COUNTY OF TRIMBLE, KENTUCKY

AND

KENTUCKY UTILITIES COMPANY

A Kentucky and Virginia Corporation

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LOAN AGREEMENT IN CONNECTION WITH ENVIRONMENTAL FACILITIES

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Dated as March 1, 2007

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NOTICE: The interest of the County of Trimble, Kentucky, in and to this Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Indenture of Trust dated as of March 1, 2007

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LOAN AGREEMENT IN CONNECTION
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This LOAN AGREEMENT, dated as of March 1, 2007, by and between the COUNTY OF TRIMBLE, KENTUCKY, a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and KENTUCKY UTILITIES COMPANY, a corporation organized and existing under the laws of Kentucky and Virginia;

WITNESSETH:

WHEREAS, the County of Trimble, Kentucky is a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky ("Issuer"), and pursuant to the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes ("Act"), Issuer has the power to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition of solid waste disposal facilities, one of the categories of "pollution control facilities," as defined by the Act for the collection, storage, treatment and final disposal of solid wastes; and

WHEREAS, Issuer is further authorized pursuant to the Act to enter into a loan agreement, which may include such provisions as Issuer shall deem appropriate to effect the securing of a financing or refinancing undertaken in respect of solid waste disposal facilities, including the securing of bond insurance; and

WHEREAS, the Act further provides that title to solid waste disposal facilities shall not be acquired by Issuer in the case of a loan transaction; and

WHEREAS, Kentucky Utilities Company, a Kentucky and Virginia corporation (the "Company"), and its affiliate, Louisville Gas and Electric Company, a Kentucky corporation ("LG&E") are each public utilities pursuant to Chapter 278 of the Kentucky Revised Statutes, and are each engaged in the business of generating electricity and providing electric services to the public at large. The Company and LG&E (collectively, the "Utilities") are undertaking the construction and acquisition of additional major electrical generating facilities in Trimble County, Kentucky, identified as the Unit 2 electric generating facility at the existing Trimble County Generating Station ("Trimble 2"). The Utilities will have an undivided 75% ownership interest in Trimble 2, of which the Company will own an 81% undivided interest and LG&E will wn a 19% undivided interest. The remaining 25% undivided ownership interest will be owned by out-of-state governmental entities; and

WHEREAS, the Company is desirous of financing a portion of the qualified costs of acquisition, construction, installation and equipping of its 81% undivided interest in the Utilities' 75% undivided interest in certain solid waste disposal facilities to serve Trimble 2, which facilities constitute the Project, as defined in the Indenture and as described in Exhibit A hereto (the "Project"), and which Project is located within the corporate boundaries of Issuer and consists of certain solid waste disposal facilities and which qualify for financing within the meaning of the Act; and

WHEREAS, the Project is described and has been previously approved for tax-exempt bond financing in a preliminary resolution adopted by the Fiscal Court of Issuer on August 21, 2006; and

WHEREAS, pursuant to and in accordance with the provisions of the Act, a Memorandum of Agreement between the Issuer and Company dated August 21, 2006 and an Ordinance duly adopted by the Fiscal Court of Issuer on April 6, 2007, and in furtherance of the purposes of the Act, Issuer proposes to issue, sell and deliver a series of its bonds in fully registered form which will be designated "County of Trimble, Kentucky, Environmental Facilities Revenue Bonds, 2007 Series A (Kentucky Utilities Company Project)" (the "2007 Series A Bonds"), the proceeds of which will be lent to Company to finance the acquisition, construction, installation and equipping of the Project; and

WHEREAS, the Project will provide for the collection, storage, treatment and final disposal of solid wastes in the Commonwealth of Kentucky; and

WHEREAS, the 2007 Series A Bonds are to be issued under and pursuant to and are secured by an Indenture of Trust by and between Issuer and Deutsche Bank Trust Company Americas, as trustee thereunder, dated as of March 1, 2007 (the "Indenture"); and

WHEREAS, Issuer proposes to lend to Company and Company desires to borrow from Issuer the proceeds from the sale of the 2007 Series A Bonds to finance the acquisition, construction, installation and equipping of the Project;

NOW, THEREFORE FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER, AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.1. Use of Defined Terms. In addition to the words and terms defined elsewhere in this Agreement or in the Indenture or by reference to another document, the words and terms set forth in Section 1.2 -and Section 1.3 shall have the meanings set forth therein unless

the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.2. Incorporation of Certain Terms by Reference. When and if used in this Agreement, the following terms shall have the meaning set forth in ARTICLE I of the Indenture:

"Act"
"Agreement"
"Authorized Denomination"
"Bond Counsel"
"Bond Fund"
"Bond Insurer"
"Bond Year"
"Business Day"
"Code"
"Company"
"Company Bonds"
"Company Representative"
"Construction Fund"
"Cost of Construction"
"Cumulative Excess Earnings"
"Excess Earnings"
"Governmental Obligations"
"Indenture"
"Initial Broker-Dealer"
"Interest Payment Date"
"Issuer"
"Issuer Representative"
"Loan"
"Net Proceeds"
"Paying Agent"
"Permitted Investments"
"Plans and Specifications"
"Pollution Control Facilities"
"Project"
"Project Site"
"Purchase Date"
"Purchase Fund"
"Rating Service"
"Rebate Fund"
"Redemption Date"
"2007 Series A Bonds"
"Solid Waste Disposal Facilities"
"Tender Agent"
"Trustee"

Section 1.3. Additional Definitions. In addition to the terms whose definitions are incorporated by reference herein pursuant to Section 1.2, the following terms shall have the meanings set forth in this Section unless the use or context clearly indicates otherwise:

"Capitalization" means the total of all the following items appearing on, or included in, the balance sheet of the Company:

(1) liabilities for indebtedness, including short-term debt, long-term debt and current maturities of long-term debt; and

(2) common stock, preferred stock, capital surplus, premium on capital stock, capital in excess of par value and retained earnings (however the foregoing may be designated), less to the extent not otherwise deducted, the cost of shares of capital stock of the Company held in its treasury.

Capitalization shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

"Completion Date" means the date of completion of the construction of the Project, as that date shall be certified as provided in ction 3.2 of this Agreement.

"Debt" shall mean any outstanding debt for money borrowed.

" Determination of Taxability " shall have the meaning ascribed to such term in Section 10.3 of this Agreement.

" Net Tangible Assets " means the amount shown as total assets on the balance sheet of the Company, less the following:

(1) intangible assets including, but without limitation, such items as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset on said balance sheet; and

(2) appropriate adjustments, if any, on account of minority interests.

Net Tangible Assets shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Operating Property " means (i) any interest in real property owned by the Company and (ii) any asset owned by the Company that is depreciable in accordance with generally accepted accounting principles.

In addition to the definitions herein, terms used in this agreement and not defined herein shall have the meanings ascribed to such terms in the Indenture.

The words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement. Unless otherwise noted, all Section and Article references are to sections and articles in this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by Issuer . Issuer represents, warrants and covenants that:

(a) Issuer is a public body corporate and politic duly created and existing as a County and de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, Issuer has the power and duty to issue the 2007 Series A Bonds, to enter into this Agreement and the Indenture and the transactions contemplated hereby and to carry out its obligations hereunder and thereunder. Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2007 Series A Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2007 Series A Bonds and to execute and deliver this Agreement and the Indenture. Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) Issuer agrees to loan funds derived from the sale of the 2007 Series A Bonds to Company to provide for the financing of the construction, acquisition, installation and equipping of the Project, which Project shall provide for solid wastes to be collected, stored, treated and disposed of at the Project Site.

(c) To accomplish the foregoing, Issuer agrees to issue $8,927,000 aggregate principal amount of its 2007 Series A Bonds following the execution of this Agreement on such terms and conditions as are set forth in the Indenture. The proceeds from the sale of the 2007 Series A Bonds shall be applied to finance the Cost of Construction of the Project.

(d) Issuer will cooperate with Company and take all actions necessary for Company to comply with Section 2.2(n) , (y) and (z) hereof and take other actions reasonably requested by Company in furtherance of this Agreement.

(e) Issuer has received its allocation from the Commonwealth for the issuance of the 2007 Series A Bonds, as prescribed by Section 146 of the Code.

(f) The Project Site is located within the boundaries of Issuer.

(g) A Resolution of the Fiscal Court of the Issuer adopted August 21, 2006 in respect of approval of the Project and its financing, the Memorandum of Agreement between Issuer and Company, dated August 21, 2006, and an Ordinance of the Fiscal Court of the Issuer adopted on second reading on April 6, 2007 has been in continuous effect since the respective dates of adoption thereof.

Section 2.2. Representations, Warranties and Covenants by Company . Company represents, warrants and covenants that:

(a) Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealths of Kentucky and Virginia, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealths of Kentucky and Virginia relevant to the transactions contemplated hereby or in connection with the issuance of the 2007 Series A Bonds.

(b) Company has full and complete legal power and authority to execute and deliver this Agreement, and has by proper corporate action duly authorized the execution and delivery of this Agreement.

(c) The Project financed in part by application of the proceeds of the 2007 Series A Bonds has been designed and will be constructed to collect, store, treat and dispose of solid wastes at the Project Site. The Project was and is necessary for the public health and welfare, and has been designed and will be constructed solely for the purposes of solid waste collection, storage, treatment and final disposal of solid wastes, consisting of contaminated scrubber sludge solid wastes created by operation of desulphurization facilities at the Project Site.

(d) Not less than substantially all of the net proceeds of the 2007 Series A Bonds (i.e., at least 95% of the net proceeds thereof, including investment earnings thereon) will be applied and used to finance the Cost of Construction of the Project, and all of such Solid Waste Disposal Facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section 167 of the Code.

(e) The Company will not use or cause to be used any of the funds provided by the Issuer hereunder (including the earnings on any of such funds) in such a manner as to, or take or omit to take any action with respect to the use of such funds which would, impair the exclusion of the interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes. Except for certain environmental or building permits which will be required from time to time in connection with the construction, occupation and use of the Project (which the Company has no reason to believe will not be received in the ordinary course as and when required), no consent, approval, authorization or other order of any federal, state or local governmental authority (other than the Issuer), not previously obtained or given is required in connection with the acquisition, construction, installation or equipping of the Project or the consummation of the transactions contemplated thereby.

(f) The Project is of the type authorized and permitted by the Act, and the Cost of Construction of the Project is not less than $8,927,000.

(g) No Event of Default, and no event of the type described in clauses (a) through (d) of Section 9.1 hereof, has occurred and is continuing and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an Event of Default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under this Agreement or the transactions contemplated hereby. Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby or by the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of Company under the terms of any instrument or agreement.

(h) Company intends to operate or cause the Project to be operated as Solid Waste Disposal Facilities until all of the 2007 Series A Bonds are paid and discharged.

(i) No portion of the proceeds of 2007 Series A Bonds will be invested at a yield in excess of the yield on the 2007 Series A Bonds except (i) during any permitted temporary period provided by the Code, (ii) proceeds of a reasonably required reserve or replacement fund and (iii) as part of a minor portion of the proceeds of the 2007 Series A Bonds, not in excess of the lesser of 5% of the proceeds of the 2007 Series A Bonds or $100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Section 148 of the Code and applicable tax regulations.

(j) No part or component of the Project to be financed with proceeds of the 2007 Series A Bonds was acquired, constructed or installed by Company prior to the date which is 60 days prior to August 21, 2006; and no part of the proceeds of the 2007 Series A Bonds will be used by Company, directly or indirectly, as working capital or to finance inventory.

(k) At least 95% of the net proceeds of the 2007 Series A Bonds (including investment earnings thereon) will be used to pay costs of the Project incurred after the date which is 60 days prior to August 21, 2006; and the facilities constituting the Project constitute and will constitute (i) land or property of a character subject to the allowance for depreciation under Section 167 of the Code and (ii) Solid Waste Disposal Facilities.

(l) Company will cause no investment of 2007 Series A Bond proceeds to be made and will make no other use of or omit to take any action with respect to the proceeds of the 2007 Series A Bonds or any funds reasonably expected to be used to pay the 2007 Series A Bonds which will cause the 2007 Series A Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or would otherwise result in the loss or impairment of the exclusion of the interest on such 2007 Series A Bonds from gross income for federal income tax purposes.

(m) The average maturity of the 2007 Series A Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the date of issuance of the 2007 Series A Bonds) of the Solid Waste Disposal Facilities.

(n) Company will provide all information requested by the Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 filed by Issuer with respect to the 2007 Series A Bonds and the Solid Waste Disposal Facilities constituting the Project, and such information will be true and correct in all material respects.

(o) Within the meaning of Section 149 of the Code, no portion of the payment of the principal or interest on the 2007 Series A Bonds shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(p) The Project financed by the proceeds of the 2007 Series A Bonds will not have been placed in operation at substantially its

design level, pursuant to and within the meaning of Section 1.150-2(c)(2) of the Treasury Regulations, more than 18 months prior to the date of the issuance of the 2007 Series A Bonds.

(q) For purposes of Section 147(c) of the Code, the allocable cost of the land portion of the Project, if any, to be financed with the roceeds of the 2007 Series A Bonds shall be less than 25% of the proceeds of the 2007 Series A Bonds, and none of the 2007 Series A Bond roceeds shall be used to finance land to be used for farming.

(r) Within the meaning of Section 147(e) of the Code, no portion of the proceeds of the 2007 Series A Bonds shall be used to provide any airplane, skybox or other private luxury box, any health club facility, any facilities used primarily for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off the premises.

(s) The costs of the issuance of the 2007 Series A Bonds paid from the proceeds of the 2007 Series A Bonds, if any, shall not exceed 2% of the proceeds of the 2007 Series A Bonds (less accrued interest).

(t) None of the proceeds of the 2007 Series A Bonds will be used to acquire, construct or install any property or interest therein unless the first use of such property shall be pursuant to such acquisition, construction or installation.

(u) No portion of the proceeds of the 2007 Series A Bonds will be deposited to the account of any reserve or replacement fund.

(v) Company shall not cause an amount less than 95% of the net proceeds, as defined in the Code and Treasury Regulations, of the 2007 Series A Bonds (including all investment income therefrom) to be expended for the Solid Waste Disposal Facilities constituting the Project to be financed by the 2007 Series A Bonds and will direct the Trustee to make payments and transfers of 2007 Series A Bond proceeds to the extent necessary to satisfy such covenant. In furtherance of such covenant, moneys may not be withdrawn from the Construction Fund until there has been filed with the Trustee prior to each drawing a written requisition as required by Section 4.2 hereof. For purposes of foregoing provisions of this subsection (v) the portion of the proceeds used to finance the costs of issuing the 2007 Series A Bonds, including underwriter's discount or underwriting compensation, is not considered used to provide Solid Waste Disposal Facilities.

(w) Company reasonably expects that (i) all of the spendable proceeds of the 2007 Series A Bonds will be used for the governmental purpose of the issue within three years from date of issuance of such 2007 Series A Bonds and (ii) none of the proceeds of such 2007 Series A Bonds will be invested in nonpurpose obligations having a substantially guaranteed yield for three years or more.

(x) All of the depreciable properties which were taken into account in determining the qualifying costs of the Project constitute properties either (i) used for the collection, storage, treatment and final disposal of solid waste or (ii) facilities which are functionally related and subordinate to the solid waste disposal facilities constituting the Project. All of such functionally related and subordinate facilities are of a size ıd character commensurate with the character and size of the solid waste disposal facilities constituting the Project.

(y) The Company will cause the Issuer to comply in all respects with the requirements of Section 148 of the Code in respect of the rebate of Excess Earnings with respect to the 2007 Series A Bonds to the United States of America.

(z) Upon the date of issuance of the 2007 Series A Bonds, the Company will have caused the Issuer to comply with the public approval requirements of Section 147 of the Code and at or following the issuance of the 2007 Series A Bonds the Company will cause the Issuer to comply with the information reporting requirements of Section 149 of the Code by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

(aa) All of the documents, instruments and written information furnished by Company on behalf of Company to Issuer or Trustee in connection with the issuance of the Bonds are true and correct in all material respects as of the date of delivery thereof and did not, as of the date of delivery thereof, omit or fail to state any material facts necessary to be stated therein to make the information provided not misleading.

(bb) The solid waste which is to be collected, stored, treated and disposed of by the Project is and will be useless, unused and unwanted and constitute discarded solid waste materials which have no market or other value at the place where it is created and located. To the best knowledge of the Company, no person is or would be willing to purchase such solid waste material in such condition.

(cc) It is not anticipated, as of the date hereof, that there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2007 Series A Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

(dd) Company covenants to perform and observe all provisions of the Indenture required to be performed or observed by it.

(ee) Except for $17,875,000 County of Carroll, Kentucky, Environmental Facilities Revenue Bonds, 2007 Series A (Kentucky Utilities Company Project) (the "Carroll County 2007 Series A Bonds"), the entire proceeds of which will separately currently fund a separate series of bonds of the County of Carroll, Kentucky (such (i) Carroll County 2007 Series A Bonds and (ii) the 2007 Series A Bonds, defined hereby collectively as the "2007 Bonds"), there are no other obligations heretofore issued or to be issued by or on behalf of any state, territory or possession of the United States, or any political subdivision of any of the foregoing, or of the District of Columbia, which (i) were sold less than 15 days prior to or after the date of sale of the 2007 Series A Bonds; (ii) were sold pursuant to the same plan of financing with the 2007 Series A ɔnds; and (iii) are reasonably expected to be paid from substantially the same source of funds as the 2007 Series A Bonds, determined without ıegard to guarantees from parties unrelated to the obligor as is applicable to the 2007 Bonds.

Company need not comply with the covenants or representations in this Section if and to the extent that Issuer and Company receive a written

opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE III

COMPLETION AND OWNERSHIP OF PROJECT

Section 3.1. Completion and Equipping of Project. Company represents that:

(a) it will cause or has caused the Project to be constructed as herein provided on the Project Site in accordance with the Plans and Specifications as the same may be amended from time to time.

(b) it will make, execute, acknowledge and deliver any contracts, orders, receipts, writings and instructions with any other persons, firms or corporations and in general do all things which may be requisite or proper, all for acquiring, constructing, installing and equipping the Project.

(c) It will ask, demand, sue for, levy and use its best efforts to recover and receive such sums of money, debts or other demands whatsoever in connection with the Project, to which it may be entitled under any contract, order, guaranty, warranty, writing or instruction in connection with any of the foregoing, and it will enforce the provisions of any contract, agreement, obligation, bond or other security in connection with the Project. Any amounts received in connection with the foregoing, after deduction of expenses incurred in such recovery, prior to the Completion Date and full disposition of the Construction Fund in accordance with this Agreement and the Indenture, shall be paid into the Construction Fund.

(d) It will promptly commence and thereafter diligently pursue and continue the acquisition, construction, installation and equipping of the Project to completion and placement in service.

Section 3.2. Establishment of Completion Date. The Completion Date of the Project shall be evidenced to the Trustee by a certificate signed by Company Representative stating that, except for amounts retained by the Trustee at the Company's direction for any amount of the Cost of Construction not then due and payable or the liability for payment of which is being contested or disputed by Company, (i) construction of the Project has been completed in accordance with the Plans and Specifications and all labor, services, materials and supplies used in such construction, installation and equipping have been paid for, (ii) all other facilities necessary in connection with the Project have been acquired, constructed, installed and equipped in accordance with the Plans and Specifications and all costs and expenses incurred in connection therewith have been paid, and (iii) to the best of Company's knowledge and belief and based upon reasonable inquiry, the Project is suitable and sufficient for its intended purposes. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to ıy rights against third parties which exist at the date of such certificate or which may subsequently come into being. Upon receipt of such ertificate, the Trustee shall retain in the Construction Fund a sum (specified in writing to it by Company) equal to the amounts necessary for payment of any portion of the Cost of Construction of the Project not then due and payable or the liability for payment of which is being contested or disputed by Company. The remaining amounts in the Construction Fund shall be applied by the Trustee as provided in Section 6.06 of the Indenture.

Section 3.3. Agreement as to Ownership of Project. Issuer and Company agree that title to and ownership of the Project shall remain in and be the sole property of Company in which Issuer shall have no interest. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2007 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.4. Use of Project. Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to ARTICLE IX of this Agreement or ARTICLE IX of the Indenture, to interfere with Company's ownership of the Project or to prevent Company from having possession, custody, use and enjoyment of the Project.

Section 3.5. Financing of Additional Solid Waste Disposal Facilities. Company and Issuer hereby recognize that additional Solid Waste Disposal Facilities at the Project Site (other than those Solid Waste Disposal Facilities which constitute the Project) have in the past been and may in the future be acquired, constructed, installed and equipped at the Project Site, and that same may be financed with proceeds of one or more series of Issuer's solid waste disposal facility revenue bonds issued in addition to the 2007 Series A Bonds issued pursuant to the Indenture, to the extent permitted by law.

ARTICLE IV

ISSUANCE OF 2007 SERIES A BONDS; APPLICATION OF PROCEEDS

Section 4.1. Agreement to Issue 2007 Series A Bonds; Application of 2007 Series A Bond Proceeds. In order to provide funds to make the Loan, Issuer will issue, sell and deliver the 2007 Series A Bonds to the initial purchasers thereof and deposit the proceeds thereof with Trustee, as follows:

(a) Into the Bond Fund, a sum equal to the accrued interest, if any, to be paid by the initial purchasers of the 2007 Series A Bonds.

(b) Into the Construction Fund, the balance of the proceeds of the 2007 Series A Bonds for application as provided in the Indenture.

Section 4.2. Disbursements from Construction Fund. The Issuer has, in the Indenture, authorized and directed Trustee to make payments from the Construction Fund to pay the Cost of Construction or to reimburse Company for any amount of the Cost of Construction paid or incurred by it. Except for requisitions for costs of issuance of the 2007 Series A Bonds (which costs shall not be considered to be qualifying), requisitions made in the form and manner described below shall be made initially exclusively for expenditures which qualify as solid waste disposal facilities and none, except for the requisitions for such costs of issuance, shall be made for expenditures which do not so qualify until such time as the ratio of qualifying expenditures to nonqualifying expenditures can be maintained at not less than 95% qualifying to 5% nonqualifying. Notwithstanding the foregoing exception for costs of issuance of the 2007 Series A Bonds, amounts requisitioned for such purposes shall not exceed two percent (2%) of the proceeds of the 2007 Series A Bonds and shall be considered part of the 5% nonqualifying portion. Payments for Cost of Construction shall be made upon receipt in the case of every disbursement of a requisition signed by the Company Representative stating with respect to each payment to be made: (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment has been made or is due, (iii) the amount paid or to be paid, (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Construction Fund, is unpaid or unreimbursed, and has not been the basis of any previous withdrawal, and (v) that either (a) the expenditures qualify exclusively as Solid Waste Disposal Facilities or (b) the 95%-5% ratio as required above has been satisfied and the payment of the amount shown in such requisition will not result in less than 95% of the proceeds of the 2007 Series A Bonds expended at such time being used for the acquisition, construction or installation of Solid Waste Disposal Facilities.

Section 4.3. Furnishing Documents to the Trustee. Company agrees to cause such requisitions to be directed to the Trustee as may be necessary to effect payments out of the Construction Fund in accordance with Section 4.2 hereof.

Section 4.4. Company Required to Pay in Event Construction Fund Insufficient. In the event the moneys in the Construction Fund available for payment of the Cost of Construction should not be sufficient to pay such Cost of Construction in full, Company agrees to pay such portion of the Cost of Construction in excess of the moneys available therefor in the Construction Fund. Issuer does not make any warranty, either express or implied, that the moneys paid into the Construction Fund and available for payment of the Cost of Construction will be sufficient to pay all of such Cost of Construction. Company agrees that if, after exhaustion of such moneys in the Construction Fund, Company should directly pay any portion of the Cost of Construction pursuant to the provisions of this Section, it shall not be entitled to any diminution or abatement of the amounts payable under Section 5.1 hereof.

Section 4.5. Investment of Construction Fund, Bond Fund and Rebate Fund Moneys. Subject to the provisions of Section 148 of the Code, any moneys held as a part of the Construction Fund, Bond Fund or the Rebate Fund, shall be invested or reinvested by Trustee, at the written request of and as specifically directed by Company, in one or more of the Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of Trustee. All moneys invested shall be deemed at all times a part of the fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Construction Fund or Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2007 Series A Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax or other charge in respect of any investments, reinvestments or any liquidation of investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

Section 4.6. Special Arbitrage Certifications.

(a) Company covenants and agrees that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results or would result in interest paid on any of the 2007 Series A Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) or adversely affects the validity of the 2007 Series A Bonds.

(b) Company warrants, represents and certifies to Issuer that the proceeds of the 2007 Series A Bonds will not be used in any manner that would cause the 2007 Series A Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 and other applicable sections of the Code. To the best knowledge and belief of Company, there are no facts, estimates or circumstances that would materially change the foregoing conclusion.

