, or declines to take, any other action in their respective capacities, NEP GP, the board of directors of NEP GP and any committee thereof (including the conflicts committee), as applicable, is required to make such determination, or take or decline to take such other action, in good faith, meaning that it subjectively believed that the decision was in the best interests of NEP's partnership, and, except as specifically provided by NEP's partnership agreement, will not be subject to any other or different standard imposed by NEP's partnership agreement, Delaware law, or any other law, rule or regulation, or at equity;
- NEP GP will not have any liability to NEP or its unitholders for decisions made in its capacity as a general partner so long as such decisions are made in good faith;
- NEP GP and its officers and directors will not be liable for monetary damages to NEP or NEP's limited partners resulting from any act or omission unless there has been a final and non-appealable judgment entered by a court of competent

jurisdiction determining that NEP GP or its officers and directors, as the case may be, acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was criminal; and

- NEP GP will not be in breach of its obligations under the partnership agreement (including any duties to NEP or its unitholders) if a transaction with an affiliate or the resolution of a conflict of interest is:
  - approved by the conflicts committee of NEP GP's board of directors, although NEP GP is not obligated to seek such approval;
  - approved by the vote of a majority of the outstanding common units, excluding any common units owned by NEP GP and its affiliates;
  - determined by the board of directors of NEP GP to be on terms no less favorable to NEP than those generally being provided to or available from unrelated third parties; or
  - determined by the board of directors of NEP GP to be fair and reasonable to NEP, taking into account the totality of the relationships among the parties involved, including other transactions that may be particularly favorable or advantageous to NEP.

In connection with a situation involving a transaction with an affiliate or a conflict of interest, any determination by NEP GP or the conflicts committee must be made in good faith. If an affiliate transaction or the resolution of a conflict of interest is not approved by NEP's common unitholders or the conflicts committee and the board of directors of NEP GP determines that the resolution or course of action taken with respect to the affiliate transaction or conflict of interest satisfies either of the standards set forth in the third and fourth subbullets above, then it will be presumed that, in making its decision, the board of directors of NEP GP acted in good faith, and in any proceeding brought by or on behalf of any limited partner or NEP challenging such determination, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption.

NEP's partnership agreement restricts the voting rights of unitholders owning 10% or more of its common units.

Unitholders' voting rights are further restricted by a provision of NEP's partnership agreement providing that any units held by a person that owns 10% (20% if NEP's FERC application is approved) or more of any class of units then outstanding, other than NEP GP, its affiliates, their transferees and persons who acquired such units with the prior approval of the board of directors of NEP GP, cannot vote on any matter.

NEP's partnership agreement replaces NEP GP's fiduciary duties to holders of its common units with contractual standards governing its duties.

NEP's partnership agreement contains provisions that eliminate the fiduciary standards to which NEP GP would otherwise be held by state fiduciary duty law and replace those standards with several different contractual standards. For example, NEP's partnership agreement permits NEP GP to make a number of decisions in its individual capacity, as opposed to in its capacity as NEP's general partner, free of any duties to NEP and its unitholders other than the implied contractual covenant of good faith and fair dealing, which means that a court will enforce the reasonable expectations of the partners where the language of the partnership agreement does not provide for a clear course of action. This provision entitles NEP GP and its affiliates to consider only the interests and factors that it desires and relieves it of any duty or obligation to give any consideration to any interest of, or factors affecting, NEP, its affiliates or NEP's limited partners. Examples of decisions that NEP GP and its affiliates may make in their individual capacities include:

- how to allocate corporate opportunities among NEP and its affiliates;
- whether to exercise its limited call right, preemptive rights or registration rights;
- whether to seek approval of the resolution of a conflict of interest by the conflicts committee of the board of directors of NEP GP;
- how to exercise its voting rights with respect to the units it or its affiliates own in NEP OpCo and NEP;

- whether to exchange its NEP OpCo common units for NEP's common units or, with the approval of the conflicts committee, to have NEP OpCo redeem its NEP OpCo common units for cash; and
- whether to consent to any merger, consolidation or conversion of NEP or NEP OpCo or to an amendment to NEP's partnership agreement or the NEP OpCo partnership agreement.

These decisions may be made by the owner of NEP GP.

Even if holders of NEP's common units are dissatisfied, they cannot initially remove NEP GP without NEE’s consent.

Unitholders are unable to remove NEP's general partner or NEP OpCo’s general partner without NEE’s consent because NEE Equity, through its ownership of Special Voting Units, holds sufficient voting power to be able to prevent its removal. The vote of the holders of at least 66 2⁄3% of all outstanding common units and the Special Voting Units voting together as a single class is required to remove NEP's general partner. Currently, the Special Voting Units held by NEE Equity represent the combined voting power of NEP's common units and Special Voting Units. Also, if NEP's general partner is removed without cause during the purchase price adjustment period and common units (including the Special Voting Units) held by NEE and its affiliates are not voted in favor of that removal, the purchase price adjustment period will be terminated. A removal of NEP's general partner under these circumstances may adversely affect NEP's common units by prematurely eliminating the purchase price adjustment obligation of NEE Equity, which would otherwise have continued until NEP OpCo had met certain distribution and performance tests. Cause is narrowly defined to mean that a court of competent jurisdiction has entered a final, non-appealable judgment finding NEP's general partner liable to NEP or any of its limited partners for acting in bad faith or engaging in fraud or willful misconduct in its capacity as NEP's general partner. Generally, cause does not include charges of poor management of the business, so the removal of NEP's general partner because of unitholder dissatisfaction with the performance of NEP's general partner in managing NEP's partnership will most likely result in the termination of the purchase price adjustment period.

NEP GP's interest in NEP and the control of NEP GP may be transferred to a third party without unitholder consent.

NEP's partnership agreement does not restrict the ability of NEE to transfer all or a portion of its general partner interest or its ownership interest in NEP GP to a third party. NEP GP, or NEP GP's new owner, would then be in a position to replace NEP GP's board of directors and officers with its own designees and thereby exert significant control over the decisions made by the board of directors and officers of NEP GP.

The IDR Fee may be transferred to a third party without unitholder consent.

Under the Management Services Agreement, NEE, through NEE Management, may transfer the IDR Fee to an unaffiliated third party, or may sell a portion of the affiliate that has the right to receive the IDR Fee to an unaffiliated third party, at any time. If NEE transfers the right to receive the IDR Fee to a third party but retains its interest in NEP GP, NEE may not have the same incentive to take the steps necessary to grow NEP's business and oversee NEP's operations so as to increase quarterly distributions to unitholders over time as it would if it had retained ownership of the IDR Fee. For example, a transfer of the IDR Fee by NEE could reduce the likelihood of NEE selling or contributing additional projects to NEP, which in turn would impact NEP's ability to grow NEP's project base.

NEP may issue additional units without unitholder approval, which would dilute unitholder interests.

NEP's partnership agreement does not limit the number of additional limited partner interests, including limited partner interests that rank senior to the common units, which NEP may issue at any time without the approval of its unitholders. The issuance by NEP of additional common units or other equity securities of equal or senior rank will have the following effects:

- NEP's existing unitholders' proportionate ownership interest in NEP will decrease;
- the amount of cash available for distribution on each unit may decrease;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

Reimbursements and fees owed to NEP GP and its affiliates for services provided to NEP or on NEP's behalf will reduce cash available for distribution to or from NEP OpCo and from NEP to NEP's common unitholders, and the amount and timing of such reimbursements and fees will be determined by NEP GP and there are no limits on the amount that NEP OpCo may be required to pay.

Under the NEP OpCo partnership agreement, prior to making any distributions on its common units, NEP OpCo will reimburse NEP GP and its affiliates, including NEE, for out-of-pocket expenses they incur and payments they make on NEP's behalf and for certain payments made under credit support arrangements provided by NEER on behalf of NEP's subsidiaries. NEP OpCo will also pay certain fees and reimbursements under the Management Services Agreement and the CSCS Agreement prior to making any distributions on its common units. The reimbursement of expenses and certain payments made under credit support arrangements and payment of fees, if any, to NEP GP and its affiliates will reduce the amount of available cash NEP OpCo has to pay cash distributions to NEP and the amount that NEP has available to pay distributions to NEP's common unitholders. Under the NEP OpCo partnership agreement, there is no limit on the fees and expense reimbursements NEP OpCo may be required to pay.

Discretion in establishing cash reserves by NEE Operating GP may reduce the amount of cash available for distribution to unitholders.