(c) Company hereby covenants that it will at all times comply and cause Issuer to comply with the provisions of Section 148 and other applicable sections of the Code and will restrict the use of the proceeds of the 2007 Series A Bonds, in such manner and to such extent, if any, as may be necessary, and remit Excess Earnings with respect to all of the 2007 Series A Bonds, if any, to the United States of America pursuant to Section 148(f)(2) of the Code and carry out such actions so that the 2007 Series A Bonds will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code. An officer or officers of Issuer having responsibility with respect to the issuance of the 2007 Series A Bonds is or are hereby authorized and directed to give an appropriate certificate of Issuer, for inclusion in the transcript of proceedings for the 2007 Series A Bonds, setting forth the reasonable expectations of Issuer regarding the amount and use of the proceeds of the 2007 Series A Bonds and the facts, estimates and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2007 Series A Bonds pursuant to said Section 148 of the Code. Company shall provide the Issuer, and Issuer's certificate may be expressly based on, a certificate of Company setting forth the facts, estimates and circumstances and reasonable expectations of Company on the date of delivery of and payment for the 2007 Series A Bonds regarding the amount and use of the proceeds of the 2007 Series A Bonds and related matters. In the event any such representation of Company relied upon by the Issuer is untrue or inaccurate and Issuer thereby suffers costs or damages, Company shall indemnify Issuer for any such costs or damages.

(d) Consistent with the foregoing, Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2007 Series A Bonds, that no use will be made of the proceeds of the sale of the 2007 Series A Bonds which would cause the 2007 Series A Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and that Company and Issuer will, after issuance of the 2007 Series A Bonds, comply with the provisions of the Code at all times, including after the 2007 Series A Bonds are discharged, to the extent Excess Earnings with respect to the 2007 Series A Bonds are required to be rebated to the United States of America pursuant to Section 148(f)(2) of the Code. Pursuant to such covenant, Issuer and Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Section 148 of the Code.

(e) Company warrants, represents and certifies to Issuer that the proceeds of the 2007 Series A Bonds will be applied and invested in compliance with the current requirements of Section 149(g) of the Code and that consequently the 2007 Series A Bonds will not be "hedge bonds" under such Section 149(g) of the Code.

(f) Company hereby covenants and agrees that it will at all times comply with the provisions of Section 148, including Section 148 (f) of the Code and with Section 6.07 of the Indenture. Specifically, Company shall carry out, do and perform all acts stipulated to be performed by Company pursuant to such Section 6.07 of the Indenture. Company shall further undertake to assure and cause rebate payments to be calculated and made to the United States of America in accordance with Section 148(f)(2) of the Code from moneys on deposit in the Rebate Fund from time to time after the end of each Computation Period, as defined in the Indenture, and following discharge of the 2007 Series A Bonds. Company also covenants to take all necessary acts and steps as required to cause Issuer to comply with the provisions of Sections 7.02 and 7.03 of the Indenture.

Section 4.7. Opinion of Bond Counsel. Company need not comply with the covenants or representations in Section 4.6 if and to the extent that Issuer and Company (with a copy to Trustee) receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Section 4.8. Construction Fund Pledged as Further Security. Pending complete disbursement of all moneys in the Construction Fund pursuant to the provisions of this Agreement, pursuant to the Indenture all of such moneys or investments of such moneys are pledged to the Trustee and the holders of the 2007 Series A Bonds for the further security of the 2007 Series A Bonds.

ARTICLE V

PROVISIONS FOR PAYMENT

Section 5.1. Loan Payments and Other Amounts Payable.

(a) Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2007 Series A Bonds or any other date that any payment of interest, premium, if any, purchase price or principal is required to be made in respect of the 2007 Series A Bonds at the times specified in accordance with the more specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2007 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the 2007 Series A Bonds as provided in the Indenture; provided that such payments by Company to enable the Tender Agent to pay the purchase price of Bonds shall be made within the times required by Section 3.05 of the Indenture. It is understood and agreed that all payments payable by Company under this subsection (a) of Section 5.1 are assigned by the Issuer to the Trustee, the Paying Agent and the Tender Agent, as applicable, for the benefit of the Bondholders. Company assents to such assignment. Issuer hereby directs Company and Company hereby agrees to pay to Trustee and/or Paying Agent or Tender Agent, as appropriate, at the Principal Office of the Trustee and/or Paying Agent or Tender Agent, as appropriate, all payments payable by Company pursuant to this subsection.

(b) Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2007 Series A Bonds and incurred upon the request of Company.

(c) Company will also pay the agreed upon fees and expenses of Trustee (including those referred to in Section 10.02 of the Indenture), the Bond Registrar, the Tender Agent and the Paying Agent under the Indenture and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Initial Broker-Dealer, the Auction Agent and the Tender Agent, as applicable from time to time, under the Indenture, such amounts to be paid directly to Trustee, the Bond Registrar, the Paying Agent, the Tender Agent, the Initial Broker-Dealer and the Auction Agent for their respective own accounts as and when such amounts become due and payable.

(d) The Company further agrees to hold harmless the Trustee, Bond Registrar and Paying Agent against any loss, liability or expense, including reasonable attorneys' fees and expenses, incurred by it without negligence or bad faith on its part in connection with the issuance of the 2007 Series A Bonds or the acceptance or administration of the trusts under the Indenture, including the costs of defending itself against any claim or liability in connection therewith.

(e) The Company covenants, for the benefit of the Bondholders, if applicable, to pay or cause to be paid, to the Tender Agent for deposit in the Purchase Fund, such amounts as shall be necessary to enable the Tender Agent to pay the purchase price of 2007 Series A Bonds delivered to it for purchase, all as more particularly described in Sections 3.03 and 3.05 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price of 2007 Series A Bonds delivered to it for purchase, as provided in the Indenture.

(f) In the event Company should fail to make any of the payments required in this Section 5.1, the item or installment so in default shall continue as an obligation of Company until the amount in default shall have been fully paid, and Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due to the date of payment.

Section 5.2. Payments Assigned. As set forth in Section 5.1 hereof, it is understood and agreed that this Agreement and all payments made by Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) and (c) or pursuant to Section 8.2 hereof) are assigned by Issuer to Trustee. Company assents to such assignment and hereby agrees that, as to Trustee, Paying Agent, Initial Broker-Dealer, Auction Agent and Tender Agent, as applicable from time to time, its obligation to make such payments shall be absolute, irrevocable and unconditional and shall not be subject to cancellation, termination or abatement or to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by any party, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing by any party. Except as provided above, Issuer hereby directs Company and Company hereby agrees to pay directly to Trustee, Paying Agent, Initial Broker-Dealer, Auction Agent, Bond Registrar, Tender Agent and Issuer, as appropriate, all said payments payable by Company pursuant to Section 5.1 of this Agreement.

Section 5.3. Taxes and Other Governmental Charges. Company agrees to pay during the term of this Agreement, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied or charged against or with respect to the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating Company to pay taxes on any interest or principal on the 2007 Series A Bonds disbursed to Bondholders.

Company may, at its expense and in its own name, in good faith contest any such taxes, assessments and other governmental charges and, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments or charges shall be paid forthwith. Issuer will cooperate fully with Company in any such contest. In the event Company shall fail to pay any of the foregoing items required by this Section to be paid by Company, Issuer or Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by Issuer or Trustee shall become an additional obligation of Company to the one making the advancement, which amounts, together with interest thereon Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on ninety-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; provided, however, that no such advancement shall operate to relieve the Company from any default hereunder. Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4. Obligations of Company Unconditional. The obligation of Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.07 of the Indenture shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the 2007 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, Company (i) will not suspend or discontinue any payments pursuant to this Agreement and (ii) except as provided in ARTICLE X hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of title to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of Issuer or Trustee to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release Issuer from the performance of any of the agreements on its part herein contained; and in the event Issuer should fail to perform any such agreement on its part, Company may institute such action against Issuer as Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of Company contained in the preceding sentence. Company may, however, at its own cost and expense and in its own name or in the name of Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy and use of the Project, and in such event Issuer hereby agrees to cooperate fully with Company.

Section 5.5. Rebate Fund. Company agrees to make all payments to the Trustee and rebate all amounts to the United States of America as are required of it under Section 6.07 of the Indenture. The obligation of Company to make such payments shall remain in effect and be binding upon Company notwithstanding the release and discharge of the Indenture.

Section 5.6. Redemption of the 2007 Series A Bonds in Advance of Scheduled Maturity. Under the terms of the Indenture, the 2007 Series A Bonds are and will be subject to redemption prior to their scheduled maturity. The Issuer agrees that it shall direct the Trustee to redeem and call 2007 Series A Bonds at the written direction of the Company.

Section 5.7. Cancellation of 2007 Series A Bonds. The cancellation by the Bond Registrar of any 2007 Series A Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2007 Series A Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan repayment equal to the principal amount of the 2007 Series A Bond or Bonds so cancelled.

ARTICLE VI

MAINTENANCE; DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS; INSURANCE

Section 6.1. Maintenance. So long as any 2007 Series A Bonds are Outstanding, as that term is defined in the Indenture, Company will maintain, preserve and keep the Project, or cause the Project to be maintained, preserved and kept, in good repair, working order and condition and will from time to time make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as Solid Waste Disposal Facilities; provided, however, that Company will have no obligation to maintain, preserve, keep, repair, replace or renew any element or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to Company because of damage or destruction by a cause not within the control of Company, or condemnation of all or substantially all of the Project or the generating facilities to which the element or unit of the Project is an adjunct, or obsolescence (including economic obsolescence) or change in government standards and regulations, or the termination by Company of the operation of the generating facilities to which the element or unit of the Project is an adjunct, and (b) with respect to which Company has furnished to Issuer and Trustee a certificate executed by Company Representative certifying that the maintenance, preservation, keeping, repair, replacement or renewal of such element or unit of the Project is being discontinued for one of the foregoing reasons, which shall be stated therein, and that the discontinuance of such element or unit will not adversely affect the exclusion of interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of this Agreement as part of the Project; provided, however, that Company shall take no actions which will change or alter the basic nature of the Project as Solid Waste Disposal Facilities.

If, prior to full payment of all 2007 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer or the Company receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.1(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2007 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2007 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2007 Series A Bonds are otherwise subject to optional redemption.

Section 6.2. Insurance. The Company agrees to insure, or self-insure, the Project at all times reasonably in accordance with investor-owned public utility industry general practices and standards.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1. No Warranty of Condition or Suitability by Issuer. Issuer makes no warranty, either express or implied, as to the Project or that it will be suitable for Company's purposes or needs.

Section 7.2. Company to Maintain its Corporate Existence; Conditions under Which Exceptions Permitted. Company agrees that during the term of this Agreement it will maintain its corporate existence and good standing, will continue to be a corporation organized under the laws of the Commonwealths of Kentucky and Virginia or qualified and admitted to do business in the Commonwealths of Kentucky and Virginia, and will neither dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge, (i) shall be a corporation or other business organization organized and existing under the laws of the United States or one of the States of the United States of America or the District of Columbia, (ii) shall be qualified and admitted to do business in the Commonwealth of Kentucky, (iii) shall assume in writing all of the obligations and covenants of Company herein and (iv) shall deliver a copy of such assumption to the Issuer and Trustee.

Section 7.3. Financial Statements. Company agrees to furnish Trustee (within 120 days after the close of each fiscal year) with an audited balance sheet and statements of income, retained earnings and changes in cash flows showing the financial condition of Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of Company and its consolidated subsidiary or subsidiaries, if any, for such fiscal year, accompanied by an opinion of its regular independent certified public accountants that such statements fairly represent the financial condition of Company in accordance with generally accepted accounting principles. The information so provided to Trustee shall be kept in its files and is not required to be distributed to any Registered Holder or other person. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 7.4. Further Assurances and Corrective Instruments. Issuer and Company agree that they will, from time to time, execute, knowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5. Issuer Representative. Whenever under the provisions of this Agreement the approval of Issuer is required or Issuer

is required to take some action at the request of Company, such approval shall be made or such action shall be taken by Issuer Representative and Company or Trustee shall be authorized to act on any such approval or action, and Issuer shall have no redress against Company or Trustee as a result of any such action taken.

Section 7.6. Company Representative. Whenever under the provisions of this Agreement the approval of Company is required or Company is required to take some action at the request of Issuer, such approval shall be made or such action shall be taken by Company Representative and Issuer or Trustee shall be authorized to act on any such approval or action and Company shall have no redress against Issuer or Trustee as a result of any such action taken.

Section 7.7. Financing Statements. Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the lien of the Indenture. Issuer shall cooperate fully with Company in taking any such action. Concurrently with the execution and delivery of the 2007 Series A Bonds, Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such lien, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture, which filings the Company agrees to undertake.

Section 7.8. Company's Performance Under Indenture. The Company agrees, for the benefit of Bondholders to do and perform all acts and things contemplated in the Indenture to be done and performed by it.

Section 7.9. Negative Pledge.

(a) The Company agrees that so long as any 2007 Series A Bonds remain outstanding, the Company will not issue, assume or guarantee any Debt secured by any mortgage, security interest, pledge or lien (herein referred to as a "mortgage") of or upon any Operating Property of the Company, whether owned at the date of the Indenture or thereafter acquired, and will not permit to exist any Debt secured by a mortgage on any Operating Property without in any such case effectively securing the 2007 Series A Bonds equally and ratably with such Debt; provided, however, that the foregoing restriction shall not apply to Debt secured by any of the following:

(i) mortgages on any property existing at the time of acquisition thereof;

(ii) mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with the Company, or at the time of a sale, lease or other disposition of the properties of such corporation or a division thereof as an entirety or substantially as an entirety to the Company, provided that such mortgage as a result of such merger, consolidation, sale, lease or other disposition is not extended to property owned by the Company immediately prior thereto;

(iii) mortgages on property to secure all or part of the cost of acquiring, substantially repairing or altering, constructing, developing or substantially improving such property, or to secure indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided such mortgages are created or assumed contemporaneously with, or within 18 months after, such acquisition or completion of substantial repair or alteration, construction, development or substantial improvement or within six months thereafter pursuant to a commitment for financing arranged with a lender or investor within such 18 month period;

(iv) mortgages in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any state thereof, or for the benefit of holders of securities issued by any such entity, to secure any Debt incurred for the purpose of financing all or any part of the purchase price or the cost of substantially repairing or altering, constructing, developing or substantially improving the property subject to such mortgages; or

(v) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any mortgage referred to in the foregoing clauses (1) to (4), inclusive; provided, however, that the principal amount of indebtedness secured thereby and not otherwise authorized by said clauses (1) to (4), inclusive, shall not exceed the principal amount of indebtedness, plus any premium or fee payable in connection with any such extension, renewal or replacement, so secured at the time of such extension, renewal or replacement.

(b) Notwithstanding the provisions of Section 7.9(a) and so long as any 2007 Series A Bonds remain outstanding, the Company may issue, assume or guarantee Debt, or permit to exist Debt, secured by mortgages which would otherwise be subject to the restrictions of this Section up to an aggregate principal amount that, together with the principal amount of all other Debt of the Company secured by mortgages (other than mortgages permitted by Section 7.9(a) that would otherwise be subject to the foregoing restrictions) does not at the time exceed the greater of 10% of Net Tangible Assets or 10% of Capitalization.

(c) Notwithstanding the provisions of Section 7.9(a) and Section 7.9(b), the Company will not issue, assume, guarantee or permit to exist any debt of the Company secured by a mortgage, the creditor of which controls, is controlled by, or is under common control with, the Company.

(d) If at any time the Company shall issue, assume or guarantee any Debt secured by any mortgage and if Section 7.9(a) requires that the 2007 Series A Bonds be secured equally and ratably with such Debt, the Company will promptly execute, at its expense, any instruments necessary to so equally and ratably secure such 2007 Series A Bonds.

ARTICLE VIII

ASSIGNMENT; INDEMNIFICATION; REDEMPTION

Section 8.1. Assignment. This Agreement may be assigned by Company without the necessity of obtaining the consent of either Issuer or Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve Company from primary liability for any of its obligations hereunder, and in the event of any such assignment Company shall remain primarily liable for payments of the amounts specified in Section 5.1 hereof and for performance and observance of the other covenants or agreements on its part herein provided to be performed and observed to the same extent as though no assignment had been made;

(b) The assignee shall assume the obligations of Company hereunder to the extent of the interest assigned;

(c) Company shall, within thirty days after the delivery thereof, furnish or cause to be furnished to Issuer and to Trustee a true and complete copy of each such assignment and assumption of obligation; and

(d) prior to such assignment, the Company shall have obtained an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the 2007 Series A Bonds from gross income for Federal income tax purposes under Section 103 (a) of the Code.

Section 8.2. Release and Indemnification Covenants. Company releases Issuer from and covenants and agrees that Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless against, any expense or liability incurred by Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof. If any such claim is asserted, Issuer agrees to give prompt notice to the Company and Company will assume the defense thereof, with full power to litigate, compromise or to settle the same in its sole discretion, it being understood that Issuer will not settle or consent to the settlement of the same without the consent of Company.

Section 8.3. Assignment of Interest in Agreement by Issuer. Any assignment by Issuer to Trustee pursuant to the Indenture or this Agreement of any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 8.4. Redemption of 2007 Series A Bonds. Upon the agreement of Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2007 Series A Bonds subject to redemption, Issuer, at the request of Company, shall forthwith take all steps (other an the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect .edemption of all or part of the 2007 Series A Bonds outstanding, as may be specified by Company, on the redemption date specified by the Company.

Section 8.5. Reference to 2007 Series A Bonds Ineffective after 2007 Series A Bonds Paid. Upon payment in full of the 2007 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.6 hereof and payment of all fees and charges of the Trustee (including reasonable attorney's fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2007 Series A Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2007 Series A Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default Defined. The following shall be "Events of Default" under this Agreement and the term "Events of Default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsections (a) and (e) of Section 5.1 hereof which results in failure to pay principal of, premium or interest on or the purchase price of the 2007 Series A Bonds, and such failure shall cause an Event of Default under the Indenture.

(b) Failure by Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, is given to Company by Issuer or Trustee, unless Issuer and Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Issuer and Trustee will not unreasonably withhold their consent to an extension of such time if such failure is capable of being cured and corrective action is instituted by Company within the applicable period and is being diligently pursued.

(c) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction ɜking (i) relief in respect of Company, or of a substantial part of the property or assets of Company, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company or (iii) the winding-up or liquidation of Company; and such proceeding or petition shall continue undismissed or unstayed for 90 days

or an order or decree approving or ordering any of the foregoing shall be entered.

(d) Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (d) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing.

(e) The occurrence of an Event of Default under the Indenture.

The provisions of Section 9.1(b) are subject to the following limitations: If by reason of force majeure Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of Company contained in Section 2.2(k) and (l), Section 4.6 or Section 7.2 or ARTICLE V hereof and the general covenant and obligation of Company to take all necessary actions for the continued exclusion of interest on the 2007 Series A Bonds from gross income for federal and Kentucky income taxes, Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean any cause or event not reasonably within the control of Company, including without limitation the following: acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies, including terrorists; orders of any kind of the government of the United States or of the Commonwealth of Kentucky or any of their departments, agencies or officials, or any civil or military authority; evacuations and quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines or pipes; or partial or entire failure of utility services. Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Company, and Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Company unfavorable to Company.

Section 9.2. Remedies on Default. Whenever any Event of Default referred to in Section 9.1 hereof shall have happened and be continuing, the Trustee, on behalf of the Issuer at the direction of the Bond Insurer, may take any one or more of the following remedial steps:

(a) By written notice to Company, the Trustee, on behalf of the Issuer at the direction of the Bond Insurer, may declare an amount equal to the principal and accrued interest on the 2007 Series A Bonds then Outstanding, as defined in the Indenture, to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

(b) The Trustee, on behalf of the Issuer at the direction of the Bond Insurer, may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of Company.

(c) The Trustee, on behalf of the Issuer at the direction of the Bond Insurer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Company under this Agreement.

In case there shall be pending a proceeding of the nature described in Section 9.1(c) or (d) above, Trustee, upon direction by the Bond Insurer or the Bond Insurer itself, shall be entitled and empowered, by intervention in such proceeding or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of Trustee allowed in such judicial proceedings relative to Company, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any custodian (including, without limitation a receiver, trustee or liquidator) of Company appointed in connection with such proceedings is hereby authorized to make such payments to Trustee, and to pay to Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Any amounts collected pursuant to action taken under this Section (other than the compensation and expenses referred to in the immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2007 Series A Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of Trustee and any paying agents accrued and to accrue through final payment of the 2007 Series A Bonds, and all other liabilities of Company accrued and to accrue hereunder or under the Indenture through final payment of the 2007 Series A Bonds have been paid, such amounts so collected shall be paid to Company.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given Issuer hereunder shall also extend to Trustee, and Trustee and the holders of the 2007 Series A Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 9.4. Agreement to Pay Reasonable Attorneys' Fees and Expenses. In the event Company should default under any of the provisions of this Agreement and Issuer and/or Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of Company herein contained, Company agrees that it will on demand therefor pay to Issuer and/or Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by Issuer and/or Trustee.

Section 9.5. Waiver of Events of Default. If, after the acceleration of the maturity of the outstanding 2007 Series A Bonds by Trustee pursuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2007 Series A Bonds and the principal of, and premium, if any, on any and all 2007 Series A Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2007 Series A Bond, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2007 Series A Bonds which shall have become due by said declaration, shall have been remedied, and such Event of Default under the Indenture shall be deemed waived by Trustee in accordance with Section 9.11 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then Company's default hereunder shall be deemed to have been waived by Issuer and no further action or consent by Trustee or Issuer shall be required. In the event any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

PREPAYMENT OF LOAN

Section 10.1. Options to Prepay Loan. Company shall have, and is hereby granted, options to prepay the Loan in whole and to cancel or terminate this Agreement on any Business Day at any time Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by Company to Trustee of such election, as follows:

(a) If in the judgment of Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2007 Series A Bonds upon Company with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem, property, income or other taxes not imposed on the date of this Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) If the Project or a portion thereof or other property of Company in connection with which the Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use;

(d) In the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of Trimble 2 shall have occurred which, in the judgment of the Company, render the continued operation of the Trimble 2 or any generating unit at such station uneconomical; or changes in circumstances, after the issuance of the 2007 Series A Bonds including but not limited to changes in solid waste abatement, control and disposal requirements, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) In the event this Agreement shall become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action, whether state or federal, or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) A final order or decree of any court or administrative body after the issuance of the 2007 Series A Bonds shall require the Company to cease a substantial part of its operations at the Trimble 2 to such extent that the Company will be prevented from carrying on its normal operations at such location for a period of six months.

In the case of prepayment pursuant to this Section (or if any 2007 Series A Bonds be redeemed in whole or in part pursuant to Section 6.1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with Trustee and available for such purpose, to redeem all 2007 Series A Bonds then outstanding (or, in the case any 2007 Series A Bonds are redeemed in part pursuant to Section 6.1 hereof, such portion of the 2007 Series A Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2007 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2007 Series A Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the events mentioned in (a) through (f) above, Company is required to give written notice to Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2. Additional Option to Prepay Loan. Company shall have, and is hereby granted, further options, to the extent that the 2007 Series A Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with Trustee moneys sufficient to pay,

together with other funds deposited with Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2007 Series A Bonds then outstanding under the Indenture and, upon depositing with Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2007 Series A Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder, to cancel or terminate the term of this Agreement.

Section 10.3. Obligations to Prepay Loan. Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, prior to the required full payment of the 2007 Series A Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and Company shall take all actions required to mandatorily redeem the 2007 Series A Bonds at the cost of the Company upon the terms specified in this Agreement and in ARTICLE IV of the Indenture following the occurrence of a Determination of Taxability, including, but not limited to, prepaying appropriate amounts due on the 2007 Series A Bonds in order to effect such redemption. The 2007 Series A Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this Section, a "Determination of Taxability" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2007 Series A Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2007 Series A Bonds, the interest on the 2007 Series A Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2007 Series A Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2007 Series A Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any 2007 Series A Bond in the computation of minimum or indirect taxes. All of the 2007 Series A Bonds shall be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2007 Series A Bonds of one or more series or one or more maturities would have the result that interest payable on the remaining 2007 Series A Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the 2007 Series A Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described in this Section, the Company shall give notice thereof to the Trustee and the Issuer.

In the case of the mandatory obligation of Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as specified in this Section hereof and to provide to Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2007 Series A Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2007 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any paying agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2007 Series A Bonds.

Section 10.4. Notice of Prepayment; Redemption Procedures. It is understood and agreed by the parties hereto that in order to exercise an option granted in, or to consummate a mandatory prepayment required by, this Article, Company shall give written notice to Issuer and Trustee which notice shall (i) contain the agreement of Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2007 Series A Bonds equal to the amount of the prepayment, including, in the case of a prepayment under Section 10.2 hereof, any applicable redemption premium in respect of such 2007 Series A Bonds, and any other amounts required under this Agreement and (ii) specify the prepayment date (which must be a Business Day and which shall also be the redemption date), which date shall not be less than 30 days (45 days if the 2007 Series A Bonds are bearing interest at the Semi-annual, Annual or Long Term Rate or in all cases such shorter period as may be acceptable to the Trustee) nor more than 90 days from the date the notice is mailed by Company to Issuer and Trustee.