NEP OpCo’s partnership agreement requires its general partner to deduct from operating surplus cash reserves that it determines are necessary to fund its future operating expenditures. In addition, NEP OpCo's partnership agreement permits its general partner to reduce available cash by establishing cash reserves for the proper conduct of its business, to comply with applicable law or agreements to which it is a party or to provide funds for future distributions to partners. These cash reserves will affect the amount of cash distributed by NEP OpCo, which ultimately will affect the amount of cash available for distribution to NEP's unitholders.

While NEP's partnership agreement requires NEP to distribute its available cash, NEP's partnership agreement, including provisions requiring NEP to make cash distributions, may be amended.

While NEP's partnership agreement requires NEP to distribute its available cash (as defined therein), the partnership agreement, including provisions requiring NEP to make cash distributions contained therein, may be amended. NEP's partnership agreement generally may not be amended during the purchase price adjustment period without the approval of a majority of the common units held by its public common unitholders. However, NEP's partnership agreement can be amended with the consent of NEP GP and the approval of a majority of the outstanding common units (including the Special Voting Units) after the purchase price adjustment period has ended.

NEP OpCo can borrow money to pay distributions, which would reduce the amount of credit available to operate NEP's business.

NEP OpCo’s partnership agreement allows it to make working capital borrowings to pay distributions to its unitholders. Accordingly, if it has available borrowing capacity, it can make distributions on its common units even though cash generated by its operations may not be sufficient to pay such distributions. Any working capital borrowings by NEP OpCo to make distributions will reduce the amount of working capital borrowings it can make for NEP OpCo’s operations.

Increases in interest rates could adversely impact the price of NEP's common units, NEP's ability to issue equity or incur debt for acquisitions or other purposes and NEP's ability to make cash distributions at intended levels.

Interest rates on future credit facilities and debt offerings could be higher than current levels, causing NEP's financing costs to increase accordingly. As with other yield-oriented securities, NEP's unit price is impacted by the level of NEP's cash distributions and implied distribution yield. The distribution yield is often used by investors to compare and rank yield-oriented securities for investment decision-making purposes. Therefore, changes in interest rates, either positive or negative, may affect the yield requirements of investors who invest in NEP's units, and a rising interest rate environment could adversely impact the price of NEP's common units, NEP's ability to issue equity or incur debt for acquisitions or other purposes and NEP's ability to make cash distributions at its intended levels.

The price of NEP's common units may fluctuate significantly and unitholders could lose all or part of their investment and a market that will provide unitholders with adequate liquidity may not develop.

The common units are traded on the New York Stock Exchange (NYSE), but NEP does not know how liquid that market might be. The lack of liquidity may result in wide bid-ask spreads, contribute to significant fluctuations in the market price of the common units and limit the number of investors who are able to buy the common units. The market price of NEP's common units may also be influenced by many factors, some of which are beyond NEP's control, including:

- NEP's quarterly distributions;
- NEP's quarterly or annual earnings or those of other companies in NEP's industry;
- announcements by NEP or NEP's competitors of significant contracts or acquisitions;
- changes in accounting standards, policies, guidance, interpretations or principles;
- general economic conditions;
- the failure of securities analysts to cover NEP's common units or changes in financial estimates by analysts; and
- future sales of NEP's common units; and
- the other factors described in these Risk Factors.

The liability of holders of NEP's common units, which represent limited partner interests in NEP, may not be limited if a court finds that unitholder action constitutes control of NEP's business.

A general partner of a partnership generally has unlimited liability for the obligations of the partnership except for those contractual obligations of the partnership that are expressly made without recourse to the general partner. NEP's partnership is organized under Delaware law and NEP conducts business in a number of other states and in Canada. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the other states in which NEP does business. A unitholder could be liable for any and all of NEP's obligations as if the unitholder were a general partner if a court or government agency were to determine that:

- NEP were conducting business in a state or province but had not complied with that particular state or province’s partnership statute; or
- the unitholder’s right to act with other unitholders to remove or replace NEP GP, to approve some amendments to NEP's partnership agreement or to take other actions under NEP's partnership agreement constitute “control” of NEP's business.

Unitholders may have liability to repay distributions that were wrongfully distributed to them.

Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Delaware law, NEP may not make a distribution to unitholders if the distribution would cause NEP's liabilities to exceed the fair value of its assets. Delaware law provides that for a period of three years from the date of an impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distributed amount. Transferees of common units are liable both for the obligations of the transferor to make contributions to the partnership that were known to the transferee at the time of transfer and for those obligations that were unknown if the liabilities could have been determined from the partnership agreement. Neither liabilities to partners on account of their partnership interest nor liabilities that are non-recourse to the partnership are counted for purposes of determining whether a distribution is permitted.

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Except in limited circumstances, NEP GP has the power and authority to conduct NEP's business without unitholder approval.

Under NEP's partnership agreement, NEP GP has full power and authority to do all things, other than those matters that require unitholder approval or with respect to which NEP GP has sought conflicts committee approval, on such terms as it determines to be necessary or appropriate to conduct NEP's business. In addition, since NEP will own all of the equity interests of NEE Operating GP, determinations made by NEE Operating GP under NEP OpCo's partnership agreement will ultimately be made at the direction of NEP GP. Decisions that may be made by NEP GP in accordance with NEP's or NEP OpCo's partnership agreements include:

- making any expenditures, lending or borrowing money, assuming, guaranteeing or contracting for indebtedness and other liabilities, issuing evidences of indebtedness, including indebtedness that is convertible into NEP's securities, and incurring any other obligations;
- purchasing, selling, acquiring or disposing of NEP's securities, or issuing additional options, rights, warrants and appreciation rights relating to NEP's securities;
- acquiring, disposing, mortgaging, pledging, encumbering, hypothecating or exchanging any or all of NEP's assets;
- negotiating, executing and performing any contracts, conveyances or other instruments;
- making cash distributions;
- selecting and dismissing employees and agents, outside attorneys, accountants, consultants and contractors and determining their compensation and other terms of employment or hiring;
- maintaining insurance for NEP's or NEP OpCo's benefit and the benefit of NEP's respective partners;
- forming, acquiring an interest in, contributing property to and making loans to any limited or general partnership, joint venture, corporation, limited liability company or other entity;
- controlling any matters affecting NEP's rights and obligations, including the bringing and defending of actions at law or in equity, otherwise engaging in the conduct of litigation, arbitration or mediation, incurring legal expenses and settling claims and litigation;
- indemnifying any person against liabilities and contingencies to the extent permitted by law;
- making tax, regulatory and other filings or rendering periodic or other reports to governmental or other agencies having jurisdiction over NEP's business or assets; and
- entering into agreements with any of its affiliates to render services to NEP or to itself in the discharge of its duties as NEP GP.

NEP's partnership agreement provides that NEP GP must act in good faith when making decisions on NEP's behalf, and NEP's partnership agreement further provides that in order for a determination to be made in good faith, NEP GP must subjectively believe that the determination is in the best interests of NEP.

Contracts between NEP, on the one hand, and NEP GP and its affiliates, on the other hand, will not be the result of arm's-length negotiations.

NEP's partnership agreement allows NEP GP to determine, in good faith, any amounts to pay itself or its affiliates for any services rendered to NEP. NEP GP may also enter into additional contractual arrangements with any of its affiliates on NEP's behalf. NEP GP will determine in good faith the terms of any arrangement or transaction entered into after the completion of the Offering. Similarly, agreements, contracts or arrangements between NEP and NEP GP and its affiliates that are entered into from time to time will not be required to be negotiated on an arm's-length basis, although, in some circumstances, NEP GP may determine that the conflicts committee may make a determination on NEP's behalf with respect to such arrangements.

NEP GP and its affiliates will have no obligation to permit NEP to use any assets or services of NEP GP and its affiliates, except as may be provided in contracts entered into specifically for such use. There is no obligation of NEP

GP and its affiliates to enter into any contracts of this kind.

Common unitholders will have no right to enforce the obligations of NEP GP and its affiliates under agreements with NEP.

Any agreements between NEP, on the one hand, and NEP GP and its affiliates, on the other hand, will not grant to the unitholders, separate and apart from NEP, the right to enforce the obligations of NEP GP and its affiliates in NEP's favor.

NEP GP decides whether to retain separate counsel, accountants or others to perform services for NEP.