Section 10.5. Relative Position of this Article and Indenture. The rights and options granted to Company in this Article, except the option granted to Company pursuant to Section 10.2 to prepay less than all of the Loan payments, shall be and remain prior and superior to the Indenture and may be exercised whether or not Company is otherwise in default hereunder; provided that such default will not result in nonfulfillment of any condition to the exercise of any such right or option.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Term of Agreement. This Agreement shall remain in full force and effect from the date hereof to and including the later of March 1, 2037, or until such earlier or later time as all of the 2007 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture), whichever shall be later; provided, however, that this Agreement may be cancelled and terminated prior to said date if Company shall prepay all of the Loan pursuant to ARTICLE X hereof; and provided further, however, that all obligations of Company under ARTICLE V and Section 8.1 hereof (a) to pay the agreed fees and expenses of Trustee, the Bond Insurer, the Tender Agent, the Bond Registrar and any Paying Agent and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2007 Series A Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by Company as to all matters affecting the tax-exempt status of interest on the 2007 Series A Bonds shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2007 Series A Bonds and shall survive the termination of this Agreement and all obligations of Company contained herein relating to indemnification of Issuer, Trustee, Bond Registrar, Authenticating Agent, Tender Agent and any Paying Agent shall survive the termination of this Agreement.

Section 11.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Issuer, at 123 Church Street, P. O. Box 251, Bedford, Kentucky 40006, Attention: County Judge/ Executive;

If to Company, at its corporate headquarters, One Quality Street, Lexington, Kentucky 40507, Attention: Treasurer, with a copy to E.ON U.S. LLC, 220 West Main Street, Louisville, Kentucky 40202, Attention: Treasurer, and

If to Trustee, at 60 Wall Street, 27 th Floor, Mailstop NYC60-2715, New York, New York 10005, Attn: Trust & Securities Services (Municipal Group).

If to Bond Insurer, at One State Street Plaza, New York, New York 10004, Attn: Surveillance Department, Global Utilities.

If to Paying Agent, Remarketing Agent, Auction Agent, Initial Broker-Dealer or Tender Agent, at such addresses for notices as are set forth in the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by either Issuer or Company to the other shall also be given to Trustee. Issuer, Company and Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.3. Binding Effect; Bond Counsel Opinions. This Agreement shall inure to the benefit of and shall be binding upon Issuer, Company and their respective successors and assigns, subject, however, to the limitations contained in Section 7.2 , Section 8.1 and Section 8.3 hereof.

Section 11.4. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5. Amounts Remaining in Construction Fund, Bond Fund and Rebate Fund. It is agreed by the parties hereto that any amounts remaining in the Construction Fund and in the Bond Fund upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the 2007 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, shall belong to and be paid to Company by Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied and disbursed strictly and only in accordance with the provisions of Section 6.07 of the Indenture.

Section 11.6. Amendments, Changes and Modifications. Subsequent to the issuance of the 2007 Series A Bonds and prior to payment in full of all 2007 Series A Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated, and no provision hereof waived, without the written consent of Trustee, given in accordance with the Indenture.

Section 11.7. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 11.9. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 11.10. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement,

as hereinabove provided.

Section 11.11. Payments Due on Other Than Business Days. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be on a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided in this Agreement, and if done on such succeeding Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

Section 11.12. The Bond Insurer shall be a third party beneficiary of the provisions of this Agreement.

(remainder of page left blank intentionally)

IN WITNESS WHEREOF, Issuer and Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first written.

COUNTY OF TRIMBLE, KENTUCKY

(SEAL)

By_____
RANDY STEVENS
County Judge/Executive

ATTEST:

_____
SUSAN BARNES
Fiscal Court Clerk

KENTUCKY UTILITIES COMPANY

(SEAL)

By_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF TRIMBLE)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of May, 2007, the foregoing instrument was produced to me in said County by Randy Stevens and Susan Barnes, personally known to me and personally known by me to be the County Judge/Executive and Fiscal Court Clerk, respectively, of the COUNTY OF TRIMBLE, KENTUCKY, and acknowledged before me by them and each of them to be their free act and deed as County Judge/Executive and Fiscal Court Clerk of such County, and the act and deed of said County as authorized by an Ordinance of the Fiscal Court of such County.

Witness my hand and seal this _____ day of May, 2007. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of May, 2007, the foregoing instrument was produced to me in said County by Daniel K. Arbough and John R. McCall, personally known to me and personally known by me to be the Treasurer and the Secretary, respectively, of KENTUCKY UTILITIES COMPANY, a corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

Witness my hand and seal this _____ day of May, 2007. My commission expires _____.

'SEAL)

_____
Notary Public
State at Large, Kentucky

This Instrument Prepared by the
Undersigned, Attorney at Law of
STOLL KEENON OGDEN PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202

_____
SPENCER E. HARPER, JR

Exhibit 4(gg)-2

Execution Copy

(2007 Series A - Trimble County)

COUNTY OF TRIMBLE, KENTUCKY

AND

KENTUCKY UTILITIES COMPANY

A Kentucky and Virginia Corporation

* * * * *

AMENDMENT NO. 1 TO LOAN AGREEMENT IN CONNECTION WITH ENVIRONMENTAL FACILITIES

* * * * *

Dated as of September 1, 2010

* * * * *

NOTICE: The interest of the County of Trimble, Kentucky in and to this Amendment No. 1 to Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Indenture of Trust dated as of March 1, 2007.

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THIS AMENDMENT NO. 1 TO LOAN AGREEMENT, dated as of September 1, 2010, but made effective as of the Effective Date (defined herein) (this "Amendment No. 1 to Loan Agreement"), by and between the COUNTY OF TRIMBLE, KENTUCKY, being a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and KENTUCKY UTILITIES COMPANY, a corporation organized and existing under the laws of the Commonwealths of Kentucky and Virginia.

WITNESSETH:

WHEREAS, the County of Trimble, Kentucky (the "Issuer") constitutes a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), the Issuer has the power to enter into the transactions contemplated by this Amendment No. 1 to Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, the Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act for the collection, storage, treatment and final disposal of solid wastes; and

WHEREAS, on May 24, 2007, the Issuer, at the request of Kentucky Utilities Company (the "Company"), issued its Environmental Facilities Revenue Bonds, 2007 Series A (Kentucky Utilities Company Project) (the "Bonds" or "2007 Series A Bonds") in the original principal amount of $8,927,000, and the Issuer loaned the proceeds of the 2007 Series A Bonds to the Company pursuant to the Loan Agreement dated as of March 1, 2007, between the Issuer and the Company (the "Agreement"); and

WHEREAS, to secure the payment of the 2007 Series A Bonds, the Issuer assigned substantially all of its rights, title and interests in and to the Agreement to Deutsche Bank Trust Company Americas, as Trustee (the "Trustee"), pursuant to the Indenture of Trust dated as of March 1, 2007, between the Issuer and the Trustee (the "Indenture"); and

WHEREAS, all of the 2007 Series A Bonds remain outstanding and unpaid; and

WHEREAS, the Company intends to enter into that certain Indenture dated as of October 1, 2010 (the "First Mortgage Indenture"), between the Company and The Bank of New York Mellon (the "First Mortgage Trustee"), pursuant to which the Company shall issue certain first mortgage bonds secured by a lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky; and

WHEREAS, in the event the Company grants a lien on and a security interest in its operating property to secure general debt for borrowed money, which the Company intends to do pursuant to the issuance of the first mortgage bonds pursuant to the First Mortgage Indenture, the Agreement obligates the Company to grant an equal and ratable lien on and security interest in its operating property in favor of the Trustee under the Indenture to secure the 2007 Series A Bonds; and

WHEREAS, the Company intends to issue first mortgage bonds (the "First Mortgage Bonds") to the Trustee under the Indenture, thereby creating in favor of the Trustee for the benefit of the holders of the 2007 Series A Bonds an equal and ratable lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky as security for the payment of the 2007 Series A Bonds; and

WHEREAS, pursuant to Section 13.01 of the Indenture, the consent of the holders of the 2007 Series A Bonds is not required for the Issuer and the Company to enter into an amendment to the Agreement in order to conform the Agreement with changes and modifications to the Indenture made pursuant to Section 12.01 of the Indenture; and

WHEREAS, it is now appropriate and necessary that the Agreement be amended pursuant to Section 13.01 of the Indenture in connection with the issuance of the First Mortgage Bonds to the Trustee under the Indenture as additional collateral and security for the payment of the 2007 Series A Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Issuer on September 20, 2010, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to enter into this Amendment No. 1 to Loan Agreement in order to provide additional collateral and security for the 2007 Series A Bonds; and

WHEREAS, the Issuer and the Trustee have entered into that certain Supplemental Indenture No. 1 to Indenture of Trust (the "Supplemental Indenture No. 1") of even date herewith pursuant to Section 12.01 of the Indenture; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amendment No. 1 to Loan Agreement have happened, have existed and have been performed as so required in order to make this Amendment No. 1 to Loan Agreement a valid and binding loan agreement for the security of the holders of the 2007 Series A Bonds and for payment of all amounts due under the Agreement and this Amendment No. 1 to Loan Agreement in accordance with their respective terms.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER AS FOLLOWS:

ARTICLE I

AMENDMENTS TO THE LOAN AGREEMENT

Section 1.1. Amendment of Table of Contents. The title to Article IV of the Table of Contents of the Agreement is hereby amended and restated and Sections 4.9 and 10.6 are added to the Table of Contents:

ARTICLE IV ISSUANCE OF 2007 SERIES A BONDS; APPLICATION OF PROCEEDS; COMPANY TO ISSUE FIRST MORTGAGE BONDS

Section 4.9 First Mortgage Bonds

Section 10.6 Concurrent Discharge of First Mortgage Bonds

The Table of Contents is further amended by deleting Section 7.9 in its entirety.

Section 1.2. Amendment of Section 1.2. Incorporation of Certain Terms by Reference. The following defined terms are hereby added to Section 1.2 of the Agreement and shall have the meanings set forth in Section 1.5 of the Supplemental Indenture No. 1:

"Amendment No. 1 to Loan Agreement"
"Effective Date"
"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Redemption Demand"
"Supplemental First Mortgage Indenture"
"Supplemental Indenture No. 1"

Section 1.3. Amendment of Section 1.3. Additional Definitions. The following defined terms set forth in Section 1.3 of the Agreement are hereby deleted in their entirety:

"Capitalization"
"Debt"
"Net Tangible Assets"
"Operating Property"

Section 1.4. Amendment of Section 3.3. Agreement as to Ownership of Project. Section 3.3 of the Agreement is hereby amended and restated to read as follows:

Section 3.3. Agreement as to Ownership of Project. The Issuer and the Company agree that title to and ownership of the Project shall remain in and be the sole property of the Company in which the Issuer shall have no interest. From and after the Effective Date, the Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2007 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement and the Amendment No. 1 to Loan Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 1.5. Addition of Section 4.9. First Mortgage Bonds. The Agreement is hereby amended by the addition of Section 4.9 thereto to read as follows:

Section 4.9. First Mortgage Bonds. The Company covenants and agrees with the Issuer that it will, for the purpose of providing security for the 2007 Series A Bonds, execute and deliver to the Trustee on the Effective Date the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2007 Series A Bonds. The First Mortgage Bonds shall be in full force and effect from and after the Effective Date and shall mature as to principal identically as in the case of the 2007 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental First Mortgage Indenture, shall bear interest identically as in the case of the 2007 Series A Bonds.

Following the Effective Date, upon the occurrence of an event of default under Article IX of this Agreement as amended by the Amendment No. 1 to Loan Agreement, that has resulted in a default in payment of the principal of, premium, if any, or interest on the 2007 Series A Bonds as and when the same come due, whether at maturity, redemption, acceleration or otherwise, or a default in payment of the purchase price of any 2007 Series A Bond tendered for purchase, the acceleration of the maturity date of the 2007 Series A Bonds (to the extent not already due and payable) as a consequence of such event of default and the receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable, in accordance with the provisions specified in the Supplemental First Mortgage Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2007 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, the Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2007 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of the Company thereunder terminated and such First Mortgage Bonds shall be surrendered by the Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of the Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Section 1.6. Amendment of Section 6.1. Maintenance. The third paragraph of Section 6.1 of the Agreement is hereby amended and restated to read as follows:

If, prior to full payment of all 2007 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Company or the First Mortgage Trustee receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.1(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2007 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2007 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2007 Series A Bonds are otherwise subject to optional redemption.

Section 1.7. Amendment of Section 7.7. Financing Statements. Section 7.7 of the Agreement is hereby amended and restated to read as follows:

Section 7.7. Financing Statements. The Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the respective liens of the Indenture and the First Mortgage Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the First Mortgage Bonds, the Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the respective liens of the Indenture and the First Mortgage Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such liens, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the respective liens of the Indenture and the First Mortgage Indenture, which filings the Company agrees to undertake.

Section 1.8. Deletion of Section 7.9. Negative Pledge. Section 7.9 of the Agreement is hereby deleted in its entirety.

Section 1.9. Amendment of Section 8.5. References to 2007 Series A Bonds Ineffective after 2007 Series A Bonds Paid. Section 8.5 of the Agreement is hereby amended and restated to read as follows:

Section 8.5. Reference to 2007 Series A Bonds Ineffective after 2007 Series A Bonds Paid. Upon payment in full of the 2007 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.6 hereof and payment of all fees and charges of the Trustee (including reasonable attorneys fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2007 Series A Bonds, the First Mortgage Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2007 Series A Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

Section 1.10. Amendment of Section 9.1. Events of Default Defined. Section 9.1 of the Agreement is hereby amended by the addition of subsection (f) thereto to read as follows:

(f) From and after the Effective Date, all bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

Section 1.11. Amendment of Section 9.2. Remedies on Default. Section 9.2(c) of the Agreement is hereby amended and restated to read as follows:

(c) The Trustee, on behalf of the Issuer at the direction of the Bond Insurer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement and the Amendment No. 1 to Loan Agreement, including, from and after the Effective Date, any remedies available in respect of the First Mortgage Bonds.

Section 1.12. Addition of Section 10.6. Concurrent Discharge of First Mortgage Bonds. The Agreement is hereby amended by the addition of Section 10.6 thereto to read as follows:

Section 10.6. Concurrent Discharge of First Mortgage Bonds. From and after the Effective Date, in the event any of the 2007 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement and the Amendment No. 1 to Loan Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.16 of the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by the Issuer. The Issuer represents, warrants and covenants that:

(a) The Issuer is a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, the Issuer has the power to enter into this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1 and the transactions contemplated hereby and thereby and to carry out its obligations hereunder and thereunder.

(b) To its knowledge, the Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the First Mortgage Bonds or the consummation of the transactions contemplated hereby, and the Issuer has been duly authorized to execute and deliver this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1. The Issuer agrees that it will do or cause to be done in a timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Amendment No. 1 to Loan Agreement.

Section 2.2. Representations, Warranties and Covenants by the Company. The Company represents, warrants and covenants that:

(a) The Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealths of Kentucky and Virginia, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealths of Kentucky or Virginia relevant to the transactions contemplated hereby or in connection with the issuance of the First Mortgage Bonds.

(b) The Company has full and complete legal power and authority to execute and deliver this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds.

(c) No event of default, and no event of the type described in clauses (a) through (f) of Section 9.1 of the Agreement, as amended by this Amendment No. 1 to Loan Agreement, has occurred and is continuing, and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture or the First Mortgage Bonds, nor the consummation of the transactions contemplated hereby or by the Indenture and the Supplemental Indenture No. 1, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1. Term of Amendment No. 1 to Loan Agreement. This Amendment No. 1 to Loan Agreement shall remain in full force and effect from the date hereof to and including the later of March 1, 2037, or until such time as all of the 2007 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture and the Supplemental Indenture No. 1 and any amendments thereto), whichever shall be later; provided, however, that the Agreement, as amended, may be cancelled and terminated prior to said date in accordance with the provisions of Section 11.1 of the Agreement.

Section 3.2. Ratification. Except as amended and supplemented by Articles I and II hereof, the Issuer and the Company hereby ratify and reaffirm the terms and provisions of the Agreement and their respective representations, warranties, covenants, agreements and obligations set forth therein.

Section 3.3. Effective Date. This Amendment No. 1 to Loan Agreement has been made and entered into as of the date first written above but shall be effective as of the Effective Date.

Section 3.4. Binding Effect. This Amendment No. 1 to Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 of the Agreement.

Section 3.5. Severability. In the event any provision of this Amendment No. 1 to Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 3.6. Execution in Counterparts. This Amendment No. 1 to Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.7. Applicable Law. This Amendment No. 1 to Loan Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 3.8. Captions. The captions or headings in this Amendment No. 1 to Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Amendment No. 1 to Loan Agreement.

Section 3.9. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Amendment No. 1 to Loan Agreement or breach thereof shall constitute or give rise to a pecuniary liability of the Issuer or a charge upon its general credit or taxing powers.

(signature page immediately follows)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Amendment No. 1 to Loan Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all of the date first written.

COUNTY OF TRIMBLE, KENTUCKY

(SEAL)

By_____
RANDY STEVENS
County Judge/Executive

ATTEST:

_____
SUSAN BARNES
Fiscal Court Clerk

KENTUCKY UTILITIES COMPANY

(SEAL)

By_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

Exhibit 4(hh)-1

(Louisville Metro 2000 Series A)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * *

AMENDED AND RESTATED LOAN AGREEMENT IN CONNECTION WITH POLLUTION CONTROL FACILITIES

* * * *

Dated as of May 1, 2000

Amended and Restated as of September 1, 2008

* * * *

NOTICE: The interest of the Louisville/Jefferson County Metro Government, Kentucky, in and to this Amended and Restated Loan Agreement has been assigned to The Bank of New York Mellon, as Trustee under the Amended and Restated Indenture of Trust dated as of May 1, 2000, amended and restated as of September 1, 2008.

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AMENDED AND RESTATED LOAN AGREEMENT
IN CONNECTION WITH POLLUTION CONTROL FACILITIES

This AMENDED AND RESTATED LOAN AGREEMENT, dated as of May 1, 2000, amended and restated as of September 1, 2008, by and between the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, the governmental successor in interest by operation of law to the County of Jefferson, Kentucky, being a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of Kentucky;

WITNESSETH:

WHEREAS, the Louisville/Jefferson County Metro Government, Kentucky ("Metro Government" or "Issuer") is the governmental successor in interest by operation of law to the County of Jefferson, Kentucky and constitutes a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes ("Act"), Issuer has the power to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, Issuer came into legal existence on January 6, 2003 by operation of law and voter approval in accordance with laws now codified as Chapter 67C of the Kentucky Revised Statutes and replaced and superceded the prior governments of both the City of Louisville, Kentucky and the County of Jefferson, Kentucky (the "Predecessor County") and pursuant to law has mandatorily assumed all existing contracts and obligations of the past City and Predecessor County and has been endowed with all powers of such prior City and Predecessor County; and

WHEREAS, the Metro Government, as successor to the Predecessor County, is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance the acquisition and construction of "pollution control facilities" as defined by the Act ("Pollution Control Facilities") for the abatement and control of air pollution and to refund bonds of the Predecessor County which were previously issued for such purposes; and

WHEREAS, Issuer is further authorized pursuant to the Act to enter into an amended and restated loan agreement, which may include such provisions as Issuer shall deem appropriate and necessary; and

WHEREAS, the Act further provides that title to Pollution Control Facilities shall not be acquired by Issuer in the case of a loan transaction; and

WHEREAS, Louisville Gas and Electric Company, a Kentucky corporation ("Company"), has heretofore financed the acquisition of certain air pollution control facilities to serve Generating Units 1, 2, 3 and 4 of the Mill Creek Generating Station and Generating Units 4, 5 and 6 of the Cane Run Generating Station of Company, which facilities constitute the Project, as hereinafter defined in Article I (the "Project"), located within the corporate boundaries of Issuer, which Project consists of certain air pollution control facilities in furtherance of the regulations of the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky and the Air Pollution Control District of Jefferson County, Kentucky, and which Project qualifies for financing within the meaning of the Act; and

WHEREAS, the Project has been completed and placed in operation and the Project has contributed and does contribute to the control, containment, reduction and abatement of atmospheric pollution and contamination in the Commonwealth of Kentucky; and

WHEREAS, under date of May 19, 2000, the Issuer, at the request of the Company, issued its "County of Jefferson, Kentucky, Pollution Control Revenue Bonds, 2000 Series A (Louisville Gas and Electric Company Project)", dated May 19, 2000, of which $25,000,000 principal amount of such bonds remains outstanding and unpaid (the "2000 Series A Bonds"), such 2000 Series A Bonds having been issued to refund the Refunded 1990 Series A Bonds, hereinafter described, such Refunded 1992 Series A Bonds having been issued to currently refinance certain 1985 Series A Bonds (the "Original Bonds") having been issued to finance a portion of the Cost of Construction of the Project, hereinafter described; and

WHEREAS, in respect of the 2000 Series A Bonds, Issuer entered into a certain Loan Agreement dated as of May 1, 2000, with the Company and it is now appropriate and necessary that such Loan Agreement, be amended and restated in order to enable the Company to replace the bond insurance with a line of credit, letter of credit, revolving credit agreement, standby credit agreement, guaranty agreement, bond purchase agreement, alternate insurance coverage or guarantees or the direct credit of the Company as deemed proper by the Company; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Metro Council of the Issuer on October 23, 2008, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to amend and restate the Loan Agreement to cancel the current bond insurance on the 2000 Series A Bonds and replace such bond insurance with an alternate credit support or the direct credit of the Company; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amended and Restated Loan Agreement (the "Agreement") have happened, have existed and have been performed as so required in order to make the Agreement a valid and binding instrument, in accordance with its terms; and

NOW, THEREFORE FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER, AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01 . Use of Defined Terms . In addition to the words and terms defined elsewhere in this Agreement or in the Indenture or by reference to another document, the words and terms set forth in Sections 1.02 and 1.03 shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.02 . Incorporation of Certain Terms by Reference . When and if used in this Agreement, the following terms shall have the meaning set forth in Article I of the Indenture:

"Act"
"Authorized Denomination"
"Bond Counsel"
"Bond Fund"
"Bond Year"
"Business Day"
"Code"
"Company"
"Company Bonds"
"Company Representative"
"Cost of Construction"
"Cumulative Excess Earnings"
"Excess Earnings"
"Governmental Obligations"
"Indenture"
"Interest Payment Date"
"Issuer"
"Issuer Representative"
"Loan"
"Net Proceeds"
"Other High-Grade Securities"
"Paying Agent"
"Permitted Investments"
"Plans and Specifications"
"Pollution Control Facilities"
"Project"
"Project Site"
"Purchase Fund"
"Rating Service"
"Rebate Fund"
"Redemption Date"
"Refunded 1990 Series A Bonds"
"2000 Series A Bonds"
"1990 Series A Indenture"
"Tender Agent"
"Trustee"

Section 1.03 . Additional Definitions . In addition to the terms whose definitions are incorporated by reference herein pursuant to Section 1.02 , the following terms shall have the meanings set forth in this Section unless the use or context clearly indicates otherwise:

" 1990 Series A Bonds " shall mean $25,000,000 principal amount of "County of Jefferson, Kentucky, Pollution Control Revenue Bonds, 1990 Series A (Louisville Gas and Electric Company Project)", dated June 15, 1990.

" Determination of Taxability " shall have the meaning ascribed to such term in Section 10.3(a) of this Agreement.

" Original Bonds " shall have the meaning ascribed to such term in the preambles to this Agreement.

In addition to the definitions herein, terms used in this agreement and not defined herein shall have the meanings ascribed to such terms in the Indenture.

The words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement. Unless otherwise noted, all Section and Article references are to sections and articles in this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1 Representations, Warranties and Covenants by Issuer. Issuer represents, warrants and covenants that:

(a) Issuer is a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, Issuer, the de jure governmental successor by operation of law to the Predecessor County, has the power to issue the 2000 Series A Bonds, to enter into this Agreement and the Indenture and the transactions contemplated hereby and to carry out its obligations hereunder and thereunder. To its knowledge, Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2000 Series A Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2000 Series A Bonds and to execute and deliver this Agreement and the Indenture. Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) Issuer has loaned funds derived from the sale of the 2000 Series A Bonds to Company to provide for the refunding, payment and discharge of the outstanding principal amount of the Refunded 1990 Series A Bonds, which were issued for the current refinancing of the Original Bonds and the Project, to the end that air pollution be abated and controlled.

(c) To accomplish the foregoing, Issuer issued $25,000,000 aggregate principal amount of its 2000 Series A Bonds on such terms and conditions as are set forth in the Indenture. The proceeds from the sale of the 2000 Series A Bonds were applied to refund, pay and discharge the outstanding principal amount of the Refunded 1990 Series A Bonds on or prior to the 90th day after the date of issuance of the 2000 Series A Bonds.

(d) Issuer will cooperate with Company and take all actions necessary for Company to comply with Section 2.2(o), (s) and (v) hereof and take other actions reasonably requested by Company in furtherance of this Agreement.

Section 2.2. Representations, Warranties and Covenants by Company. Company represents, warrants and covenants that:

(a) Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the 2000 Series A Bonds.

(b) Company has full and complete legal power and authority to execute and deliver this Agreement to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Agreement.

(c) The Project financed or currently refinanced by application of the proceeds of the Refunded 1990 Series A Bonds has been designed and constructed to control, contain, reduce and abate air pollution at the Project Site. The Project was and is necessary for the public health and welfare, and is designed for no significant purpose other than the control of air pollution and the Project constitutes air pollution control facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, and the Act.

(d) All of the proceeds of the 2000 Series A Bonds were used on or prior to the 90th day after the date of issuance of the 2000 Series A Bonds exclusively to redeem, pay and discharge the principal of the Refunded 1990 Series A Bonds, 100% of the proceeds of which were applied to refund the Original Bonds, not less than substantially all of the proceeds of which Original Bonds (i.e., at least 90% of the proceeds, including investment income thereon) were used to finance the Cost of Construction of air pollution control facilities, and all of such air pollution control facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section 167 of the Code.

(e) The Project, as designed, has been certified by the Department for Natural Resources and Environmental Protection of Kentucky (now the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky), the agency exercising jurisdiction in the premises, to be in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants.

(f) The Project is of the type authorized and permitted by the Act, and the Cost of Construction of the Project was not less than $25,000,000.

(g) No event of default, and no event of the type described in clauses (a) through (d) of Section 9.1 hereof, has occurred and is continuing and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under this Agreement or the transactions contemplated hereby or thereby. Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby or by the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of Company under the terms of any instrument or agreement.

(h) Company intends to continue to operate or cause the Project to be operated as air pollution control facilities until all of the 2000 Series A Bonds are paid and discharged.

(i) No portion of the proceeds of the Refunded 1990 Bonds, including the proceeds of the Original Bonds, and no portion of the proceeds of the 2000 Series A Bonds were invested at a yield in excess of the yield on the 2000 Series A Bonds except (i) during any permitted temporary period provided by the Code, (ii) proceeds of a reasonably required reserve or replacement fund and (iii) as part of a minor portion of the proceeds of the 2000 Series A Bonds, not in excess of the lesser of 5% of the proceeds of the 2000 Series A Bonds or $100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Section 148 of the Code and applicable tax regulations.

(j) No portion of the proceeds from the sale of the 2000 Series A Bonds were deposited to the account of any reasonably required reserve or replacement fund or used to pay (i) any costs of issuance of the 2000 Series A Bonds or (ii) any redemption premium or accrued interest on the Refunded 1990 Series A Bonds, but such proceeds were applied and used solely to refund, pay and discharge the outstanding principal amount of the Refunded 1990 Series A Bonds on or prior to the 90th day after the issuance of the 2000 Series A Bonds.

(k) Company provided any additional moneys, including investment proceeds of the 2000 Series A Bonds, required for the payment and discharge of the Refunded 1990 Series A Bonds, payment of the redemption premium and accrued interest in respect thereto and payment of all underwriting discount and costs of issuance of the 2000 Series A Bonds. Any investment proceeds of the 2000 Series A Bonds were used exclusively to pay interest or redemption premium due on the Refunded 1990 Series A Bonds on the Redemption Date.

(l) Company will cause no investment of 2000 Series A Bond proceeds to be made and will make no other use of or omit to take any action with respect to the proceeds of the 2000 Series A Bonds or any funds reasonably expected to be used to pay the 2000 Series A Bonds which will cause the 2000 Series A Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or would otherwise result in the loss or impairment of the exclusion of the interest on such 2000 Series A Bonds from gross income for federal income tax purposes.

(m) The weighted average maturity of the 2000 Bonds does not and the weighted average maturity of each of the Refunded 1990 Series A Bonds and the Original Bonds did not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the date of issuance of the 2000 Series A Bonds) of the Pollution Control Facilities refinanced by the proceeds of the 2000 Series A Bonds.

(n) Company provided all information requested by the Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 filed by Issuer with respect to the 2000 Series A Bonds and the air pollution control facilities constituting the Project, and such information was true and correct in all material respects.

(o) Within the meaning of Section 149 of the Code, no portion of the payment of the principal or interest on the 2000 Series A Bonds or the Refunded 1990 Series A Bonds, including the proceeds of the Original Bonds, was or shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(p) All of the proceeds of the Refunded 1990 Series A Bonds, including the proceeds of the Original Bonds, have been expended and the Project has been completed. All of the actual Cost of Construction of the Project represents amounts paid or incurred which were chargeable to the capital account of the Project or would be so chargeable either with a proper election by the Company or but for a proper election by the Company to deduct such amounts. Substantially all (i.e. at least 90%) of the proceeds of the sale of the Original Bonds, (including investment income therefrom) were used to finance or refinance Cost of Construction of the Project as described above, pay costs and expenses of issuing the Original Bonds, within Code limits, and pay interest and carrying charges on the Original Bonds during the period of construction of the Project and prior to its in-service date.

(q) All of the depreciable properties which were taken into account in determining the qualifying costs of the Project constitute properties either (i) used for the control, containment, reduction and abatement of atmospheric pollutants and contaminants or (ii) facilities which are functionally related and subordinate to such facilities constituting the Project. All of such functionally related and subordinate facilities are of a size and character commensurate with the character and size of the air pollution control facilities constituting the Project.

(r) The Company will cause the Issuer to comply in all respects with the requirements of Section 148 of the Code in respect of the rebate of Excess Earnings with respect to the 2000 Series A Bonds to the United States of America.

(s) None of the proceeds of the 2000 Series A Bonds were applied and none of the proceeds of the Refunded 1990 Series A Bonds or the proceeds of the Original Bonds, were applied to provide any: (i) working capital, (ii) office space (other than office space located on the premises of the Project where not more than a de minimis amount of the functions to be performed are not directly related to the day-to-day operations of the Project), (iii) airplane, (iv) skybox or other private luxury box, (v) health club facility, (vi) facility primarily used for gambling or (vii) store, the principal business of which is the sale of alcoholic beverages for consumption off premises.

(t) Less than twenty-five percent (25%) of the net proceeds of the Refunded 1990 Series A Bonds, including the proceeds of the Original Bonds, if any, were used directly or indirectly to acquire land or any interest therein and no portion of such

land, if acquired, was or is to be used for farming purposes. No portion of the proceeds of the Refunded 1990 Series A Bonds was used to acquire existing property or any interest therein with respect to which the Company was not the first user for federal income tax purposes.

(u) If required by law, within one year prior to the date of issuance of the 2000 Series A Bonds the Company caused the Issuer to comply with the public approval requirements of Section 147 of the Code and at or following the issuance of the 2000 Series A Bonds the Company caused the Issuer to comply with the information reporting requirements of Section 149 of the Code by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

(v) All of the documents, instruments and written information furnished by Company on behalf of Company to Issuer or Trustee in connection with the issuance of the Bonds were true and correct in all material respects as of the date of delivery thereof and did not, as of the date of delivery thereof, omit or fail to state any material facts necessary to be stated therein to make the information provided not misleading.

(w) The Original Bonds were issued on July 24, 1985 and the Refunded 1990 Series A Bonds were issued on July 17, 1990.

(x) No construction, reconstruction or acquisition of the Project was commenced prior to the taking of official action by the Predecessor County with respect thereto except for preparation of plans and specifications and other preliminary engineering work.

(y) Acquisition, construction and installation of the Project has been accomplished and the Project is being utilized substantially in accordance with the purposes of the Project and in conformity with all applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, which permits, variances and orders have not been withdrawn or otherwise suspended, and consistently with the Act.

(z) The Company has used, is currently using and presently intends to use or operate the Project in a manner consistent with the purposes of the Project and the Act until the date on which the 2000 Series A Bonds have been fully paid and knows of no reason why the Project will not be so operated.

(aa) The proceeds derived from the sale of the 2000 Series A Bonds (other than any accrued interest thereon) and the proceeds derived from the sale of the 1990 Series A Bonds (other than accrued interest thereon) were, used exclusively to refund the principal of the 1990 Series A Bonds and the Original Bonds, respectively. The principal amount of the 2000 Series A Bonds does not, and the principal amount of the 1990 Series A Bonds did not, exceed the principal amount of the 1990 Series A Bonds and the Original Bonds, respectively. The redemption of the outstanding principal amount of the 1990 Series A Bonds with such proceeds of the 2000 Series A Bonds and the redemption of the outstanding principal amount of the Original Bonds with such proceeds of the 1990 Series A Bonds did occur not later than 90 days after the date of issuance of the 2000 Series A Bonds and the 1990 Series A Bonds, respectively. All earnings derived from the investment of such proceeds of the 2000 Series A Bonds and the 1990 Series A Bonds were fully needed and used on such redemption date to pay a portion of the redemption premium and interest accrued and payable on the 1990 Series A Bonds and the Original Bonds, respectively, on such date.

(bb) On the date of issuance and delivery of each issue of the 1990 Series A Bonds and the Original Bonds, the Company reasonably expected that all of the proceeds of the 1990 Series A Bonds and the Original Bonds would be used to carry out the governmental purposes of such issues within the 3-year period beginning on the date such issues were issued and none of the proceeds of such issues, if any, were invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

(cc) It is not anticipated, as of the date hereof, that there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2000 Series A Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

Company need not comply with the covenants or representations in (c) through (f), inclusive, and (h) through (cc), inclusive, if and to the extent that Issuer and Company receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2000 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE III

COMPLETION AND OWNERSHIP OF PROJECT

Section 3.1 . Completion and Equipping of Project . Company represents that (a) it caused the Project to be constructed as herein provided on the Project Site in accordance with the Plans and Specifications and (b) the Project was completed as previously evidenced by the filing of a completion certificate by the Company with the trustee in respect of the Original Bonds.

Section 3.2 . Agreement as to Ownership of Project . Issuer and Company agree that title to and ownership of the Project shall remain in and be the sole property of Company in which Issuer shall have no interest. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.3. Use of Project. Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to Article IX of this Agreement or Article IX of the Indenture, to interfere with Company's ownership of the Project or to prevent Company from having possession, custody, use and enjoyment of the Project.

ARTICLE IV

ISSUANCE OF 2000 SERIES A BONDS; APPLICATION OF PROCEEDS

Section 4.1. Agreement to Issue 2000 Series A Bonds; Application of 2000 Series A Bond Proceeds. In order to provide funds to make the Loan, Issuer has issued, sold and delivered the 2000 Series A Bonds to the initial purchasers thereof and deposited the proceeds thereof with Trustee.

Section 4.2. Investment of Bond Fund and Rebate Fund Moneys. Subject to the provisions of Section 148 of the Code, any moneys held as a part of the Bond Fund or the Rebate Fund shall be invested or reinvested by Trustee, at the written request of and as specifically directed by Company, in one or more of the Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of Trustee. All moneys invested shall be deemed at all times a part of the fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2000 Series A Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax or other charge in respect of any investments, reinvestments or any liquidation of investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

Section 4.3. Special Arbitrage Certifications.

(a) Company covenants and agrees that it, will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results in interest paid on any of the 2000 Series A Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) or adversely affects the validity of the 2000 Series A Bonds.

(b) Company warrants, represents and certifies to Issuer that the proceeds of the 2000 Series A Bonds will not be used in any anner that would cause the 2000 Series A Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 and other applicable sections of the ode. To the best knowledge and belief of Company, there are no facts, estimates or circumstances that would materially change the foregoing conclusion.

(c) Company hereby covenants that it will at all times comply and cause Issuer to comply with the provisions of Section 148 and other applicable sections of the Code and will restrict the use of the proceeds of the 2000 Series A Bonds in such manner and to such extent, if any, as may be necessary, and remit Excess Earnings with respect to all of the 2000 Series A Bonds, if any, to the United States of America pursuant to Section 148(f)(2) of the Code and carry out such actions so that the 2000 Series A Bonds will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code. An officer or officers of Issuer having responsibility with respect to the issuance of the 2000 Series A Bonds is or are hereby authorized and directed to give an appropriate certificate of Issuer, for inclusion in the transcript of proceedings for the 2000 Series A Bonds, setting forth the reasonable expectations of Issuer regarding the amount and use of the proceeds of the 2000 Series A Bonds and the facts, estimates and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2000 Series A Bonds pursuant to said Section 148 of the Code. Company shall provide the Issuer, and Issuer's certificate may be expressly based on, a certificate of Company setting forth the facts, estimates and circumstances and reasonable expectations of Company on the date of delivery of and payment for the 2000 Series A Bonds regarding the amount and use of the proceeds of the 2000 Series A Bonds and related matters. In the event any such representation of Company relied upon by the Issuer is untrue or inaccurate and Issuer thereby suffers costs or damages, Company shall indemnify Issuer for any such costs or damages.

(d) Consistent with the foregoing, Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2000 Series A Bonds that no use will be made of the proceeds of the sale of the 2000 Series A Bonds which would cause the 2000 Series A Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and that Company and Issuer will, after issuance of the 2000 Series A Bonds, comply with the provisions of the Code at all times, including after the 2000 Series A Bonds are discharged, to the extent Excess Earnings with respect to the 2000 Series A Bonds are required to be rebated to the United States of America pursuant to Section 148(f)(2) of the Code. Pursuant to such covenant, Issuer and Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Section 148 of the Code.

(e) Company warrants, represents and certifies to Issuer that the proceeds of the Refunded 1990 Series A Bonds, including the proceeds of the Original Bonds, were applied and invested in compliance with the current requirements of Section 149(g) of the Code and that consequently the 2000 Series A Bonds will not be "hedge bonds" under such Section 149(g) of the Code.

(f) Company hereby covenants and agrees that it will at all times comply with the provisions of Section 148, including Section 148(f) of the Code and with Section 6.06 of the Indenture. Specifically, Company shall carry out, do and perform all acts stipulated to be performed by Company pursuant to such Section 6.06 of the Indenture. Company shall further undertake to assure and cause rebate payments to be calculated and made to the United States of America in accordance with Section 148(f)(2) of the Code from moneys on deposit in the Rebate

Fund from time to time after the end of each Computation Period, as defined in the Indenture, and following discharge of the 2000 Series A Bonds. Company also covenants to take all necessary acts and steps as required to cause Issuer and Trustee to comply with the provisions of Section 7.03 of the Indenture.

Section 4.4. Opinion of Bond Counsel. Company need not comply with the covenants or representations in Section 4.3 if and to the extent that Issuer and Company (with a copy to Trustee) receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2000 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Section 4.5. Payment and Discharge of Refunded 1990 Series A Bonds. Company caused the outstanding principal amount of the Refunded 1990 Series A Bonds to be paid and discharged in accordance with Article VII of the 1990 Series A Indenture on or prior to the 90th day after the date of issuance of the 2000 Series A Bonds. Company provided any additional moneys required for the payment and discharge of the Refunded 1990 Series A Bonds on the Redemption Date.

ARTICLE V

PROVISIONS FOR PAYMENT

Section 5.1 Loan Payments and Other Amounts Payable. (a) Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2000 Series A Bonds or any other date that any payment of interest, premium, if any, purchase price or principal is required to be made in respect of the 2000 Series A Bonds at the times specified in accordance with the more specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2000 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the 2000 Series A Bonds as provided in the Indenture; provided that such payments by Company to enable the Tender Agent to pay the purchase price of Bonds shall be made within the times required by Section 3.05 of the Indenture.

It is understood and agreed that all payments payable by Company under this subsection (a) of Section 5.1 are assigned by the Issuer to the Trustee, the Paying Agent and the Tender Agent, as applicable, for the benefit of the Bondholders. Company assents to such assignment. Issuer hereby directs Company and Company hereby agrees to pay to Trustee and/or Paying Agent or Tender Agent, as appropriate, at the Principal Office of the Trustee and/or Paying Agent or Tender Agent, as appropriate, all payments payable by Company pursuant to this subsection.

(b) Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2000 Series A Bonds and incurred upon the request of Company.

(c) Company will also pay the agreed upon fees and expenses of Trustee (including those referred to in Section 10.02 of the Indenture), the Bond Registrar, the Tender Agent and the Paying Agent under the Indenture and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Market Agent, the Auction Agent and the Tender Agent under the Indenture, such amounts to be paid directly to Trustee, the Bond Registrar, the Paying Agent and Tender Agent for their respective own accounts as and when such amounts become due and payable.

The Company further agrees to indemnify and hold harmless the Trustee, Bond Registrar and Paying Agent against any loss, liability or expense incurred by it without negligence or bad faith on its part in connection with the issuance of the 2000 Series A Bonds or the acceptance or administration of the trusts under the Indenture, including the costs of defending itself against any claim or liability in connection therewith.

(d) The Company covenants, for the benefit of the Bondholders, to pay or cause to be paid, to the Tender Agent for deposit in the Purchase Fund, such amounts as shall be necessary to enable the Tender Agent to pay the purchase price of 2000 Series A Bonds delivered to it for purchase, all as more particularly described in Sections 3.03 and 3.05 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price of 2000 Series A Bonds delivered to it for purchase, as provided in the Indenture.

(e) In the event Company should fail to make any of the payments required in this Section 5.1, the item or installment so in default shall continue as an obligation of Company until the amount in default shall have been fully paid, and Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due to the date of payment.

Section 5.2. Payments Assigned. As set forth in Section 5.1 hereof, it is understood and agreed that this Agreement and all payments made by Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) or (c) or pursuant to Section 8.2 hereof) are assigned by Issuer to Trustee. Company assents to such assignment and hereby agrees that, as to Trustee, Paying Agent, the Market Agent, the Auction Agent and Tender Agent, its obligation to make such payments shall be absolute, irrevocable and unconditional and shall not be subject to cancellation, termination or abatement or to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by any party, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing by any party. Except as provided above, Issuer hereby directs Company and Company hereby agrees to pay to Trustee, Paying Agent, the Market Agent, the Auction Agent, Bond Registrar or Tender Agent, as appropriate, all said payments payable by Company pursuant to Section 5.1 of this Agreement.

Section 5.3. Taxes and Other Governmental Charges. Company agrees to pay during the term of this Agreement, as the same

respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied or charged against or with respect to the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating Company to pay taxes on any interest or principal on the 2000 Series A Bonds disbursed to Bondholders.

Company may, at its expense and in its own name, in good faith contest any such taxes, assessments and other governmental charges and, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments or charges shall be paid forthwith. Issuer will cooperate fully with Company in any such contest. In the event Company shall fail to pay any of the foregoing items required by this Section to be paid by Company, Issuer or Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by Issuer or Trustee shall become an additional obligation of Company to the one making the advancement, which amounts, together with interest thereon Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on ninety-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; provided, however, that no such advancement shall operate to relieve the Company from any default hereunder. Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4. Obligations of Company Unconditional. The obligation of Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.06 of the Indenture shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the 2000 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, Company (i) will not suspend or discontinue any payments pursuant to this Agreement and (ii) except as provided in Article X hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of title to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of Issuer or Trustee to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release Issuer from the performance of any of the agreements on its part herein contained; and in the event Issuer should fail to perform any such agreement on its part, Company may institute such action against Issuer as Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of Company contained in the preceding sentence. Company may, however, at its own cost and expense and in its own name or in the name of Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy and use of the Project, and in such event Issuer hereby agrees to cooperate fully with Company.

Section 5.5. Rebate Fund. Company agrees to make all payments to the Trustee and rebate all amounts to the United States of America as are required of it under Section 6.06 of the Indenture. The obligation of Company to make such payments shall remain in effect and be binding upon Company notwithstanding the release and discharge of the Indenture.

Section 5.6. Redemption of the 2000 Series A Bonds in Advance of Scheduled Maturity. Under the terms of the Indenture, the 2000 Series A Bonds are and will be subject to redemption prior to their scheduled maturity. The Issuer agrees that it shall direct the Trustee to redeem and call 2000 Series A Bonds at the written direction of the Company.

Section 5.7. Cancellation of 2000 Series A Bonds. The cancellation by the Bond Registrar of any 2000 Series A Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2000 Series A Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan repayment equal to the principal amount of the 2000 Series A Bond or Bonds so cancelled.

ARTICLE VI

MAINTENANCE; DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS; INSURANCE

Section 6.1 Maintenance. So long as any 2000 Series A Bonds are Outstanding, as that term is defined in the Indenture, Company will maintain, preserve and keep the Project, or cause the Project to be maintained, preserved and kept, in good repair, working order and condition and will from time to time make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as air pollution control and abatement facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, the Code and the Act; provided, however, that Company will have no obligation to maintain, preserve, keep, repair, replace or renew any element or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to Company because of damage or destruction by a cause not within the control of Company, or condemnation of all or substantially all of the Project or the generating facilities to which the element or unit of the Project is an adjunct, or obsolescence (including economic obsolescence) or change in government standards and regulations, or the termination by Company of the operation of the generating facilities to which the element or unit of the Project is an adjunct, and (b) with respect to which Company has furnished to Issuer and Trustee a certificate executed by Company Representative certifying that the maintenance, preservation, keeping, repair, replacement or renewal of such element or unit of the Project is being discontinued for one of the foregoing reasons, which shall be stated therein, and that the discontinuance of such element or unit will not

adversely affect the exclusion of interest on any of the 2000 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of this Agreement as part of the Project; provided, however, that Company shall take no actions which will change or alter the basic nature of the Project as air pollution control and abatement facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, and the Act.

If, prior to full payment of all 2000 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer or the Company receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.1(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2000 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2000 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2000 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2000 Series A Bonds are otherwise subject to optional redemption.

Section 6.2. Insurance. The Company agrees to insure, or self-insure, the Project at all times reasonably in accordance with investor-owned public utility industry general practices and standards.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1 No Warranty of Condition or Suitability by Issuer. Issuer makes no warranty, either express or implied, as to the Project or that it will be suitable for Company's purposes or needs.

Section 7.2. Company to Maintain its Corporate Existence; Conditions under Which Exceptions Permitted. Company agrees that during the term of this Agreement it will maintain its corporate existence and good standing, will continue to be a corporation organized under the laws of the Commonwealth of Kentucky or qualified and admitted to do business in the Commonwealth of Kentucky, and will neither dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge, (i) shall be a corporation organized and existing under the laws of one of the States of the United States of America, (ii) shall be qualified and admitted to do business in the Commonwealth of Kentucky, (iii) shall assume in writing all of the obligations of Company herein and (iv) shall deliver a copy of such assumption to the Issuer and Trustee.

Section 7.3. Financial Statements. Company agrees to furnish Trustee (within 120 days after the close of each fiscal year) with an audited balance sheet and statements of income, retained earnings and changes in cash flows showing the financial condition of Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of Company and its consolidated subsidiary or subsidiaries, if any, for such fiscal year, accompanied by an opinion of its regular independent certified public accountants that such statements fairly represent the financial condition of Company in accordance with generally accepted accounting principles. The information so provided to Trustee shall be kept in its files and is not required to be distributed to any Registered Holder or other person. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 7.4. Further Assurances and Corrective Instruments. Issuer and Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5. Issuer Representative. Whenever under the provisions of this Agreement the approval of Issuer is required or Issuer is required to take some action at the request of Company, such approval shall be made or such action shall be taken by Issuer Representative and Company or Trustee shall be authorized to act on any such approval or action, and Issuer shall have no redress against Company or Trustee as a result of any such action taken.

Section 7.6. Company Representative. Whenever under the provisions of this Agreement the approval of Company is required or Company is required to take some action at the request of Issuer, such approval shall be made or such action shall be taken by Company Representative and Issuer or Trustee shall be authorized to act on any such approval or action and Company shall have no redress against Issuer or Trustee as a result of any such action taken.

Section 7.7. Financing Statements. Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the lien of the Indenture. Issuer shall cooperate fully with Company in taking any such action. Concurrently with the execution and delivery of the 2000 Series A Bonds, Company caused to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial

Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such lien, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture, which filings the Company agrees to undertake.

Section 7.8. Company's Performance Under Indenture. The Company agrees, for the benefit of Bondholders to do and perform all acts and things contemplated in the Indenture to be done and performed by it.