The attorneys, independent accountants and others who perform services for NEP will be retained by NEP GP. Attorneys, independent accountants and others who perform services for NEP will be selected by NEP GP or NEP's conflicts committee and may perform services for NEP GP and its affiliates. NEP may retain separate counsel for itself or the holders of common units in the event of a conflict of interest between NEP GP and its affiliates, on the one hand, and NEP or the holders of common units, on the other, depending on the nature of the conflict. NEP does not intend to do so in most cases.

The New York Stock Exchange does not require a publicly traded limited partnership like NEP to comply with certain of its corporate governance requirements.

NEP's common units are listed on the NYSE. Because NEP will be a publicly traded limited partnership, the NYSE does not require NEP to have, and it does not intend to have, a majority of independent directors on NEP GP's board of directors or to establish a compensation committee or a nominating and corporate governance committee. Accordingly, unitholders will not have the same protections afforded to certain corporations that are subject to all of the NYSE corporate governance requirements.

Taxation Risks

NEP's future tax liability may be greater than expected if NEP does not generate NOLs sufficient to offset taxable income or if tax authorities challenge certain of NEP's tax positions.

Even though NEP is organized as a limited partnership under state law, it will be treated as a corporation for U.S. federal income tax purposes and thus will be subject to U.S. federal income tax at regular corporate rates on NEP's net taxable income. NEP expects to generate NOLs and NOL carryforwards that it can use to offset future taxable income. As a result, NEP does not expect to pay meaningful U.S. federal income tax for approximately 15 years. This estimate is based upon assumptions NEP has made regarding, among other things, NEP OpCo's income, capital expenditures, cash flows, net working capital and cash distributions. Further, the IRS or other tax authorities could challenge one or more tax positions NEP or NEP OpCo takes, such as the classification of assets under the income tax depreciation rules, the characterization of expenses (including NEP's share of the IDR Fee) for income tax purposes, the extent to which sales, use or goods and services tax applies to operations in a particular state or the availability of property tax exemptions with respect to NEP's projects. Further, any change in law may affect NEP's tax position. While NEP expects that its NOLs and NOL carryforwards will be available to NEP as a future benefit, in the event that they are not generated as expected, are successfully challenged by the IRS (in a tax audit or otherwise) or are subject to future limitations as described below, NEP's ability to realize these benefits may be limited.

NEP's federal, state or Canadian tax positions may be challenged by the relevant tax authority. The process and costs, including potential penalties for nonpayment of disputed amounts, of appealing such challenges, administratively or judicially, regardless of the merits, could be material. A reduction in NEP's expected NOLs, a limitation on NEP's ability to use such losses, or other tax attributes, such as tax credits, and future tax audits or a challenge by tax authorities to NEP's tax positions may result in a material increase in NEP's estimated future income taxes or other tax liabilities, which would negatively impact the amount of after-tax cash available for distribution to NEP's unitholders and its financial condition.

NEP's ability to use NOLs to offset future income may be limited.

NEP's ability to use any NOLs generated by NEP could be substantially limited if NEP were to experience an “ownership change” as defined under Section 382 of the Code. In general, an “ownership change” would occur if NEP's “5-percent shareholders,” as defined under Section 382 of the Code, including certain groups of persons treated as “5-percent shareholders,” collectively increased their ownership in NEP by more than 50 percentage points over a rolling three-year period. An ownership change can occur as a result of a public offering of NEP's common units, as well as through secondary market purchases of NEP's common units and certain types of reorganization transactions. A corporation (including any entity, such as NEP, that is treated as a corporation for U.S. federal income tax purposes) that experiences an ownership change will generally be subject to an annual limitation on the use of its pre-ownership change NOLs (and certain other losses and/or credits) equal to the equity value of the corporation immediately before the ownership change, multiplied by the long-term tax-exempt rate for the month in which the ownership change occurs. Such a limitation could, for any given year, have the effect of increasing the amount of

NEP's U.S. federal income tax liability, which would negatively impact the amount of after-tax cash available for distribution to NEP's unitholders and NEP's financial condition.

NEP will not have complete control over NEP's tax decisions.

NEP may be included in the combined or unitary tax returns of NEE or one or more of its subsidiaries for U.S. state or local income tax purposes. NEP will be party to a tax sharing arrangement which will determine the share of taxes that NEP will pay to, or receive from, NEE. In addition, by virtue of NEP's inclusion in NEE’s combined or unitary income tax returns, NEE will effectively control all of NEP's state and local tax decisions in connection with any combined or unitary income tax returns in which NEP is included. NEE will have sole authority to respond to and conduct all tax proceedings (including tax audits) related to NEP, to file all state and local income tax returns on NEP's behalf, and to determine the amount of NEP's liability to, or entitlement to payment from, NEE in connection with any combined or unitary income tax returns in which NEP is included. This may result in conflicts of interest between NEE and NEP. For example, NEE will be able to choose to contest, compromise, or settle any adjustment or deficiency proposed by the relevant taxing authority in a manner that may be beneficial to NEE and detrimental to NEP.

A valuation allowance may be required for NEP's deferred tax assets.

NEP's expected NOLs will be reflected as a deferred tax asset as they are generated until used to offset income. Additional valuation allowances may be needed for deferred tax assets that NEP estimates are more likely than not to be unusable, based on available evidence at the time the estimate is made. Valuation allowances related to deferred tax assets can be affected by changes to tax laws, statutory tax rates and future taxable income levels and based on input from NEP's auditors, tax advisors or regulatory authorities. In the event that NEP were to determine that it would not be able to realize all or a portion of NEP's net deferred tax assets in the future, NEP would reduce such amounts through a charge to income tax expense in the period in which that determination was made, which could have a material adverse impact on NEP's financial condition and results of operations and NEP's ability to maintain profitability.

Distributions to unitholders may be taxable as dividends.

Even though NEP is organized as a limited partnership under state law, NEP will be treated as a corporation for U.S. federal income tax purposes. Accordingly, if NEP makes distributions from current or accumulated earnings and profits as computed for U.S. federal income tax purposes, such distributions will generally be taxable to unitholders as ordinary dividend income for U.S. federal income tax purposes. Distributions paid to non-corporate U.S. unitholders will be subject to U.S. federal income tax at preferential rates, provided that certain holding period and other requirements are satisfied. NEP estimates that it will have limited earnings and profits for eight or more years. However, it is difficult to predict whether NEP will generate earnings and profits as computed for U.S. federal income tax purposes in any given tax year, and although NEP expects that a portion of its distributions to unitholders may exceed its current and accumulated earnings and profits as computed for U.S. federal income tax purposes and therefore constitute a non-taxable return of capital distribution to the extent of a stockholder’s basis in its units, this may not occur. In addition, although return-of-capital distributions are generally non-taxable to the extent of a unitholder’s basis in its units, such distributions will reduce the unitholder’s adjusted tax basis in its units, which will result in an increase in the amount of gain (or a decrease in the amount of loss) that will be recognized by the unitholder on a future disposition of NEP's common units, and to the extent any return-of-capital distribution exceeds a unitholder’s basis, such distributions will be treated as gain on the sale or exchange of the units.

Item 2. - Unregistered Sales of Equity Securities and Use of Proceeds

(b) Use of Proceeds from Registered Securities

On July 1, 2014, NEP completed the Offering of 18,687,500 common units at a price to the public of $25 per common unit. The offer and sale of all of the common units in the Offering were registered under the Securities Act of 1933, as amended, pursuant to a Registration Statement on Form S-1 (File No. 333-196099), which was declared effective by the SEC on June 26, 2014. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co. and Morgan Stanley & Co. LLC acted as joint bookrunning managers for the Offering. Robert W. Baird & Co. Incorporated, Barclays Capital Inc., BMO Capital Markets Corp., Credit Suisse Securities (USA) LLC, KeyBanc Capital Markets Inc., RBC Capital Markets, LLC, UBS Securities LLC and Wells Fargo Securities, LLC acted as co-managers for the Offering. The Offering commenced on June 26, 2014 and terminated after the sale of all of the common units offered.

NEP received proceeds from the Offering, net of underwriting discounts, commissions and structuring fees, of approximately $438.3 million. None of the underwriting discounts and commissions or other offering expenses were incurred by or paid to directors or officers of NEP or their associates or persons owning 10 percent or more of NEP's common units or to any of NEP's affiliates, other than approximately $17.8 million of offering expenses incurred and paid by NEE, the owner of a controlling interest in NEP.