ARTICLE VIII

ASSIGNMENT; INDEMNIFICATION; REDEMPTION

Section 8.1 Assignment. This Agreement may be assigned by Company without the necessity of obtaining the consent of either Issuer or Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve Company from primary liability for any of its obligations hereunder, and in the event of any such assignment Company shall remain primarily liable for payments of the amounts specified in Section 5.1 hereof and for performance and observance of the other covenants or agreements on its part herein provided to be performed and observed to the same extent as though no assignment had been made;

(b) The assignee shall assume the obligations of Company hereunder to the extent of the interest assigned;

(c) Company shall, within thirty days after the delivery thereof, furnish or cause to be furnished to Issuer and to Trustee a true and complete copy of each such assignment and assumption of obligation; and

(d) Prior to such assignment, the Company shall have obtained an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the 2000 Series A Bonds from gross income for Federal income tax purposes under Section 103(a) of the Code.

Section 8.2. Release and Indemnification Covenants. Company releases Issuer from and covenants and agrees that Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless against, any expense or liability incurred by Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof. If any such claim is asserted, Issuer agrees to give prompt notice to the Company and Company will assume the defense thereof, with full power to litigate, compromise or to settle the same in its sole discretion, it being understood that Issuer will not settle or consent to the settlement of the same without the consent of Company.

Section 8.3. Assignment of Interest in Agreement by Issuer. Any assignment by Issuer to Trustee pursuant to the Indenture or this Agreement of any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 8.4. Redemption of 2000 Series A Bonds. Upon the agreement of Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2000 Series A Bonds subject to redemption, Issuer, at the request of Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the 2000 Series A Bonds outstanding, as may be specified by Company, on the redemption date specified by the Company.

Section 8.5. Reference to 2000 Series A Bonds Ineffective after 2000 Series A Bonds Paid. Upon payment in full of the 2000 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.3 hereof and payment of all fees and charges of the Trustee, the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2000 Series A Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2000 Series A Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1 Events of Default Defined. The following shall be "events of default" under this Agreement and the term "events of default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsection (a) and (d) of Section 5.1 hereof which results in failure to pay principal of, premium or interest on or the purchase price of the 2000 Series A Bonds, and such failure shall cause an event of default under the Indenture.

(b) Failure by Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, is given to Company by Issuer or Trustee, unless Issuer and Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Issuer and Trustee will not unreasonably withhold their consent to an extension of such time if such failure is capable of being cured and corrective action is instituted by Company within the applicable period and is being diligently pursued.

(c) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Company, or of a substantial part of the property or assets of Company, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company or (iii) the winding-up or liquidation of Company; and such proceeding or petition shall continue undismissed or unstayed for 90 days or an order or decree approving or ordering any of the foregoing shall be entered.

(d) Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (c) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing.

The provisions of Section 9.1(b) are subject to the following limitations: If by reason of force majeure Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of Company contained in Sections 2.2(k) and (l), 4.3, 4.5 or 7.2 or Article V hereof and the general covenant and obligation of Company to take all necessary actions for the continued exclusion of interest on the 2000 Series A Bonds from gross income for federal and Kentucky income taxes, Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean any cause or event not reasonably within the control of Company, including without limitation the following: acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the Commonwealth of Kentucky or any of their departments, agencies or officials, or any civil or military authority; evacuations and quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines or pipes; or partial or entire failure of utility services. Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Company, and Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Company unfavorable to Company.

Section 9.2 . Remedies on Default . Whenever any event of default referred to in Section 9.1 hereof shall have happened and be ontinuing, Issuer may take any one or more of the following remedial steps:

(a) By written notice to Company, Issuer may declare an amount equal to the principal and accrued interest on the 2000 Series A Bonds then Outstanding, as defined in the Indenture, to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

(b) Issuer may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of Company.

(c) Issuer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Company under this Agreement.

In case there shall be pending a proceeding of the nature described in Section 9.1(c) above, Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of Trustee allowed in such judicial proceedings relative to Company, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any custodian (including, without limitation a receiver, trustee or liquidator) of Company appointed in connection with such proceedings is hereby authorized to make such payments to Trustee, and to pay to Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Any amounts collected pursuant to action taken under this Section 9.2 (other than the compensation and expenses referred to in the immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2000 Series A Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of Trustee and any paying agents accrued and to accrue through final payment of the 2000 Series A Bonds, and all other liabilities of Company accrued and to accrue hereunder or under the Indenture through final payment of the 2000 Series A Bonds have been paid, such amounts so collected shall be paid to Company.

Section 9.3 . No Remedy Exclusive . No remedy herein conferred upon or reserved to Issuer is intended to be exclusive of any other ailable remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under nis Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Issuer to exercise any remedy reserved to it in this Article, it shall not be

necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given Issuer hereunder shall also extend to Trustee, and Trustee and the holders of the 2000 Series A Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 9.4. Agreement to Pay Attorneys' Fees and Expenses. In the event Company should default under any of the provisions of this Agreement and Issuer and/or Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of Company herein contained, Company agrees that it will on demand therefor pay to Issuer and/or Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by Issuer and/or Trustee.

Section 9.5. Waiver of Events of Default. If, after the acceleration of the maturity of the outstanding 2000 Series A Bonds by Trustee pursuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2000 Series A Bonds and the principal of, and premium, if any, on any and all 2000 Series A Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2000 Series A Bond, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2000 Series A Bonds which shall have become due by said declaration, shall have been remedied, and such event of default under the Indenture shall be deemed waived by Trustee in accordance with Section 9.11 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then Company's default hereunder shall be deemed to have been waived by Issuer and no further action or consent by Trustee or Issuer shall be required. In the event any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

PREPAYMENT OF LOAN

Section 10.1 Options to Prepay Loan. Company shall have, and is hereby granted, options to prepay the Loan in whole and to cancel or terminate this Agreement on any Business Day at any time Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by Company to Trustee of such election, as follows:

(a) If in the judgment of Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2000 Series A Bonds upon Company with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem, property, income or other taxes not imposed on the date of this Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) If the Project or a portion thereof or other property of Company in connection with which the Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use;

(d) In the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of the Generating Units 1, 2, 3 and 4 of the Mill Creek Generating Station or Generating Units 4, 5 and 6 of the Cane Run Generating Station of the Company shall have occurred which, in the judgment of the Company, render the continued operation of the Generating Units 1, 2, 3 and 4 of the Mill Creek Generating Station or Generating Units 4, 5 and 6 of the Cane Run Generating Station or any generating unit at either such station uneconomical; or changes in circumstances, after the issuance of the 2000 Series A Bonds including but not limited to changes in clean air or other air pollution control requirements, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) In the event this Agreement shall become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action, whether state or federal, or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) A final order or decree of any court or administrative body after the issuance of the 2000 Series A Bonds shall require the Company to cease a substantial part of its operations at the Generating Units 1, 2, 3 and 4 of the Mill Creek Generating Station or Generating Units 4, 5 and 6 of the Cane Run Generating Station to such extent that the Company will be prevented from carrying on its normal operations at either such location for a period of six months.

In the case of prepayment pursuant to this Section 10.1 (or if any 2000 Series A Bonds be redeemed in whole or in part pursuant to Section 6.1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with Trustee and available for such

purpose, to redeem all 2000 Series A Bonds then outstanding (or, in the case any 2000 Series A Bonds are redeemed in part pursuant to Section 6.1 hereof, such portion of the Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2000 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2000 Series A Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the events mentioned in (a) through (f) above, Company is required to give written notice to Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2 Additional Option to Prepay Loan. Company shall have, and is hereby granted, further options, to the extent that the 2000 Series A Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with Trustee moneys sufficient to pay, together with other funds deposited with Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2000 Series A Bonds then outstanding under the Indenture and, upon depositing with Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2000 Series A Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder, to cancel or terminate the term of this Agreement.

Section 10.3 Obligations to Prepay Loan. (a) Mandatory Redemption Upon Determination of Taxability. Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, prior to the required full payment of the 2000 Series A Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and Company shall take all actions required to mandatorily redeem the 2000 Series A Bonds at the cost of the Company upon the terms specified in this Agreement and in Article IV of the Indenture following the occurrence of a Determination of Taxability, including, but not limited to, prepaying appropriate amounts due on the 2000 Series A Bonds in order to effect such redemption. The 2000 Series A Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this section, a "Determination of Taxability" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2000 Series A Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2000 Series A Bonds, the interest on the 2000 Series A Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2000 Series A Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2000 Series A Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any 2000 Series A Bond in the computation of minimum or indirect taxes. All of the 2000 Series A Bonds shall be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2000 Series A Bonds of one or more series or one or more maturities would have the result that interest payable on the remaining 2000 Series A Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the 2000 Series A Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described in this Section 10.3(a), the Company shall give notice thereof to the Trustee and the Issuer.

(b) In the case of the mandatory obligation of Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, pursuant to Section 10.3(a) hereof, Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as specified in Section 10.3(a) hereof and to provide to Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2000 Series A Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2000 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any paying agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2000 Series A Bonds.

Section 10.4. Notice of Prepayment; Redemption Procedures. It is understood and agreed by the parties hereto that in order to exercise an option granted in, or to consummate a mandatory prepayment required by, this Article X, Company shall give written notice to Issuer and Trustee which notice shall (i) contain the agreement of Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2000 Series A Bonds equal to the amount of the prepayment, including, in the

case of a prepayment under Section 10.2 hereof, any applicable redemption premium in respect of such 2000 Series A Bonds, and any other amounts required under this Agreement and (ii) specify the prepayment date (which must be a Business Day and which shall also be the redemption date), which date shall not be less than 30 days (45 days if the 2000 Series A Bonds are bearing interest at the Semi-annual, Annual or Long Term Rate or in all cases such shorter period as may be acceptable to the Trustee) nor more than 90 days from the date the notice is mailed by Company to Issuer and Trustee. Trustee shall give notice of redemption of the 2000 Series A Bonds, or such portion thereof, in accordance with the procedures for redemption of 2000 Series A Bonds contained in the Indenture, which redemption shall be made on the date specified by Company for prepayment pursuant to clause (ii) above, provided that such date shall be not less than 30 days from the date such notice is given.

Section 10.5. Relative Position of this Article and Indenture. The rights and options granted to Company in this Article, except the option granted to Company pursuant to Section 10.2 to prepay less than all of the Loan payments, shall be and remain prior and superior to the Indenture and may be exercised whether or not Company is otherwise in default hereunder; provided that such default will not result in nonfulfillment of any condition to the exercise of any such right or option.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Term of Agreement. This Agreement shall remain in full force and effect from the date hereof to and including May 1, 2027, or until such time as all of the 2000 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture), whichever shall be later; provided, however, that this Agreement may be cancelled and terminated prior to said date if Company shall prepay all of the Loan pursuant to Article X hereof; and provided further, however, that all obligations of Company under Article V and Section 8.2 hereof (a) to pay fees and expenses of Trustee, the Tender Agent, the Bond Registrar and any Paying Agent and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2000 Series A Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by Company as to all matters affecting the tax-exempt status of interest on the 2000 Series A Bonds shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2000 Series A Bonds and shall survive the termination of this Agreement and all obligations of Company contained herein relating to indemnification of Issuer, Trustee, Bond Registrar, Authenticating Agent, Tender Agent and any Paying Agent shall survive the termination of this Agreement.

Section 11.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Issuer, at 527 West Jefferson Street, Louisville, Kentucky 40202, Attention: Mayor;

If to Company, at its corporate headquarters, 220 West Main Street, Louisville, Kentucky 40202, Attention: Treasurer, and

If to Trustee, at The Bank of New York Mellon, National Association, 385 Rifle Camp Road, West Paterson, New Jersey 07424, Attention: Corporate Trust Administration.

If to Paying Agent, Remarketing Agent, Auction Agent, Market Agent or Tender Agent, at such addresses for notices as are set forth in the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by either Issuer or Company to the other shall also be given to Trustee. Issuer, Company and Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon Issuer, Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 hereof.

Section 11.4. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5. Amounts Remaining in Bond Fund and Rebate Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the 2000 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, shall belong to and be paid to Company by Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied and disbursed strictly and only in accordance with the provisions of Section 6.06 of the Indenture.

Section 11.6. Amendments, Changes and Modifications. Subsequent to the issuance of the 2000 Series A Bonds and prior to payment in full of all 2000 Series A Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated, and no provision hereof waived, without the written consent of Trustee, given in accordance with the Indenture.

Section 11.7. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8 . Applicable Law . This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 11.9 . Captions . The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 11.10 . No Pecuniary Liability of Issue r. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement, as hereinabove provided.

Section 11.11 . Payments Due on Other Than Business Days . If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be on a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided in this Agreement, and if done on such succeeding Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

IN WITNESS WHEREOF , Issuer and Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of May 1, 2000, amended and restated as of September 1, 2008.

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT, KENTUCKY

(SEAL)

By:_____
JERRY E. ABRAMSON
Mayor

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

Mike O'Connell
Jefferson County Attorney

_____
KATHLEEN J. HERRON
Metro Council Clerk

By:_____
JAMES T. CAREY
Assistant County Attorney

LOUISVILLE GAS AND ELECTRIC
COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of November, 2008, the foregoing instrument was produced to me in said County by Jerry E. Abramson and Kathleen J. Herron, personally known to me and personally known by me to be the Mayor and Metro Council Clerk, respectively, of the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, and acknowledged before me by them and each of them to be their free act and deed as Mayor and Metro Council Clerk of such Louisville/Jefferson County Metro Government, and the act and deed of said Louisville/Jefferson County Metro Government as authorized by an Ordinance of the Metro Council of such Louisville/Jefferson County Metro Government.

Witness my hand and seal this _____ day of November, 2008. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of November, 2008, the foregoing instrument was produced to me in said County by Daniel K. Arbough and John R. McCall, personally known to me and personally known by me to be the Treasurer and the Secretary, respectively, of LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

Witness my hand and seal this _____ day of November, 2008. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

This Instrument Prepared by the
Undersigned, Attorney at Law of
STOLL KEENON OGDEN PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202

_____
SPENCER E. HARPER, JR

Exhibit 4(hh)-2

Execution Copy

(2000 Series A - Louisville Metro)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

AMENDMENT NO. 1 TO AMENDED AND RESTATED LOAN AGREEMENT IN CONNECTION WITH POLLUTION CONTROL FACILITIES

* * * * *

Dated as of September 1, 2010

* * * * *

NOTICE: The interest of the Louisville/Jefferson County Metro Government, Kentucky in and to this Amendment No. 1 to Amended and Restated Loan Agreement has been assigned to The Bank of New York Mellon, as Trustee, under the Amended and Restated Indenture of Trust dated as of September 1, 2008.

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THIS AMENDMENT NO. 1 TO AMENDED AND RESTATED LOAN AGREEMENT , dated as of September 1, 2010, but made effective as of the Effective Date (defined herein) (this "Amendment No. 1 to Loan Agreement"), by and between the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY , the governmental successor in interest by operation of law to the County of Jefferson, Kentucky, being a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY , a corporation organized and existing under the laws of the Commonwealth of Kentucky.

WITNESSETH:

WHEREAS , the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer") is the governmental successor in interest by operation of law to the County of Jefferson, Kentucky and constitutes a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), the Issuer has the power to enter into the transactions contemplated by this Amendment No. 1 to Loan Agreement and to carry out its obligations hereunder; and

WHEREAS , the Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act for the abatement and control of air pollution; and to refund bonds which were previously issued for such purposes; and

WHEREAS , on May 19, 2000, the Issuer, at the request of Louisville Gas and Electric Company (the "Company"), issued its Pollution Control Revenue Bonds, 2000 Series A (Louisville Gas and Electric Company Project) (the "Bonds" or "2000 Series A Bonds") in the original principal amount of $25,000,000, and the Issuer loaned the proceeds of the 2000 Series A Bonds to the Company pursuant to the Loan Agreement dated as of May 1, 2000, between the Issuer and the Company (the "Original Agreement"); and

WHEREAS , to secure the payment of the 2000 Series A Bonds, the Issuer assigned substantially all of its rights, title and interests in and to the Original Agreement to The Bank of New York Mellon, as Trustee (the "Trustee"), pursuant to the Indenture of Trust dated as of May 1, 2000, between the Issuer and the Trustee (the "Original Indenture"); and

WHEREAS , the Company delivered to the Trustee, as security for the Company's payment obligations under the Original Agreement, $25,000,000 aggregate principal amount of the Company's first mortgage bonds issued under the Company's Indenture dated November 1, 1949, as amended by indentures supplemental thereto (the "1949 Indenture"); and

WHEREAS , the 1949 Indenture was subsequently terminated, the first mortgage bonds issued under the 1949 Indenture to secure the 000 Series A Bonds were released and the Company's obligations under the Original Agreement became secured by bond insurance only; and

WHEREAS , the Issuer and the Trustee entered into an Amended and Restated Indenture of Trust dated as of September 1, 2008 (the "Indenture"), which amended and restated the Original Indenture, and the Issuer and the Company entered into an Amended and Restated Loan Agreement dated as of September 1, 2008 (the "Agreement"), which amended and restated the Original Agreement, pursuant to which the Company eliminated the bond insurance securing the 2000 Series A Bonds; and

WHEREAS , all of the 2000 Series A Bonds remain outstanding and unpaid; and

WHEREAS , the Company intends to enter into that certain Indenture dated as of October 1, 2010 (the "First Mortgage Indenture") between the Company and The Bank of New York Mellon (the "First Mortgage Trustee"), pursuant to which the Company shall issue certain first mortgage bonds secured by a lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky; and

WHEREAS , in the event the Company grants a lien on and a security interest in its operating property to secure general debt for borrowed money, which the Company intends to do pursuant to the issuance of the first mortgage bonds pursuant to the First Mortgage Indenture, the Company desires to grant an equal and ratable lien on and security interest in its operating property in favor of the Trustee under the Indenture to secure the 2000 Series A Bonds; and

WHEREAS , the Company intends to issue first mortgage bonds (the "First Mortgage Bonds") to the Trustee under the Indenture, thereby creating in favor of the Trustee for the benefit of the holders of the 2000 Series A Bonds an equal and ratable lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky as security for the payment of the 2000 Series A Bonds; and

WHEREAS , pursuant to Section 13.01 of the Indenture, the consent of the holders of the 2000 Series A Bonds is not required for the Issuer and the Company to enter into an amendment to the Agreement in order to conform the Agreement with changes and modifications to the Indenture made pursuant to Section 12.01 of the Indenture; and

WHEREAS , it is now appropriate and necessary that the Agreement be amended pursuant to Section 13.01 of the Indenture in connection with the issuance of the First Mortgage Bonds to the Trustee under the Indenture as additional collateral and security for the payment the 2000 Series A Bonds ; and

WHEREAS , pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Issuer on September 23, 2010, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to enter into this Amendment No. 1 to Loan Agreement in order to provide additional collateral and security for the 2000 Series A Bonds; and

WHEREAS , the Issuer and the Trustee have entered into that certain Supplemental Indenture No. 1 to Indenture of Trust (the "Supplemental Indenture No. 1") of even date herewith pursuant to Section 12.01 of the Indenture; and

WHEREAS , all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the equirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amendment No. 1 to Loan Agreement have happened, have existed and have been performed as so required in order to make this Amendment No. 1 to Loan Agreement a valid and binding loan agreement for the security of the holders of the 2000 Series A Bonds and for payment of all amounts due under the Agreement and this Amendment No. 1 to Loan Agreement in accordance with their respective terms.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER AS FOLLOWS :

ARTICLE I

AMENDMENTS TO THE LOAN AGREEMENT

Section 1.1. Amendment of Table of Contents . The title to Article IV of the Table of Contents of the Agreement is hereby amended and restated and Sections 4.6 and 10.6 are added to the Table of Contents:

ARTICLE IV ISSUANCE OF 2000 SERIES A BONDS; APPLICATION OF PROCEEDS; COMPANY TO ISSUE FIRST MORTGAGE BONDS

Section 4.6. First Mortgage Bonds

Section 10.6. Concurrent Discharge of First Mortgage Bonds

Section 1.2. Amendment of Section 1.02. Incorporation of Certain Terms by Reference . The following defined terms are hereby added to Section 1.02 of the Agreement and shall have the meanings set forth in Section 1.5 of the Supplemental Indenture No. 1:

"Amendment No. 1 to Loan Agreement"
"Effective Date"
"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Redemption Demand"
"Supplemental First Mortgage Indenture"
"Supplemental Indenture No. 1"

Section 1.3. Amendment of Section 3.2. Agreement as to Ownership of Project . Section 3.2 of the Agreement is hereby amended and restated to read as follows:

Section 3.2 . Agreement as to Ownership of Project . The Issuer and the Company agree that title to and ownership of the Project shall remain in and be the sole property of the Company in which the Issuer shall have no interest. From and after the Effective Date, the Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2000 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement and the Amendment No. 1 to Loan Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 1.4. Addition of Section 4.6. First Mortgage Bonds . The Agreement is hereby amended by the addition of Section 4.6 thereto to read as follows:

Section 4.6 . First Mortgage Bonds . The Company covenants and agrees with the Issuer that it will, for the purpose of providing security for the 2000 Series A Bonds, execute and deliver to the Trustee on the Effective Date the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2000 Series A Bonds. The First Mortgage Bonds shall be in full force and effect from and after the Effective Date and shall mature as to principal identically as in the case of the 2000 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental First Mortgage Indenture, shall bear interest identically as in the case of the 2000 Series A Bonds.

Following the Effective Date, upon the occurrence of an event of default under Article IX of this Agreement, as amended by the Amendment No. 1 to Loan Agreement, that has resulted in a default in payment of the principal of, premium, if any, or interest on the 2000 Series A Bonds as and when the same come due, whether at maturity, redemption, acceleration or otherwise, or a default in payment of the purchase price of any 2000 Series A Bond tendered for purchase, the acceleration of the maturity date of the 2000 Series A Bonds (to the extent not already due and payable) as a consequence of such event of default and the receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee, the First Mortgage Bonds

shall bear interest, and principal and interest thereon will be payable, in accordance with the provisions specified in the Supplemental First Mortgage Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2000 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, the Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2000 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of the Company thereunder terminated and such First Mortgage Bonds shall be surrendered by the Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of the Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Section 1.5. Amendment of Section 6.1. Maintenance. The third paragraph of Section 6.1 of the Agreement is hereby amended and restated to read as follows:

If, prior to full payment of all 2000 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Company or the First Mortgage Trustee receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.l(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2000 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2000 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2000 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2000 Series A Bonds are otherwise subject to optional redemption.

Section 1.6. Amendment of Section 6.2. Insurance. Section 6.2 of the Agreement is hereby amended and restated to read as follows:

Section 6.2. Insurance. The Company agrees to insure the Project at all times in accordance with the provisions of the First Mortgage Indenture.

Section 1.7. Amendment of Section 7.7. Financing Statements. Section 7.7 of the Agreement is hereby amended and restated to read as follows:

Section 7.7. Financing Statements. The Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the respective liens of the Indenture and the First Mortgage Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the First Mortgage Bonds, the Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the respective liens of the Indenture and the First Mortgage Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such liens, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the respective liens of the Indenture and the First Mortgage Indenture, which filings the Company agrees to undertake.

Section 1.8. Amendment of Section 8.5. References to 2000 Series A Bonds Ineffective after 2000 Series A Bonds Paid. Section 8.5 of the Agreement is hereby amended and restated to read as follows:

Section 8.5. Reference to 2000 Series A Bonds Ineffective after 2000 Series A Bonds Paid. Upon payment in full of the 2000 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.4 hereof and payment of all fees and charges of the Trustee (including reasonable attorneys fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2000 Series A Bonds, the First Mortgage Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2000 Series A Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

Section 1.9. Amendment of Section 9.1. Events of Default Defined. Section 9.1 of the Agreement is hereby amended by the addition of subsections (e) and (f) thereto to read as follows:

(e) The occurrence of an Event of Default under the Indenture.

(f) From and after the Effective Date, all bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

Section 1.10. Amendment of Section 9.2. Remedies on Default . Section 9.2(c) of the Agreement is hereby amended and restated to read as follows:

(c) The Trustee, on behalf of the Issuer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement and the Amendment No. 1 to Loan Agreement, including, from and after the Effective Date, any remedies available in respect of the First Mortgage Bonds.

Section 1.11. Addition of Section 10.6. Concurrent Discharge of First Mortgage Bonds . The Agreement is hereby amended by the addition of Section 10.6 thereto to read as follows:

Section 10.6 . Concurrent Discharge of First Mortgage Bonds . From and after the Effective Date, in the event any of the 2000 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement and the Amendment No. 1 to Loan Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.18 of the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by the Issuer . The Issuer represents, warrants and covenants that:

(a) The Issuer is a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, the Issuer has the power to enter into this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1 and the transactions contemplated hereby and thereby and to carry out its obligations hereunder and thereunder.

(b) To its knowledge, the Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the First Mortgage Bonds or the consummation of the transactions contemplated hereby, and the Issuer has been duly authorized to execute and deliver this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1. The Issuer agrees that it will do or cause to be done in a timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Amendment No. 1 to Loan Agreement.

Section 2.2. Representations, Warranties and Covenants by the Company . The Company represents, warrants and covenants that:

(a) The Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business, and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the First Mortgage Bonds.

(b) The Company has full and complete legal power and authority to execute and deliver this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds.