On July 1, 2014, NEP used approximately $288.3 million of the net proceeds to purchase 12,291,593 common units of NEP OpCo from NEE Equity and approximately $150 million to purchase 6,395,907 NEP OpCo common units from NEP OpCo. NEP OpCo will use the net proceeds for general corporate purposes, including to fund future acquisition opportunities.

There has been no material change in NEP's use of the net proceeds from the offering as described in the Prospectus.

Item 6. Exhibits

Exhibit Number	Description
3.1*	First Amended and Restated Agreement of Limited Partnership of NextEra Energy Partners, LP, dated as of July 1, 2014 (filed as Exhibit 3.1 to Form 8 K dated July 1, 2014, File No. 1-36518)
3.2*	First Amended and Restated Agreement of Limited Partnership of NextEra Energy Operating Partners, LP, dated as of July 1, 2014 (filed as Exhibit 3.2 to Form 8 K dated July 1, 2014, File No. 1-36518)
10.1*	Management Services Agreement by and among NextEra Energy Partners, LP, NextEra Energy Operating Partners GP, LLC, NextEra Energy Operating Partners, LP, and NextEra Energy Management Partners, LP, dated as of July 1, 2014 (filed as Exhibit 10.1 to Form 8 K dated July 1, 2014, File No. 1-36518)
10.2*	Right of First Offer Agreement by and among NextEra Energy Partners, LP, NextEra Energy Operating Partners, LP and NextEra Energy Resources, LLC, dated as of July 1, 2014 (filed as Exhibit 10.2 to Form 8 K dated July 1, 2014, File No. 1-36518)
10.3*	Purchase Agreement by and between NextEra Energy Equity Partners, LP and NextEra Energy Partners, LP, dated as of July 1, 2014 (filed as Exhibit 10.3 to Form 8 K dated July 1, 2014, File No. 1-36518)
10.4*	Equity Purchase Agreement by and between NextEra Energy Operating Partners, LP and NextEra Energy Partners, LP, dated as of July 1, 2014 (filed as Exhibit 10.4 to Form 8 K dated July 1, 2014, File No. 1-36518)
10.5*	Exchange Agreement by and among NextEra Energy Equity Partners, LP, NextEra Energy Operating Partners, LP, NextEra Energy Partners GP, Inc. and NextEra Energy Partners, LP dated as of July 1, 2014 (filed as Exhibit 10.5 to Form 8 K dated July 1, 2014, File No. 1-36518)
10.6*	Registration Rights Agreement by and between NextEra Energy Partners, LP and NextEra Energy, Inc., dated as of July 1, 2014 (filed as Exhibit 10.6 to Form 8 K dated July 1, 2014, File No. 1-36518)
10.7*	Revolving Credit Agreement by and between NextEra Energy Canada Partners Holdings, ULC, NextEra Energy US Partners Holdings, LLC, NextEra Energy Operating Partners, LP, Bank of America, N.A., as administrative agent and collateral agent, Bank of America, N.A. (Canada Branch), as Canadian agent for the lenders and the lenders party thereto, dated as of July 1, 2014 (filed as Exhibit 10.7 to Form 8 K dated July 1, 2014, File No. 1-36518)
10.8*	NextEra Energy Partners, LP 2014 Long-Term Incentive Plan (filed as Exhibit 10.8 to Form 8 K dated July 1, 2014, File No. 1-36518)
10.9*	Cash Sweep and Credit Support Agreement by and between NextEra Energy Operating Partners, LP and NextEra Energy Resources, LLC, dated as of July 1, 2014 (filed as Exhibit 10.9 to Form 8 K dated July 1, 2014, File No. 1-36518)
31(a)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of NextEra Energy Partners, LP
31(b)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of NextEra Energy Partners, LP
32	Section 1350 Certification of NextEra Energy Partners, LP
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.PRE	XBRL Presentation Linkbase Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.DEF	XBRL Definition Linkbase Document

* Incorporated herein by reference.

NEP agrees to furnish to the SEC upon request any instrument with respect to long-term debt that NEP has not filed as an exhibit pursuant to the exemption provided by Item 601(b)(4)(iii)(A) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: July 31, 2014

NEXTERA ENERGY PARTNERS, LP
(Registrant)

By:	NextEra Energy Partners GP, Inc., its general partner

CHRIS N. FROGGATT
Chris N. Froggatt
Controller and Chief Accounting Officer
(Principal Accounting Officer)

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