(c) No event of default, and no event of the type described in clauses (a) through (f) of Section 9.1 of the Agreement, as amended by this Amendment No. 1 to Loan Agreement, has occurred and is continuing, and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture or the First Mortgage Bonds, nor the consummation of the transactions contemplated hereby or by the Indenture and the Supplemental Indenture No. 1, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1. Term of Amendment No. 1 to Loan Agreement . This Amendment No. 1 to Loan Agreement shall remain in full force and effect from the date hereof to and including the later of May 1, 2027, or until such time as all of the 2000 Series A Bonds shall have been

fully paid (or provision made for such payment pursuant to the Indenture and the Supplemental Indenture No. 1 and any amendments thereto), whichever shall be later; provided, however, that the Agreement, as amended, may be cancelled and terminated prior to said date in accordance with the provisions of Section 11.1 of the Agreement.

Section 3.2. Ratification. Except as amended and supplemented by Articles I and II hereof, the Issuer and the Company hereby ratify and reaffirm the terms and provisions of the Agreement and their respective representations, warranties, covenants, agreements and obligations set forth therein.

Section 3.3. Effective Date. This Amendment No. 1 to Loan Agreement has been made and entered into as of the date first written above but shall be effective as of the Effective Date.

Section 3.4. Binding Effect. This Amendment No. 1 to Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 of the Agreement.

Section 3.5. Severability. In the event any provision of this Amendment No. 1 to Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 3.6. Execution in Counterparts. This Amendment No. 1 to Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.7. Applicable Law. This Amendment No. 1 to Loan Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 3.8. Captions. The captions or headings in this Amendment No. 1 to Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Amendment No. 1 to Loan Agreement.

Section 3.9. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Amendment No. 1 to Loan Agreement or breach thereof shall constitute or give rise to a pecuniary liability of the Issuer or a charge upon its general credit or taxing powers.

(signature page immediately follows)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Amendment No. 1 to Loan Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all of the date first written.

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT, KENTUCKY

(SEAL)

By:_____
JERRY E. ABRAMSON
Mayor

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

Mike O'Connell
Jefferson County Attorney

_____
KATHLEEN J. HERRON
Metro Council Clerk

By:_____
JAMES T. CAREY
Assistant County Attorney

LOUISVILLE GAS AND ELECTRIC
COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

Exhibit 4(ii)-1

(2001 Series A-Jefferson Co.)

COUNTY OF JEFFERSON, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * *

LOAN AGREEMENT IN CONNECTION WITH
ENVIRONMENTAL FACILITIES

* * * *

Dated as of July 1, 2001

* * * *

NOTICE: The interest of the County of Jefferson, Kentucky, in and to this Loan Agreement has been assigned to BNY Trust Company of Missouri, as Trustee under the Indenture of Trust dated as of July 1, 2001.

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(This Table of Contents is for convenience of reference only and is not a part of this Loan Agreement.)

LOAN AGREEMENT IN CONNECTION WITH
ENVIRONMENTAL FACILITIES

This LOAN AGREEMENT , dated as of July 1, 2001, by and between the COUNTY OF JEFFERSON, KENTUCKY , a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY , a corporation organized and existing under the laws of Kentucky;

W I T N E S S E T H :

WHEREAS , the County of Jefferson, Kentucky ("Issuer"), is a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), Issuer has the power to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder; and

WHEREAS , Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance the acquisition, construction, installation and equipping of solid waste disposal facilities as defined by the Act for the collection, storage, treatment, processing, recycling and disposal of solid wastes; and

WHEREAS , Issuer is further authorized pursuant to the Act to enter into a loan agreement, which may include such provisions as Issuer shall deem appropriate to effect the securing of a financing or refinancing undertaken in respect of solid waste disposal facilities, including the pledge of direct securities of a utility company; and

WHEREAS , the Act further provides that title to solid waste disposal facilities shall not be acquired by Issuer in the case of a loan transaction; and

WHEREAS , Louisville Gas and Electric Company, a Kentucky corporation ("Company"), is desirous of financing the qualified costs of the construction, acquisition, installation and equipping of certain solid waste disposal facilities to serve the Mill Creek Generating Station of Company, which specified facilities constitute the Project, as hereinafter defined in Article I (the "Project"), located within the corporate boundaries of Issuer, which Project consists of certain facilities for the collection, storage, treatment, processing, recycling and disposal of solid wastes, and which Project qualifies for financing within the meaning of the Act; and

WHEREAS , the Project is described and has been previously approved for tax-exempt bond financing in Resolution No. 93, Series 1998, adopted by the Fiscal Court of Issuer on October 13, 1998 and in a Memorandum of Agreement between Issuer and the Company dated ctober 13, 1998 and in reliance upon Resolution No. 93, Series 1998 and such Memorandum of Agreement, the Company has instituted onstruction of the Project, which, not earlier than October 1, 2000, has been completed and placed in service; and

WHEREAS , the Project will provide for collection, storage, treatment, processing, recycling and final disposal of solid wastes in the Commonwealth of Kentucky; and

WHEREAS , pursuant to and in accordance with the provisions of the Act, Resolution No. 93, Series 1998, a Memorandum of Agreement between Issuer and Company dated October 13, 1998 and an Ordinance duly adopted on second reading by the Fiscal Court of Issuer on August 14, 2001, and in furtherance of the purposes of the Act, Issuer proposes to issue, sell and deliver a series of its bonds in fully registered form which will be designated "County of Jefferson, Kentucky, Environmental Facilities Revenue Bonds, 2001 Series A (Louisville Gas and Electric Company Project)" (the "2001 Series A Bonds"); and

WHEREAS , the 2001 Series A Bonds are to be issued under and pursuant to and are secured by an Indenture of Trust by and between Issuer and BNY Trust Company of Missouri, St. Louis, Missouri, as trustee thereunder, dated as of July 1, 2001 (the "Indenture"); and

WHEREAS , Issuer proposes to lend to Company and Company desires to borrow from Issuer the proceeds from the sale of the 2001 Series A Bonds to reimburse Company for a portion of the costs of the acquisition, construction, installation and equipping of the Project;

NOW, THEREFORE FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER, AS FOLLOWS :

ARTICLE I

DEFINITIONS

Section 1.1 . Use of Defined Terms . In addition to the words and terms defined elsewhere in this Agreement or in the Indenture or by reference to another document, the words and terms set forth in Sections 1.2 and 1.3 shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.2 . Incorporation of Certain Terms by Reference . When and if used in this Agreement, the following terms shall have the meaning set forth in Article I of the Indenture:

"Act"
"Agreement"

"Authorized Denomination"
"Bond Counsel"
"Bond Fund"
"Bond Year"
"Business Day"
"Code"
"Company"
"Company Bonds"
"Company Representative"
"Construction Fund"
"Cost of Construction"
"Cumulative Excess Earnings"
"Excess Earnings"
"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Government Obligations"
"Indenture"
"Interest Payment Date"
"Issuer"
"Issuer Representative"
"Loan"
"Net Proceeds"
"No Auction Rate"
"Paying Agent"
"Permitted Investments"
"Plans and Specifications"
"Pollution Control Facilities"
"Prevailing Rating"
"Project"
"Project Site"
"Purchase Date"
"Purchase Fund"
"Rating Service"
"Rebate Fund"
"Redemption Date"
"Redemption Demand"
"Release Date"
"2001 Series A Bonds"
"Seven-Day > AA = Composite Commercial Paper Rate"
"Solid Waste Disposal Facilities"
"Supplemental Indenture"
"Tender Agent"
"Trustee"

Section 1.3 . Additional Definitions . In addition to the terms whose definitions are incorporated by reference herein pursuant to Section 1.2 , the following terms shall have the meanings set forth in this Section unless the use or context clearly indicates otherwise:

" Completion Date " means the date of completion of the construction of the Project, as that date shall be certified as provided in Section 3.2 of this Agreement.

" Determination of Taxability " shall have the meaning ascribed to such term in Section 10.3 of this Agreement.

In addition to the definitions herein, terms used in this agreement and not defined herein shall have the meanings ascribed to such terms in the Indenture.

The words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement. Unless otherwise noted, all Section and Article references are to sections and articles in this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1 Representations, Warranties and Covenants by Issuer . Issuer represents, warrants and covenants that:

(a) Issuer is a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, Issuer has the power to issue the 2001 Series A Bonds, to enter into this Agreement and the Indenture and the transactions contemplated hereby and to carry out its obligations

hereunder and thereunder. Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2001 Series A Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2001 Series A Bonds and to execute and deliver this Agreement and the Indenture. Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) Issuer agrees to loan funds derived from the sale of the 2001 Series A Bonds to Company to provide for the financing of the construction, acquisition, installation and equipping of the Project, which Project shall provide for solid wastes to be collected, treated, processed, recycled and disposed of at the Project Site.

(c) To accomplish the foregoing, Issuer agrees to issue $10,104,000 aggregate principal amount of its 2001 Series A Bonds following the execution of this Agreement on such terms and conditions as are set forth in the Indenture. The proceeds from the sale of the 2001 Series A Bonds shall be applied to finance the Cost of Construction of the Project.

(d) Issuer will cooperate with Company and take all actions necessary for Company to comply with Section 2.2 hereof, as relevant, and take other actions reasonably requested by Company in furtherance of this Agreement.

(e) Issuer has received its allocation from the Commonwealth for the issuance of the 2001 Series A Bonds, as prescribed by Section 146 of the Code.

(f) The Project Site is located within the boundaries of Issuer.

(g) Each of Resolution No. 93, Series 1998 of the Fiscal Court of the Issuer adopted October 13, 1998 in respect of approval of the Project and its financing, the Memorandum of Agreement between Issuer and Company, dated October 13, 1998, and Ordinance No. 18, Series 2001 of the Fiscal Court of the Issuer adopted on second reading on August 14, 2001 has been in continuous effect since the respective dates of adoption thereof.

Section 2.2. Representations, Warranties and Covenants by Company. Company represents, warrants and covenants that:

(a) Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the 2001 Series A Bonds.

(b) Company has full and complete legal power and authority to execute and deliver this Agreement, the Supplemental Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Agreement, the Supplemental Indenture and the First Mortgage Bonds.

(c) The Project financed by application of the proceeds of the 2001 Series A Bonds has been designed and constructed to collect, store, treat, process, recycle and dispose of solid wastes at the Project Site. The Project was and is necessary for the public health and welfare, and the Project constitutes Solid Waste Disposal Facilities, has been designed for solid waste collection, treatment, processing, recycling and final disposal at the Project Site and is necessary for the public health and welfare.

(d) Not less than substantially all of the net proceeds of the 2001 Series A Bonds (i.e., at least 95% of the net proceeds, including investment income thereon) will be applied and used to finance the Cost of Construction of the Project, and all of such Solid Waste Disposal Facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section 167 of the Code.

(e) The Company will not use or cause to be used any of the funds provided by the Issuer hereunder (including the earnings on any of such funds) in such a manner as to, or take or omit to take any action with respect to the use of such funds which would, impair the exclusion of the interest on any of the 2001 Series A Bonds from gross income for federal income tax purposes. No consent, approval, authorization or other order of any federal, state or local governmental authority (other than the Issuer), not previously obtained or given is required in connection with the acquisition, construction, installation or equipping of the Project or the consummation of the transactions contemplated thereby.

(f) The Project is of the type authorized and permitted by the Act, and the Cost of Construction of the Project is not less than $10,104,000.

(g) No event of default, and no event of the type described in clauses (a) through (e) of Section 9.1 hereof, has occurred and is continuing and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under this Agreement, the Supplemental Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of this Agreement, Supplemental Indenture, the First Mortgage Bonds, the consummation of the transactions contemplated hereby or by the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in

the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of Company under the terms of any instrument or agreement.

(h) Company intends to operate or cause the Project, to be operated as Solid Waste Disposal Facilities until all of the 2001 Series A Bonds are paid and discharged.

(i) No portion of the proceeds of the 2001 Series A Bonds will be invested at a yield in excess of the yield on the 2001 Series A Bonds except (i) during any permitted temporary period provided by the Code, (ii) proceeds of a reasonably required reserve or replacement fund and (iii) as part of a minor portion of the proceeds of the 2001 Series A Bonds, not in excess of the lesser of 5% of the proceeds of the 2001 Series A Bonds or $100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Section 148 of the Code and applicable tax regulations.

(j) No part or component of the Project to be financed with proceeds of the 2001 Series A Bonds was acquired, constructed or installed by Company prior to October 13, 1998; and no part of the proceeds of the 2001 Series A Bonds will be used by Company, directly or indirectly, as working capital or to finance inventory.

(k) At least 95% of the net proceeds of the 2001 Series A Bonds will be used to pay costs of the Project incurred after the date which is 60 days prior to October 13, 1998; and the facilities constituting the Project constitute and will constitute (i) land or property of a character subject to the allowance for depreciation under Section 167 of the Code and (ii) Solid Waste Disposal Facilities.

(l) Company will cause no investment of 2001 Series A Bond proceeds to be made and will make no other use of or omit to take any action with respect to the proceeds of the 2001 Series A Bonds or any funds reasonably expected to be used to pay the 2001 Series A Bonds which will cause the 2001 Series A Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or would otherwise result in the loss or impairment of the exclusion of the interest on such 2001 Series A Bonds from gross income for federal income tax purposes.

(m) The weighted average maturity of the 2001 Series A Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the date of issuance of the 2001 Series A Bonds) of the Solid Waste Disposal Facilities constituting the Project.

(n) Company will provide all information requested by Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 filed by Issuer with respect to the 2001 Series A Bonds and the Solid Waste Disposal Facilities constituting the Project, and such information will be true and correct in all material respects.

(o) Within the meaning of Section 149 of the Code, no portion of the payment of the principal or interest on the 2001 Series A Bonds shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(p) The Project facilities financed by the proceeds of the 2001 Series A Bonds will not have been placed in operation at substantially its design level, pursuant to and within the meaning of Section 1.150-2(c)(2) of the Treasury Regulations, more than 18 months prior to the date of the issuance of the 2001 Series A Bonds.

(q) For purposes of Section 147(c) of the Code, the allocable cost of the land portion of the Project, if any, to be financed with the proceeds of the 2001 Series A Bonds shall be less than 25% of the proceeds of the 2001 Series A Bonds, and none of the 2001 Series A Bond proceeds shall be used to finance land to be used for farming.

(r) Within the meaning of Section 147(e) of the Code, no portion of the proceeds of the 2001 Series A Bonds shall be used to provide any airplane, skybox or other private luxury box, any health club facility, any facilities used primarily for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off the premises.

(s) The costs of the issuance of the 2001 Series A Bonds paid from the proceeds of the 2001 Series A Bonds shall not exceed 2% of the proceeds of the 2001 Series A Bonds to the public (less accrued interest).

(t) None of the proceeds of the 2001 Series A Bonds will be used to acquire, construct or install any property or interest therein unless the first use of such property shall be pursuant to such acquisition, construction or installation.

(u) No portion of the proceeds of the 2001 Series A Bonds will be deposited to the account of any reserve or replacement fund.

(v) Company shall not cause an amount less than 95% of the net proceeds, as defined in the Code and Treasury Regulations, of the 2001 Series A Bonds and investment income therefrom to be expended for the Solid Waste Disposal Facilities constituting the Project to be financed by the 2001 Series A Bonds and will direct the Trustee to make payments and transfers of 2001 Series A Bond proceeds to the extent necessary to satisfy such covenant. In furtherance of such covenant, moneys may not be withdrawn from the Construction Fund until there has been filed with the Trustee prior to each drawing a written requisition as required by Section 4.2 hereof. For purposes of foregoing provisions of this subsection (v) the portion of the proceeds used to finance the costs of issuing the 2001 Series A Bonds, including underwriter = s discount or underwriting compensation, is not considered used to provide Solid Waste Disposal Facilities.

(w) Except for Company or any "related person" (or group of "related persons"), no person has (i) guaranteed, arranged,

participated in, assisted with or paid any portion of the cost of the issuance of, the 2001 Series A Bonds, or (ii) provided any property or any franchise, trademark or trade name (within the meaning of Section 1253 of the Code) which is to be used in connection with the solid waste disposal facilities constituting the Project financed with the 2001 Series A Bonds.

(x) Company reasonably expects that (i) all of the spendable proceeds of the 2001 Series A Bonds will be used for the governmental purpose of the issue within three years from date of issuance of such 2001 Series A Bonds and (ii) none of the proceeds of such 2001 Series A Bonds will be invested in nonpurpose obligations having a substantially guaranteed yield for three years or more.

(y) All of the depreciable properties taken into account in determining the qualifying costs of the Project constitute properties either (i) used for the collection, storage, treatment, processing, recycling or final disposal of solid waste or (ii) facilities which are functionally related and subordinate to the solid waste facilities constituting the Project. All of such functionally related and subordinate facilities are of a size and character commensurate with the size and character of solid waste disposal facilities constituting the Project.

(z) The solid waste which is to be collected, treated, processed and recycled by the Project is and will be useless, unused and unwanted and constitute discarded solid waste material which have no market or other value where located. To the best knowledge of the Company, no person is or would be willing to purchase such solid waste material at any price. Prior to the construction and operation of the Project, such solid waste, being sludge created by sulphur dioxide removal facilities at the Mill Creek Station of the Company was disposed of by placing such SO_2 scrubber sludge into landfills, as required by law.

(aa) It is not anticipated, as of the date hereof, that there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2001 Series A Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

Company need not comply with any of the covenants or representations in this Section 2.2, if and to the extent that Issuer and Company receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2001 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE III

COMPLETION AND OWNERSHIP OF PROJECT

Section 3.1. Completion and Equipping of Project. Company represents and covenants that:

(a) it will cause or has caused the Project to be constructed as herein provided on the Project Site in accordance with the Plans and Specifications as the same may be amended from time to time.

(b) It will make, execute, acknowledge and deliver any contracts, orders, receipts, writings and instructions with any other persons, firms or corporations and in general do all things which may be requisite or proper, all for acquiring, constructing, installing and equipping the Project.

(c) It will ask, demand, sue for, levy and use its best efforts to recover and receive such sums of money, debts or other demands whatsoever in connection with the Project, to which it may be entitled under any contract, order, guaranty, warranty, writing or instruction in connection with any of the foregoing, and it will enforce the provisions of any contract, agreement, obligation, bond or other security in connection with the Project. Any amounts received in connection with the foregoing, after deduction of expenses incurred in such recovery, prior to the Completion Date and full disposition of the Construction Fund in accordance with this Agreement and the Indenture, shall be paid into the Construction Fund.

(d) It has, not earlier than October 1, 2000, completed the acquisition, construction, installation and equipping of the Project and the Project has been placed in service as of such date.

Section 3.2. Establishment of Completion Date. The Completion Date of the Project shall be evidenced to the Trustee at the time of issuance of the 2001 Series A Bonds by a certificate signed by Company Representative stating that, except for amounts retained by the Trustee at the Company's direction for any amount of the Cost of Construction not then due and payable or the liability for payment of which is being contested or disputed by Company, (i) construction of the Project has been completed in accordance with the Plans and Specifications and all labor, services, materials and supplies used in such construction, installation and equipping have been paid for, (ii) all other facilities necessary in connection with the Project have been acquired, constructed, installed and equipped in accordance with the Plans and Specifications and all costs and expenses incurred in connection therewith have been paid, and (iii) to the best of Company's knowledge and belief and based upon reasonable inquiry, the Project is suitable and sufficient for its intended purposes. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. Upon receipt of such certificate, the Trustee shall retain in the Construction Fund a sum (specified in writing to it by Company) equal to the amounts necessary for payment of any portion of the Cost of Construction of the Project not then due and payable or the liability for payment of which is being contested or disputed by Company. The remaining amounts in the Construction Fund shall be applied by the Trustee as provided in Section 6.06 of the Indenture.

Section 3.3. Agreement as to Ownership of Project. Issuer and Company agree that title to and ownership of the Project, shall remain in and be the sole property of Company in which Issuer shall have no interest. The Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any

portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2001 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.4. Use of Project. Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to Article IX of this Agreement or Article IX of the Indenture, to interfere with Company's ownership of the Project or to prevent Company from having possession, custody, use and enjoyment of the Project.

Section 3.5. Financing of Additional Solid Waste Disposal Facilities. Company and Issuer hereby recognize that additional Solid Waste Disposal Facilities at the Project Site (other than those Solid Waste Disposal Facilities which constitute the Project) have in the past been and may in the future be acquired, constructed, installed and equipped at the Project Site, and that same may be financed with proceeds of one or more series of Issuer's solid waste disposal facility revenue bonds issued in addition to the 2001 Series A Bonds issued pursuant to the Indenture, to the extent permitted by law.

ARTICLE IV

ISSUANCE OF 2001 SERIES A BONDS; APPLICATION OF PROCEEDS; COMPANY TO ISSUE FIRST MORTGAGE BONDS

Section 4.1. Agreement to Issue 2001 Series A Bonds; Application of 2001 Series A Bond Proceeds. In order to provide funds to make the Loan, the Issuer will issue, sell and deliver the 2001 Series A Bonds to the initial purchasers thereof and deposit the proceeds thereof with the Trustee, as follows:

(i) Into the Bond Fund a sum equal to the accrued interest, if any, to be paid by the initial purchasers of the 2001 Series A Bonds.

(ii) Into the Construction Fund, the balance of the proceeds of the 2001 Series A Bonds for application as provided in the Indenture.

Section 4.2. Disbursements from Construction Fund. The Issuer has, in the Indenture, authorized and directed Trustee to make payments from the Construction Fund to pay the Cost of Construction or to reimburse Company for any amount of the Cost of Construction paid or incurred by it. Except for requisitions for costs of issuance of the 2001 Series A Bonds (which costs shall not be considered to be qualifying), requisitions made in the form and manner described below shall be made initially exclusively for expenditures which qualify as solid waste disposal facilities and none, except for the requisitions for such costs of issuance, shall be made for expenditures which do not so qualify until such time as the ratio of qualifying expenditures to nonqualifying expenditures can be maintained at not less than 95% qualifying to 5% nonqualifying. Notwithstanding the foregoing exception for costs of issuance of the 2001 Series A Bonds, amounts requisitioned for such purposes shall not exceed two percent (2%) of the proceeds of the 2001 Series A Bonds and shall be considered part of the 5% nonqualifying portion. Payments for Cost of Construction shall be made upon receipt in the case of every disbursement of a requisition signed by the Company Representative stating with respect to each payment to be made: (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment has been made or is due, (iii) the amount paid or to be paid, (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Construction Fund, is unpaid or unreimbursed, and has not been the basis of any previous withdrawal, and (v) that either (a) the expenditures qualify exclusively as Solid Waste Disposal Facilities or (b) the 95%-5% ratio as required above has been satisfied and the payment of the amount shown in such requisition will not result in less than 95% of the proceeds of the 2001 Series A Bonds expended at such time being used for the acquisition, construction or installation of Solid Waste Disposal Facilities. Company agrees to cause such requisitions to be directed to Trustee as may be necessary to effect payments out of the Construction Fund in accordance with this Section 4.2.

Section 4.3. Furnishing Documents to the Trustee. Company agrees to cause such requisitions to be directed to the Trustee as may be necessary to effect payments out of the Construction Fund in accordance with Section 4.2 hereof.

Section 4.4. Company Required to Pay in Event Construction Fund Insufficient. In the event the moneys in the Construction Fund available for payment of the Cost of Construction should not be sufficient to pay such Cost of Construction in full, Company agrees to pay such portion of the Cost of Construction in excess of the moneys available therefor in the Construction Fund. Issuer does not make any warranty, either express or implied, that the moneys paid into the Construction Fund and available for payment of the Cost of Construction will be sufficient to pay all of such Cost of Construction. Company agrees that if, after exhaustion of such moneys in the Construction Fund, Company should directly pay any portion of the Cost of Construction pursuant to the provisions of this Section, it shall not be entitled to any diminution or abatement of the amounts payable under Section 5.1 hereof.

Section 4.5. Investment of Construction Fund, Bond Fund and Rebate Fund Moneys. Subject to the provisions of Section 148 of the Code, any moneys held as a part of the Construction Fund, Bond Fund or the Rebate Fund shall be invested or reinvested by Trustee, at the written request of and as specifically directed by Company, in one or more of the Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of Trustee. All moneys invested shall be deemed at all times a part of the fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Construction Fund or Bond Fund is insufficient to pay the principal

of, premium, if any, and interest on the 2001 Series A Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax or other charge in respect of any investments, reinvestments or any liquidation of investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

Section 4.6 . Special Arbitrage Certifications .

(a) Company covenants and agrees that it, will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results in interest paid on any of the 2001 Series A Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) or adversely affects the validity of the 2001 Series A Bonds.

(b) Company warrants, represents and certifies to Issuer that the proceeds of the 2001 Series A Bonds will not be used in any manner that would cause the 2001 Series A Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 and other applicable sections of the Code. To the best knowledge and belief of Company, there are no facts, estimates or circumstances that would materially change the foregoing conclusion.

(c) Company hereby covenants that it will at all times comply and cause Issuer to comply with the provisions of Section 148 and other applicable sections of the Code and will restrict the use of the proceeds of the 2001 Series A Bonds in such manner and to such extent, if any, as may be necessary, and remit Excess Earnings with respect to all of the 2001 Series A Bonds, if any, to the United States of America pursuant to Section 148(f)(2) of the Code and carry out such actions so that the 2001 Series A Bonds will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code. An officer or officers of Issuer having responsibility with respect to the issuance of the 2001 Series A Bonds is or are hereby authorized and directed to give an appropriate certificate of Issuer, for inclusion in the transcript of proceedings for the 2001 Series A Bonds, setting forth the reasonable expectations of Issuer regarding the amount and use of the proceeds of the 2001 Series A Bonds and the facts, estimates and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2001 Series A Bonds pursuant to said Section 148 of the Code. Company shall provide the Issuer, and Issuer's certificate may be expressly based on, a certificate of Company setting forth the facts, estimates and circumstances and reasonable expectations of Company on the date of delivery of and payment for the 2001 Series A Bonds regarding the amount and use of the proceeds of the 2001 Series A Bonds and related matters. In the event any such representation of Company relied upon by the Issuer is untrue or inaccurate and Issuer thereby suffers costs or damages, Company shall indemnify Issuer for any such costs or damages.

(d) Consistent with the foregoing, Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2001 Series A Bonds that no use will be made of the proceeds of the sale of the 2001 Series A Bonds which would cause the 2001 Series A Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and that Company and Issuer will, after issuance of the 2001 Series A Bonds, comply with the provisions of the Code at all times, including after the 2001 Series A Bonds are discharged, to the extent Excess Earnings with respect to the 2001 Series A Bonds are required to be rebated to the United States of America pursuant to Section 148(f)(2) of the Code. Pursuant to such covenant, Issuer and Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Section 148 of the Code.

(e) Company warrants, represents and certifies to Issuer that the proceeds of the 2001 Series A Bonds were applied and invested in compliance with the current requirements of Section 149(g) of the Code and that consequently the 2001 Series A Bonds will not be "hedge bonds" under such Section 149(g) of the Code.

(f) Company hereby covenants and agrees that it will at all times comply with the provisions of Section 148, including Section 148(f) of the Code and with Section 6.07 of the Indenture. Specifically, Company shall carry out, do and perform all acts stipulated to be performed by Company pursuant to such Section 6.07 of the Indenture. Company shall further undertake to assure and cause rebate payments to be calculated and made to the United States of America in accordance with Section 148(f)(2) of the Code from moneys on deposit in the Rebate Fund from time to time after the end of each Computation Period, as defined in the Indenture, and following discharge of the 2001 Series A Bonds. Company also covenants to take all necessary acts and steps as required to cause Issuer and Trustee to comply with the provisions of Section 7.03 of the Indenture.

(g) If, with respect to any 2001 Series A Bonds, Issuer has been advised that, as a result of actions taken, directed or omitted by Company, a listing is contemplated by the Internal Revenue Service designating Issuer as a local governmental unit the certification of which may not be relied upon with respect to issues of governmental obligations, pursuant to any income tax regulations promulgated under Sections 103(b)(2) or 148 of the Code, Company hereby covenants upon receipt of notification of such event by Issuer that Company will promptly, at the sole expense of Company, diligently and completely appear and defend Issuer in respect of any such proceedings, and contest any such action contemplated to be taken by the Internal Revenue Service, and Company will exhaust all remedies, legal and administrative, available in the defense of Issuer with the object of resolving any such controversy in favor of Issuer.

Section 4.7 . Opinion of Bond Counsel . Company need not comply with the covenants or representations in Section 4.6 if and to the extent that Issuer and Company (with a copy to Trustee) receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2001 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Section 4.8 . First Mortgage Bonds . Company covenants and agrees with Issuer that it will, for the purpose of providing security for the 2001 Series A Bonds, execute and deliver on the date of issuance of the 2001 Series A Bonds, the First Mortgage Bonds to Trustee in aggregate principal amount not less than the aggregate principal amount of the 2001 Series A Bonds. The First Mortgage Bonds shall mature as to principal identically as in the case of the 2001 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee

and completion of other conditions precedent set forth in the Supplemental Indenture, shall bear interest identically as in the case of the 2001 Series A Bonds.

Prior to the Release Date, in the event of a default under Article IX of this Agreement or in the event of a default in payment of the principal of, premium, if any, or interest on the 2001 Series A Bonds as and when the same come due, whether at maturity, by purchase, redemption, acceleration or otherwise, and upon receipt by First Mortgage Trustee of a Redemption Demand from Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable in accordance with the provisions specified in the Supplemental Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2001 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2001 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of Company thereunder terminated and such First Mortgage Bonds shall be surrendered by Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Notwithstanding anything in this Agreement to the contrary, from and after the Release Date, the obligation of Company to make payment with respect to the principal of and premium, if any, and interest on the First Mortgage Bonds shall be deemed satisfied and discharged as provided in the Supplemental Indenture and the First Mortgage Bonds shall cease to secure in any manner the 2001 Series A Bonds. As a result, on the Release Date, the obligations under this Agreement shall become unsecured general obligations of Company.

Company shall notify the Issuer and the Trustee in writing promptly upon the occurrence of the Release Date. Upon receiving written notice of the Release Date from Company, the Trustee shall deliver for cancellation to the First Mortgage Trustee all of the First Mortgage Bonds.

Section 4.9. Construction Fund Pledged as Further Security. Pending complete disbursement of all moneys in the Construction Fund pursuant to the provisions of this Agreement, pursuant to the Indenture all of such moneys or investments of such moneys are pledged to the Trustee and the holders of the 2001 Series A Bonds for the further security of the 2001 Series A Bond.

ARTICLE V

PROVISIONS FOR PAYMENT

Section 5.1 Loan Payments and Other Amounts Payable. (a) Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2001 Series A Bonds or any other date that any payment of interest, premium, if any, purchase price or principal is required to be made in respect of the 2001 Series A Bonds at the times specified in accordance with the more specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2001 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the 2001 Series A Bonds as provided in the Indenture; provided that such payments by Company to enable the Tender Agent to pay the purchase price of 2001 Series A Bonds shall be made within the times required by Section 3.05 of the Indenture.

It is understood and agreed that all payments payable by Company under this subsection (a) of Section 5.1 are assigned by the Issuer to the Trustee, the Paying Agent and the Tender Agent, as applicable, for the benefit of the Bondholders. Company assents to such assignment. Issuer hereby directs Company and Company hereby agrees to pay to Trustee and/or Paying Agent or Tender Agent, as appropriate, at the Principal Office of the Trustee and/or Paying Agent or Tender Agent, as appropriate, all payments payable by Company pursuant to this subsection.

(b) Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2001 Series A Bonds and incurred upon the request of Company.

(c) Company will also pay the agreed upon fees and expenses of Trustee (including those referred to in Section 10.02 of the Indenture), the Bond Registrar, the Tender Agent and the Paying Agent under the Indenture and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Market Agent, the Auction Agent and the Tender Agent under the Indenture, such amounts to be paid directly to Trustee, the Bond Registrar, the Paying Agent and Tender Agent for their respective own accounts as and when such amounts become due and payable.

Company further agrees to indemnify and hold harmless the Trustee, Bond Registrar and Paying Agent against any loss, liability or expense incurred by it without negligence or bad faith on its part in connection with the issuance of the 2001 Series A Bonds or the acceptance or administration of the trusts under the Indenture, including the costs of defending itself against any claim or liability in connection therewith.

(d) Company covenants, for the benefit of the Bondholders, to pay or cause to be paid, to the Tender Agent for deposit in the Purchase Fund, such amounts as shall be necessary to enable the Tender Agent to pay the purchase price of 2001 Series A Bonds delivered to it for purchase, all as more particularly described in Sections 3.03 and 3.05 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price of 2001 Series A Bonds delivered to it for purchase, as provided in the Indenture.

(e) In the event Company should fail to make any of the payments required in this Section 5.1 , the item or installment so in default shall continue as an obligation of Company until the amount in default shall have been fully paid, and Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due to the date of payment.

Section 5.2 . Payments Assigned . As set forth in Section 5.1 hereof, it is understood and agreed that this Agreement and all payments made by Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) or (c) or pursuant to Section 8.2 hereof) are assigned by Issuer to Trustee. Company assents to such assignment and hereby agrees that, as to Trustee, Paying Agent, the Market Agent, the Auction Agent and Tender Agent, its obligation to make such payments shall be absolute, irrevocable and unconditional and shall not be subject to cancellation, termination or abatement or to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by any party, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing by any party. Except as provided above, Issuer hereby directs Company and Company hereby agrees to pay to Trustee, Paying Agent, the Market Agent, the Auction Agent, Bond Registrar or Tender Agent, as appropriate, all said payments payable by Company pursuant to Section 5.1 of this Agreement.

Section 5.3 . Taxes and Other Governmental Charges . Company agrees to pay during the term of this Agreement, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied or charged against or with respect to the Project or any payments made or to be made pursuant to this Agreement or the First Mortgage Bonds; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating Company to pay taxes on any interest or principal on the 2001 Series A Bonds disbursed to Bondholders.

Company may, at its expense and in its own name, in good faith contest any such taxes, assessments and other governmental charges and, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments or charges shall be paid forthwith. Issuer will cooperate fully with Company in any such contest. In the event Company shall fail to pay any of the foregoing items required by this Section to be paid by Company, Issuer or Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by Issuer or Trustee shall become an additional obligation of Company to the one making the advancement, which amounts, together with interest thereon Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on ninety-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; provided , however , that no such advancement shall operate to relieve Company from any default hereunder. Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4 . Obligations of Company Unconditional . The obligation of Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.07 of the Indenture shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the 2001 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, Company (i) will not suspend or discontinue any payments pursuant to this Agreement and (ii) except as provided in Article X hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of title to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of Issuer or Trustee to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release Issuer from the performance of any of the agreements on its part herein contained; and in the event Issuer should fail to perform any such agreement on its part, Company may institute such action against Issuer as Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of Company contained in the preceding sentence. Company may, however, at its own cost and expense and in its own name or in the name of Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy and use of the Project, and in such event Issuer hereby agrees to cooperate fully with Company.

Section 5.5 . Rebate Fund . Company agrees to make all payments to the Trustee and rebate all amounts to the United States of America as are required of it under Section 6.07 of the Indenture. The obligation of Company to make such payments shall remain in effect and be binding upon Company notwithstanding the release and discharge of the Indenture.

Section 5.6 . Redemption of the 2001 Series A Bonds in Advance of Scheduled Maturity . Under the terms of the Indenture, the 2001 Series A Bonds are and will be subject to redemption prior to their scheduled maturity. The Issuer agrees that it shall direct the Trustee to redeem and call 2001 Series A Bonds at the written direction of Company.

Section 5.7 . Cancellation of 2001 Series A Bonds . The cancellation by the Bond Registrar of any 2001 Series A Bond or Bonds purchased by Company and delivered to the Bond Registrar for cancellation or of any 2001 Series A Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan repayment equal to the principal amount the 2001 Series A Bond or Bonds so cancelled.

ARTICLE VI

MAINTENANCE; DAMAGE, DESTRUCTION AND CONDEMNATION ; USE OF NET PROCEEDS; INSURANCE

Section 6.1 Maintenance . So long as any 2001 Series A Bonds are Outstanding, as that term is defined in the Indenture, Company will maintain, preserve and keep the Project, or cause the Project to be maintained, preserved and kept, in good repair, working order and condition and will from time to time make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as Solid Waste Disposal Facilities; provided, however, that Company will have no obligation to maintain, preserve, keep, repair, replace or renew any element or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to Company because of damage or destruction by a cause not within the control of Company, or condemnation of all or substantially all of the Project or the generating facilities to which the element or unit of the Project is an adjunct, or obsolescence (including economic obsolescence) or change in government standards and regulations, or the termination by Company of the operation of the generating facilities to which the element or unit of the Project is an adjunct, and (b) with respect to which Company has furnished to Issuer and Trustee a certificate executed by Company Representative certifying that the maintenance, preservation, keeping, repair, replacement or renewal of such element or unit of the Project is being discontinued for one of the foregoing reasons, which shall be stated therein, and that the discontinuance of such element or unit will not adversely affect the exclusion of interest on any of the 2001 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of this Agreement as part of the Project; provided, however, that Company shall take no actions which will change or alter the basic nature of the Project as Solid Waste Disposal Facilities.

If, prior to full payment of all 2001 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Company or the First Mortgage Trustee receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.l(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2001 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2001 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2001 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2001 Series A Bonds are otherwise subject to optional redemption.

Section 6.2 . Insurance . Company agrees to insure the Project at all times in accordance with the provisions of First Mortgage Indenture.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1 No Warranty of Condition or Suitability by Issuer . Issuer makes no warranty, either express or implied, as to the Project or that it will be suitable for Company's purposes or needs.

Section 7.2 . Company to Maintain its Corporate Existence; Conditions under Which Exceptions Permitted . Company agrees that during the term of this Agreement it will maintain its corporate existence and good standing, will continue to be a corporation organized under the laws of the Commonwealth of Kentucky or qualified and admitted to do business in the Commonwealth of Kentucky, and will neither dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge, (i) shall be a corporation organized and existing under the laws of one of the States of the United States of America, (ii) shall be qualified and admitted to do business in the Commonwealth of Kentucky, (iii) shall assume in writing all of the obligations of Company herein and (iv) shall deliver a copy of such assumption to the Issuer and Trustee.

Section 7.3 . Financial Statements . Company agrees to furnish Trustee (within 120 days after the close of each fiscal year) with an audited balance sheet and statements of income, retained earnings and changes in cash flows showing the financial condition of Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of Company and its consolidated subsidiary or subsidiaries, if any, for such fiscal year, accompanied by an opinion of its regular independent certified public accountants that such statements fairly represent the financial condition of Company in accordance with generally accepted accounting principles. The requirements of this Section 7.3 shall be satisfied by the submission to Trustee of Company's annual report on Form 10-K. The information so provided to Trustee shall be kept in its files and is not required to be distributed to any Registered Holder or other person. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 7.4 . Further Assurances and Corrective Instruments . Issuer and Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5 . Issuer Representative . Whenever under the provisions of this Agreement the approval of Issuer is required or Issuer is required to take some action at the request of Company, such approval shall be made or such action shall be taken by Issuer Representative and

Company or Trustee shall be authorized to act on any such approval or action, and Issuer shall have no redress against Company or Trustee as a result of any such action taken.

Section 7.6. Company Representative. Whenever under the provisions of this Agreement the approval of Company is required or Company is required to take some action at the request of Issuer, such approval shall be made or such action shall be taken by Company Representative and Issuer or Trustee shall be authorized to act on any such approval or action and Company shall have no redress against Issuer or Trustee as a result of any such action taken.

Section 7.7. Financing Statements. Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the lien of the Indenture and the First Mortgage Indenture as supplemented by the Supplemental Indenture. Issuer shall cooperate fully with Company in taking any such action. Concurrently with the execution and delivery of the 2001 Series A Bonds, Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such lien, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture, which filings the Company agrees to undertake.

Section 7.8. Company's Performance Under Indenture. The Company agrees, for the benefit of Bondholders to do and perform all acts and things contemplated in the Indenture to be done and performed by it.

ARTICLE VIII

ASSIGNMENT; INDEMNIFICATION; REDEMPTION

Section 8.1 Assignment. This Agreement may be assigned by Company without the necessity of obtaining the consent of either Issuer or Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve Company from primary liability for any of its obligations hereunder, and in the event of any such assignment Company shall remain primarily liable for payments of the amounts specified in Section 5.1 hereof and for performance and observance of the other covenants or agreements on its part herein provided to be performed and observed to the same extent as though no assignment had been made;

(b) The assignee shall assume the obligations of Company hereunder to the extent of the interest assigned;

(c) Company shall, within thirty days after the delivery thereof, furnish or cause to be furnished to Issuer, Trustee and Remarketing Agent a true and complete copy of each such assignment and assumption of obligation; and

(d) prior to such assignment, the Company shall have obtained an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the 2001 Series A Bonds from gross income for Federal income tax purposes under Section 103(a) of the Code.

Section 8.2. Release and Indemnification Covenants. Company releases Issuer from and covenants and agrees that Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless against, any expense or liability incurred by Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof. If any such claim is asserted, Issuer agrees to give prompt written notice to the Company and Company will assume the defense thereof, with full power to litigate, compromise or to settle the same in its sole discretion, it being understood that Issuer will not settle or consent to the settlement of the same without the consent of Company.

Section 8.3. Assignment of Interest in Agreement by Issuer. Any assignment by Issuer to Trustee pursuant to the Indenture or this Agreement of any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 8.4. Redemption of 2001 Series A Bonds. Upon the agreement of Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2001 Series A Bonds subject to redemption, Issuer, at the request of Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the 2001 Series A Bonds outstanding, as may be specified by Company, on the redemption date specified by Company.

Section 8.5. Reference to 2001 Series A Bonds Ineffective after 2001 Series A Bonds Paid. Upon payment in full of the 2001 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.6 hereof and payment of all fees and charges of the Trustee, the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2001 Series A Bonds, the First Mortgage Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2001 Series A Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1 Events of Default Defined. The following shall be "events of default" under this Agreement and the term "events of default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsections (a) and (d) of Section 5.1 hereof which results in failure to pay principal of, premium or interest on or the purchase price of the 2001 Series A Bonds, and such failure shall cause an event of default under the Indenture.

(b) Failure by Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, is given to Company by Issuer or Trustee, unless Issuer and Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Issuer and Trustee will not unreasonably withhold their consent to an extension of such time if such failure is capable of being cured and corrective action is instituted by Company within the applicable period and is being diligently pursued.

(c) All bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(d) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Company, or of a substantial part of the property or assets of Company, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company or (iii) the winding-up or liquidation of Company; and such proceeding or petition shall continue undismissed or unstayed for 90 days or an order or decree approving or ordering any of the foregoing shall be entered.

(e) Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (c) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing.

The provisions of Section 9.1(b) are subject to the following limitations: If by reason of force majeure Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of Company contained in Sections 2.2(i), (k) and (l), 4.5, 4.6 or 7.2 or Article V hereof and the general covenant and obligation of Company to take all necessary actions for the continued exclusion of interest on the 2001 Series A Bonds from gross income for federal and Kentucky income taxes, Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean any cause or event not reasonably within the control of Company, including without limitation the following: acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the Commonwealth of Kentucky or any of their departments, agencies or officials, or any civil or military authority; evacuations and quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines or pipes; or partial or entire failure of utility services. Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Company, and Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Company unfavorable to Company.

Section 9.2. Remedies on Default. Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, Issuer may take any one or more of the following remedial steps:

(a) By written notice to Company, Issuer may declare an amount equal to the principal and accrued interest on the 2001 Series A Bonds then Outstanding, as defined in the Indenture, to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

(b) Issuer may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of Company.

(c) Issuer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Company under this Agreement, including, until the Release Date, any remedies available in respect of the First Mortgage Bonds.

In case there shall be pending a proceeding of the nature described in Section 9.1(d) or (e) above, Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be

necessary or advisable in order to have the claims of Trustee allowed in such judicial proceedings relative to Company, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any custodian (including, without limitation a receiver, trustee or liquidator) of Company appointed in connection with such proceedings is hereby authorized to make such payments to Trustee, and to pay to Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Any amounts collected pursuant to action taken under this Section 9.2 (other than the compensation and expenses referred to in the immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2001 Series A Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of Trustee and any paying agents accrued and to accrue through final payment of the 2001 Series A Bonds, and all other liabilities of Company accrued and to accrue hereunder or under the Indenture through final payment of the 2001 Series A Bonds have been paid, such amounts so collected shall be paid to Company.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given Issuer hereunder shall also extend to Trustee, and Trustee and the holders of the 2001 Series A Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 9.4. Agreement to Pay Attorneys' Fees and Expenses. In the event Company should default under any of the provisions of this Agreement and Issuer and/or Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of Company herein contained, Company agrees that it will on demand therefor pay to Issuer and/or Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by Issuer and/or Trustee.

Section 9.5. Waiver of Events of Default. If, after the acceleration of the maturity of the outstanding 2001 Series A Bonds by Trustee pursuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2001 Series A Bonds and the principal of, and premium, if any, on any and all 2001 Series A Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2001 Series A Bond, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2001 Series A Bonds which shall have become due by said declaration, shall have been remedied, and such event of default under the Indenture shall be deemed waived by Trustee in accordance with Section 9.11 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then Company's default hereunder shall be deemed to have been waived by Issuer and no further action or consent by Trustee or Issuer shall be required. In the event any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

PREPAYMENT OF LOAN

Section 10.1 Options to Prepay Loan. Company shall have, and is hereby granted, options to prepay the Loan in whole and to cancel or terminate this Agreement on any Business Day at any time Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by Company to Trustee of such election, as follows:

(a) If in the judgment of Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2001 Series A Bonds upon Company with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem, property, income or other taxes not imposed on the date of this Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) If the Project or a portion thereof or other property of Company in connection with which the Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use;

(d) In the event changes, which Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of the Mill Creek Generating Station of the Company shall have occurred which, in the judgment of Company, render the continued operation of the Mill Creek Generating Station or any

generating unit at such station uneconomical; or changes in circumstances, after the issuance of the 2001 Series A Bonds including but not limited to changes in clean air or other air and water pollution control requirements or solid waste disposal requirements, shall have occurred such that Company shall determine that use of the Project is no longer required or desirable;

(e) In the event this Agreement shall become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action, whether state or federal, or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) A final order or decree of any court or administrative body after the issuance of the 2001 Series A Bonds shall require Company to cease a substantial part of its operations at the Mill Creek Generating Station to such extent that Company will be prevented from carrying on its normal operations at such location for a period of six months.

In the case of prepayment pursuant to this Section 10.1 (or if any 2001 Series A Bonds be redeemed in whole or in part pursuant to Section 6.1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with Trustee and available for such purpose, to redeem all 2001 Series A Bonds then outstanding (or, in the case any 2001 Series A Bonds are redeemed in part pursuant to Section 6.1 hereof, such portion of the 2001 Series A Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2001 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2001 Series A Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the events mentioned in (a) through (f) above, Company is required to give written notice to Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2 Additional Option to Prepay Loan. Company shall have, and is hereby granted, further options, to the extent that the 2001 Series A Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with Trustee moneys sufficient to pay, together with other funds deposited with Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2001 Series A Bonds then outstanding under the Indenture and, upon depositing with Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2001 Series A Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder, to cancel or terminate the term of this Agreement.

Section 10.3 Obligations to Prepay Loan; Mandatory Redemption Upon Determination of Taxability. Company shall be obligated to repay the entire Loan or any part thereof, as provided below, prior to the required full payment of the 2001 Series A Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and Company shall take all actions required to mandatorily redeem the 2001 Series A Bonds at the cost of the Company upon the terms specified in this Agreement and in Article IV of the Indenture following the occurrence of a Determination of Taxability, including, but not limited to, prepaying appropriate amounts due on the 2001 Series A Bonds in order to effect such redemption. The 2001 Series A Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this section, a "Determination of Taxability" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2001 Series A Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2001 Series A Bonds, the interest on the 2001 Series A Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2001 Series A Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2001 Series A Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any 2001 Series A Bond in the computation of minimum or indirect taxes. All of the 2001 Series A Bonds shall be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2001 Series A Bonds of one or more series or one or more maturities would have the result that interest payable on the remaining 2001 Series A Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the 2001 Series A Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described in this Section 10.3, the Company shall give notice thereof to the Trustee and the Issuer.

In the case of the mandatory obligation of Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, pursuant to this Section 10.3, Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as specified in this Section 10.3 and to provide to Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2001 Series A Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2001 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any paying agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2001 Series A Bonds.

Section 10.4. Notice of Prepayment; Redemption Procedures. It is understood and agreed by the parties hereto that in order to exercise an option granted in, or to consummate a mandatory prepayment required by, this Article X, Company shall give written notice to Issuer and Trustee which notice shall (i) contain the agreement of Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2001 Series A Bonds equal to the amount of the prepayment, including, in the case of a prepayment under Section 10.2 hereof, any applicable redemption premium in respect of such 2001 Series A Bonds, and any other amounts required under this Agreement and (ii) specify the prepayment date (which must be a Business Day and which shall also be the redemption date), which date shall not be less than 30 days (45 days if the 2001 Series A Bonds are bearing interest at the Semi-annual, Annual or Long Term Rate or in all cases such shorter period as may be acceptable to the Trustee) nor more than 90 days from the date the notice is mailed by Company to Issuer and Trustee.

Section 10.5. Relative Position of this Article and Indenture. The rights and options granted to Company in this Article, except the option granted to Company pursuant to Section 10.2 to prepay less than all of the Loan payments, shall be and remain prior and superior to the Indenture and may be exercised whether or not Company is otherwise in default hereunder; provided that such default will not result in nonfulfillment of any condition to the exercise of any such right or option.

Section 10.6. Concurrent Discharge of First Mortgage Bonds. Prior to the Release Date, in the event any of the 2001 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Term of Agreement. This Agreement shall remain in full force and effect from the date hereof to and including September 1, 2027, or until such time as all of the 2001 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture), whichever shall be later; provided, however, that this Agreement may be cancelled and terminated prior to said date if Company shall prepay all of the Loan pursuant to Article X hereof; and provided further, however, that all obligations of Company under Article V and Section 8.2 hereof (a) to pay fees and expenses of Trustee, the Tender Agent, the Bond Registrar and any Paying Agent and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2001 Series A Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by Company as to all matters affecting the tax-exempt status of interest on the 2001 Series A Bonds shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2001 Series A Bonds and shall survive the termination of this Agreement and all obligations of Company contained herein relating to indemnification of Issuer, Trustee, Bond Registrar, Authenticating Agent, Tender Agent and any Paying Agent shall survive the termination of this Agreement.

Section 11.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Issuer, at the Jefferson County Courthouse, 5 th and Jefferson Streets, Louisville, Kentucky 40202, Attention: County Judge/Executive;

If to Company, at its corporate headquarters, 220 West Main Street, Louisville, Kentucky 40202, Attention: Treasurer, and

If to Trustee, at BNY Trust Company of Missouri, 911 Washington Avenue, 3 rd Floor, St. Louis, Missouri 63101, Attention: Corporate Trust Administration.

If to Paying Agent, Remarketing Agent, Auction Agent, Market Agent or Tender Agent, at such addresses for notices as are set forth in the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by either Issuer or Company to the other shall also be given to Trustee. Issuer, Company and Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon Issuer, Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 hereof.

Section 11.4 . Severability . In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5 . Amounts Remaining in Construction Fund, Bond Fund, and the Rebate Fund . It is agreed by the parties hereto that any amounts remaining in the Construction Fund and the Bond Fund upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the 2001 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, shall belong to and be paid to Company by Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied and disbursed strictly and only in accordance with the provisions of Section 6.07 of the Indenture.

Section 11.6 . Amendments, Changes and Modifications . Subsequent to the issuance of the 2001 Series A Bonds and prior to payment in full of all 2001 Series A Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated, and no provision hereof waived, without the written consent of Trustee, given in accordance with the Indenture.

Section 11.7 . Execution in Counterparts . This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8 . Applicable Law . This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 11.9 . Captions . The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 11.10 . No Pecuniary Liability of Issue r. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement, as hereinabove provided.

Section 11.11 . Payments Due on Other Than Business Days . If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be on a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided in this Agreement, and if done on such succeeding Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

(remainder of page left blank intentionally)

IN WITNESS WHEREOF , Issuer and Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first written.

COUNTY OF JEFFERSON, KENTUCKY

(SEAL)

By:_____
REBECCA JACKSON
County Judge/Executive

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

_____
SANDRA A. MOORE
Fiscal Court Clerk

By:_____
JAMES T. CAREY
Assistant County Attorney

LOUISVILLE GAS AND ELECTRIC COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of _____, 2001, the foregoing instrument was produced to me in said County by Rebecca Jackson and Sandra A. Moore, personally known to me and personally known by me to be the County Judge/Executive and Fiscal Court Clerk, respectively, of the COUNTY OF JEFFERSON, KENTUCKY, and acknowledged before me by them and each of them to be their free act and deed as County Judge/Executive and Fiscal Court Clerk of such County, and the act and deed of said County as authorized by an Ordinance of the Fiscal Court of such County.

Witness my hand and seal this _____ day of _____, 2001. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of _____, 2001, the foregoing instrument was produced to me in said County by Daniel K. Arbough and John R. McCall, personally known to me and personally known by me to be the Treasurer and the Secretary, respectively, of LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

Witness my hand and seal this _____ day of _____, 2001. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

This Instrument Prepared by the
Undersigned, Attorney at Law of
HARPER, FERGUSON & DAVIS
1730 Meidinger Tower
Louisville, Kentucky 40202

_____
SPENCER E. HARPER, JR

Exhibit 4(ii)-2

Execution Copy

2001 Series A - Louisville Metro)
(Environmental Facilities)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

AMENDMENT NO. 1 TO LOAN AGREEMENT IN CONNECTION WITH ENVIRONMENTAL FACILITIES

* * * * *

Dated as of September 1, 2010

* * * * *

NOTICE: The interest of the Louisville/Jefferson County Metro Government, Kentucky in and to this Amendment No. 1 to Loan Agreement has been assigned to The Bank of New York Mellon Trust Company, N.A., as Trustee, under the Indenture of Trust dated as of July 1, 2001.

TABLE OF CONTENTS

THIS AMENDMENT NO. 1 TO LOAN AGREEMENT , dated as of September 1, 2010, but made effective as of the Effective Date (defined herein) (this "Amendment No. 1 to Loan Agreement"), by and between the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY , the governmental successor in interest by operation of law to the County of Jefferson, Kentucky, being a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY , a corporation organized and existing under the laws of the Commonwealth of Kentucky.

WITNESSETH:

THIS AMENDMENT NO. 1 TO LOAN AGREEMENT , dated as of September 1, 2010, but made effective as of the Effective Date (defined herein) (this "Amendment No. 1 to Loan Agreement"), by and between the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY , the governmental successor in interest by operation of law to the County of Jefferson, Kentucky, being a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY , a corporation organized and existing under the laws of the Commonwealth of Kentucky.

WHEREAS , the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer") is the governmental successor in interest by operation of law to the County of Jefferson, Kentucky and constitutes a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), the Issuer has the power to enter into the transactions contemplated by this Amendment No. 1 to Loan Agreement and to carry out its obligations hereunder; and

WHEREAS , the Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition, construction, installation and equipping of solid waste disposal facilities as defined by the Act for the collection, storage, treatment and final disposal of solid wastes; and

WHEREAS , on September 11, 2001, the Issuer, at the request of Louisville Gas and Electric Company (the "Company"), issued its Environmental Facilities Revenue Bonds, 2001 Series A (Louisville Gas and Electric Company Project) (the "Bonds" or "2001 Series A Bonds") in the original principal amount of $10,104,000, and the Issuer loaned the proceeds of the 2001 Series A Bonds to the Company pursuant to the Loan Agreement dated as of July 1, 2001, between the Issuer and the Company (the "Agreement"); and

WHEREAS , to secure the payment of the 2001 Series A Bonds, the Issuer assigned substantially all of its rights, title and interests in and to the Agreement to The Bank of New York Mellon Trust Company, N.A. (successor to BNY Trust Company of Missouri), as Trustee (the "Trustee"), pursuant to the Indenture of Trust dated as of July 1, 2001, between the Issuer and the Trustee (the "Indenture"); and

WHEREAS , the Company delivered to the Trustee, as security for the Company's payment obligations under the Agreement, $10,104,000 aggregate principal amount of the Company's first mortgage bonds issued under the Company's Indenture dated November 1, 1949, as amended by indentures supplemental thereto (the "1949 Indenture"); and

WHEREAS , the 1949 Indenture was subsequently terminated, the first mortgage bonds issued under the 1949 Indenture to secure the 2001 Series A Bonds were released and the Company's obligations under the Agreement became unsecured; and

WHEREAS , all of the 2001 Series A Bonds remain outstanding and unpaid; and

WHEREAS , the Company intends to enter into that certain Indenture dated as of October 1, 2010 (the "First Mortgage Indenture"), between the Company and The Bank of New York Mellon (the "First Mortgage Trustee"), pursuant to which the Company shall issue certain first mortgage bonds secured by a lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky; and

WHEREAS , in the event the Company grants a lien on and a security interest in its operating property to secure general debt for borrowed money, which the Company intends to do pursuant to the issuance of the first mortgage bonds pursuant to the First Mortgage Indenture, the Company desires to grant an equal and ratable lien on and security interest in its operating property in favor of the Trustee under the Indenture to secure the 2001 Series A Bonds; and

WHEREAS , the Company intends to issue first mortgage bonds (the "First Mortgage Bonds") to the Trustee under the Indenture, thereby creating in favor of the Trustee for the benefit of the holders of the 2001 Series A Bonds an equal and ratable lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky as security for the payment of the 2001 Series A Bonds; and

WHEREAS , pursuant to Section 13.01 of the Indenture, the consent of the holders of the 2001 Series A Bonds is not required for the Issuer and the Company to enter into an amendment to the Agreement in order to conform the Agreement with changes and modifications to the Indenture made pursuant to Section 12.01 of the Indenture; and

WHEREAS , it is now appropriate and necessary that the Agreement be amended pursuant to Section 13.01 of the Indenture in connection with the issuance of the First Mortgage Bonds to the Trustee under the Indenture as additional collateral and security for the payment of the 2001 Series A Bonds; and

WHEREAS , pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Issuer on September 23, 2010, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to enter into this Amendment No. 1 to Loan Agreement in order to provide additional collateral and security for the 2001 Series A Bonds; and

WHEREAS , the Issuer and the Trustee have entered into that certain Supplemental Indenture No. 1 to Indenture of Trust (the Supplemental Indenture No. 1") of even date herewith pursuant to Section 12.01 of the Indenture; and

WHEREAS , all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amendment No. 1 to Loan Agreement have happened, have existed and have been performed as so required in order to make this Amendment No. 1 to Loan Agreement a valid and binding loan agreement for the security of the holders of the 2001 Series A Bonds and for payment of all amounts due under the Agreement and this Amendment No. 1 to Loan Agreement in accordance with their respective terms.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER AS FOLLOWS :

ARTICLE I

AMENDMENTS TO THE LOAN AGREEMENT

Section 1.1. Amendment of Section 1.2. Incorporation of Certain Terms by Reference . The following defined terms are hereby added to Section 1.2 of the Agreement and shall have the meanings set forth in Section 1.5 of the Supplemental Indenture No. 1:

"Amendment No. 1 to Loan Agreement"
"Effective Date"
"Supplemental Indenture No. 1"

The following defined terms in Section 1.5 of the Supplemental Indenture No. 1 shall amend, restate and supersede the corresponding defined terms set forth in Section 1.2 of the Agreement:

"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Redemption Demand"
"Supplemental First Mortgage Indenture" in lieu of "Supplemental Indenture"

Section 1.2 of the Agreement is further hereby amended by deleting the definition of "Release Date" and all references to such term in the Agreement.

Section 1.2. Amendment of Section 3.3. Agreement as to Ownership of Project . Section 3.3 of the Agreement is hereby amended and restated to read as follows:

> Section 3.3 . Agreement as to Ownership of Project . The Issuer and the Company agree that title to and ownership of the Project shall remain in and be the sole property of the Company in which the Issuer shall have no interest. From and after the Effective Date, the Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2001 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement and the Amendment No. 1 to Loan Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 1.3. Amendment of Section 4.8. First Mortgage Bonds . Section 4.8 of the Agreement is hereby amended and restated to read as follows:

> Section 4.8 . First Mortgage Bonds . The Company covenants and agrees with the Issuer that it will, for the purpose of providing security for the 2001 Series A Bonds, execute and deliver to the Trustee on the Effective Date the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2001 Series A Bonds. The First Mortgage Bonds shall be in full force and effect from and after the Effective Date and shall mature as to principal identically as in the case of the 2001 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental First Mortgage Indenture, shall bear interest identically as in the case of the 2001 Series A Bonds.
>
> Following the Effective Date, upon the occurrence of an event of default under Article IX of this Agreement, as amended by the Amendment No. 1 to Loan Agreement, that has resulted in a default in payment of the principal of, premium, if any, or interest on the 2001 Series A Bonds as and when the same come due, whether at maturity, redemption, acceleration or otherwise, or a default in payment of the purchase price of any 2001 Series A Bond tendered for purchase, the acceleration of the maturity date of the 2001 Series A Bonds (to the extent not already due and payable) as a consequence of such event of

default and the receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable, in accordance with the provisions specified in the Supplemental First Mortgage Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2001 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, the Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2001 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of the Company thereunder terminated and such First Mortgage Bonds shall be surrendered by the Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of the Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Section 1.4. Amendment of Section 7.7. Financing Statements. Section 7.7 of the Agreement is hereby amended and restated to read as follows:

Section 7.7. Financing Statements. The Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the respective liens of the Indenture and the First Mortgage Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the First Mortgage Bonds, the Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the respective liens of the Indenture and the First Mortgage Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such liens, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the respective liens of the Indenture and the First Mortgage Indenture, which filings the Company agrees to undertake.

Section 1.5. Amendment of Section 9.1. Events of Default Defined. Section 9.1(c) of the Agreement is hereby amended and restated and subsection (f) is hereby added to Section 9.1, in each case to read as follows:

(c) From and after the Effective Date, all bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(f) The occurrence of an Event of Default under the Indenture.

Section 1.6. Amendment of Section 9.2. Remedies on Default. Section 9.2(c) of the Agreement is hereby amended and restated to read as follows:

(c) The Trustee, on behalf of the Issuer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement and the Amendment No. 1 to Loan Agreement, including, from and after the Effective Date, any remedies available in respect of the First Mortgage Bonds.

Section 1.7. Amendment of Section 10.6. Concurrent Discharge of First Mortgage Bonds. Section 10.6 of the Agreement is hereby amended and restated to read as follows:

Section 10.6. Concurrent Discharge of First Mortgage Bonds. From and after the Effective Date, in the event any of the 2001 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement and the Amendment No. 1 to Loan Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by the Issuer. The Issuer represents, warrants and covenants that:

(a) The Issuer is a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, the Issuer has the power to enter into this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1 and the transactions contemplated hereby and thereby and to carry out its obligations hereunder and thereunder.

(b) To its knowledge, the Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the First Mortgage Bonds or the consummation of the transactions

contemplated hereby, and the Issuer has been duly authorized to execute and deliver this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1. The Issuer agrees that it will do or cause to be done in a timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Amendment No. 1 to Loan Agreement.

Section 2.2. Representations, Warranties and Covenants by the Company. The Company represents, warrants and covenants that:

(a) The Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business, and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the First Mortgage Bonds.

(b) The Company has full and complete legal power and authority to execute and deliver this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds.

(c) No event of default, and no event of the type described in clauses (a) through (f) of Section 9.1 of the Agreement, as amended by this Amendment No. 1 to Loan Agreement, has occurred and is continuing, and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture or the First Mortgage Bonds, nor the consummation of the transactions contemplated hereby or by the Indenture and the Supplemental Indenture No. 1, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1. Term of Amendment No. 1 to Loan Agreement. This Amendment No. 1 to Loan Agreement shall remain in full force and effect from the date hereof to and including the later of September 1, 2027, or until such time as all of the 2001 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture and the Supplemental Indenture No. 1 and any amendments thereto), whichever shall be later; provided, however, that the Agreement, as amended, may be cancelled and terminated prior to said date in accordance with the provisions of Section 11.1 of the Agreement.

Section 3.2. Ratification. Except as amended and supplemented by Articles I and II hereof, the Issuer and the Company hereby ratify and reaffirm the terms and provisions of the Agreement and their respective representations, warranties, covenants, agreements and obligations set forth therein.

Section 3.3. Effective Date. This Amendment No. 1 to Loan Agreement has been made and entered into as of the date first written above but shall be effective as of the Effective Date.

Section 3.4. Binding Effect. This Amendment No. 1 to Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 of the Agreement.

Section 3.5. Severability. In the event any provision of this Amendment No. 1 to Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 3.6. Execution in Counterparts. This Amendment No. 1 to Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.7. Applicable Law. This Amendment No. 1 to Loan Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 3.8. Captions. The captions or headings in this Amendment No. 1 to Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Amendment No. 1 to Loan Agreement.

Section 3.9. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Amendment No. 1 to Loan

Agreement or breach thereof shall constitute or give rise to a pecuniary liability of the Issuer or a charge upon its general credit or taxing powers.

(signature page immediately follows)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Amendment No. 1 to Loan Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all of the date first written.

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT, KENTUCKY

(SEAL)

By:_____
JERRY E. ABRAMSON
Mayor

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

Mike O'Connell
Jefferson County Attorney

_____
KATHLEEN J. HERRON
Metro Council Clerk

By:_____
JAMES T. CAREY
Assistant County Attorney

LOUISVILLE GAS AND ELECTRIC
COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

Exhibit 4(jj)-1

(2001 Series A-Jefferson Co.)

COUNTY OF JEFFERSON, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * *

LOAN AGREEMENT IN CONNECTION WITH
POLLUTION CONTROL FACILITIES

* * * *

Dated as of November 1, 2001

* * * *

NOTICE: The interest of the County of Jefferson, Kentucky, in and to this Loan Agreement has been assigned to Bankers Trust Company, as Trustee, under the Indenture of Trust dated as of November 1, 2001.

LOAN AGREEMENT

TABLE OF CONTENTS

(This Table of Contents is for convenience of reference only and is not a part of this Loan Agreement.)

LOAN AGREEMENT IN CONNECTION WITH
POLLUTION CONTROL FACILITIES

This LOAN AGREEMENT, dated as of November 1, 2001, by and between the COUNTY OF JEFFERSON, KENTUCKY, a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of Kentucky;

WITNESSETH:

WHEREAS, the County of Jefferson, Kentucky ("Issuer"), is a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), Issuer has the power to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act ("Pollution Control Facilities") for the abatement and control of air and water pollution and for the disposal and abatement of solid wastes and to refund bonds which were previously issued for such purposes; and

WHEREAS, Issuer is further authorized pursuant to the Act to enter into a loan agreement, which may include such provisions as Issuer shall deem appropriate to effect the securing of a financing or refinancing undertaken in respect of Pollution Control Facilities, including the pledge of direct securities of a utility company; and

WHEREAS, the Act further provides that title to Pollution Control Facilities shall not be acquired by Issuer in the case of a loan transaction; and

WHEREAS, Louisville Gas and Electric Company, a Kentucky corporation ("Company"), has heretofore, by the issuance of the Refunded 1996 Series A Bonds, hereinafter defined, refinanced a portion of the costs of construction and acquisition of certain air and water pollution control facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities to serve the Cane Run and Mill Creek Generating Stations of Company, which specified facilities constitute the Project, as hereinafter defined in Article I (the "Project") located within the corporate boundaries of Issuer, which Project consists of certain air and water pollution control facilities and olid waste disposal facilities and facilities functionally related and subordinate to such facilities in furtherance of the regulations of the Natural esources and Environmental Protection Cabinet of the Commonwealth of Kentucky, and which Project qualifies for financing within the meaning of the Act; and

WHEREAS, the Project has been completed and placed in operation and has contributed to the control, containment, reduction and abatement of atmospheric pollution and contamination and water pollution and solid waste disposal in the Commonwealth of Kentucky; and

WHEREAS, under date of October 2, 1996, the Issuer, at the request of the Company, issued its "County of Jefferson, Kentucky, Pollution Control Revenue Bonds, 1996 Series A (Louisville Gas and Electric Company Project)" of which $22,500,000 principal amount of such bonds remains outstanding and unpaid (the "Refunded 1996 Series A Bonds), such Refunded 1996 Series A Bonds having been issued for currently refinancing the Issuer = s 1986 Series A Bonds, the proceeds of which currently refunded the Original Bonds, the proceeds of which financed a portion of the Cost of Construction of the Project, hereinafter described; and in connection with the issuance of the Refunded 1996 Series A Bonds, the right was reserved to Issuer, upon direction by Company, to redeem the Refunded 1996 Series A Bonds in advance of their maturity; and the Refunded 1996 Series A Bonds are by their terms subject to redemption at the option of Issuer in whole or in part on any interest payment date, at the price of 100% of the principal amount thereof and accrued interest to the date of redemption, as provided in the hereinafter defined 1996 Series A Indenture; and the redemption and discharge of the Refunded 1996 Series A Bonds will result in benefits to the general public and the Company and should be carried out forthwith in the public interest by the issuance of the 2001 Series A Bonds, hereinafter defined, and the application of the proceeds of the 2001 Series A Bonds, together with funds to be provided by Company, for the refunding, payment and discharge of the Refunded 1996 Series A Bonds on or prior to the 90th day after the date of issuance of the 2001 Series A Bonds; and

WHEREAS, in respect of the Refunded 1996 Series A Bonds, Issuer entered into a certain Indenture of Trust dated as of September 1, 1996 (the "1996 Series A Indenture"), with First Trust of New York, National Association (now known as U.S. Bank Trust National Association), as Trustee, Paying Agent and Bond Registrar (the "Prior Trustee"), and it is provided in Article VIII of the 1996 Series A Indenture that the Refunded 1996 Series A Bonds, or any of them, shall be deemed to have been paid within the meaning of such 1996 Series A Indenture when there shall have been irrevocably deposited with the Prior Trustee, in trust, either cash or Governmental Obligations, as defined in the 1996 Series A Indenture, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal and the applicable redemption premium, if any, on the Refunded 1996 Series A Bonds plus interest thereon to the date of payment and discharge thereof (whether at maturity or upon redemption or otherwise), plus sufficient moneys to pay all necessary and proper fees, compensation and expenses of the Prior Trustee, authenticating agent, bond registrar and any paying agent; together with irrevocable structions to call and redeem the Refunded 1996 Series A Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Fiscal Court of Issuer on November 13, 2001, and in furtherance of the purposes of the Act, Issuer proposes to issue, sell and deliver a series of its bonds in fully registered form which will be designated "County of Jefferson, Kentucky, Pollution Control Revenue Bonds, 2001 Series A (Louisville Gas and

Electric Company Project)" (the "2001 Series A Bonds"), the proceeds of which will be lent to Company to cause the outstanding principal amount of the Refunded 1996 Series A Bonds to be refunded, paid and discharged in full on or prior to the 90th day after the date of issuance of the 2001 Series A Bonds; and

WHEREAS , the 2001 Series A Bonds are to be issued under and pursuant to and are secured by an Indenture of Trust by and between Issuer and Bankers Trust Company, as trustee thereunder, dated as of November 1, 2001 (the "Indenture"); and

WHEREAS , the 2001 Series A Bonds will be issued simultaneously with the 2001 Trimble Bonds, hereinafter defined, pursuant to a common plan of marketing and financing and with a single Official Statement; and the 2001 Series A Bonds and 2001 Trimble Bonds will be paid out of substantially the same source of funds and have substantially the same claim to such source of funds and shall constitute a single issue of obligations; and

WHEREAS , the Natural Resources and Environmental Protection Cabinet of Kentucky, having jurisdiction in the premises, has previously certified that the Project, as designed, is in furtherance of the purposes of abating and controlling atmospheric and liquid pollutants or contaminants and for the disposal of solid wastes; and

WHEREAS , Issuer proposes to lend to Company and Company desires to borrow from Issuer the proceeds from the sale of the 2001 Series A Bonds to cause the outstanding principal amount of the Refunded 1996 Series A Bonds to be refunded, paid and discharged on or prior to the 90th day after the date of issuance of the 2001 Series A Bonds;

NOW, THEREFORE FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER, AS FOLLOWS :

ARTICLE I

DEFINITIONS

Section 1.01 . Use of Defined Terms . In addition to the words and terms defined elsewhere in this Agreement or in the Indenture or by reference to another document, the words and terms set forth in Sections 1.02 and 1.03 shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.02 . Incorporation of Certain Terms by Reference . When and if used in this Agreement, the following terms shall have the meaning set forth in Article I of the Indenture:

"Act"
"Agreement"
"Authorized Denomination"
"Bond Counsel"
"Bond Fund"
"Bond Year"
"2001 Bonds"
"Business Day"
"Code"
"Company"
"Company Bonds"
"Company Representative"
"Cost of Construction"
"Cumulative Excess Earnings"
"Excess Earnings"
"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Governmental Obligations"
"Indenture"
"Interest Payment Date"
"Issuer"
"Issuer Representative"
"Loan"
"No Auction Rate"
"Net Proceeds"
"Paying Agent"
"Permitted Investments"
"Plans and Specifications"
"Pollution Control Facilities"
"Prevailing Rating"
"Project"
"Project Site"

"Purchase Fund"
"Rating Service"
"Rebate Fund"
"Redemption Date"
"Redemption Demand"
"Refunded 1996 Series A Bonds"
"Refunded 1996 Trimble Bonds"
"Release Date"
"1986 Series A Bonds"
"2001 Series A Bonds"
"2001 Trimble Bonds"
"1996 Series A Indenture"
"1996 Trimble Indenture"
"Seven-Day > AA = Composite Commercial Paper Rate"
"Supplemental Indenture"
"Tender Agent"
"Trustee"

Section 1.03 . Additional Definitions . In addition to the terms whose definitions are incorporated by reference herein pursuant to Section 1.02 , the following terms shall have the meanings set forth in this Section unless the use or context clearly indicates otherwise:

" Capitalization " means the total of all the following items appearing on, or included in, the balance sheet of the Company:

(1) liabilities for indebtedness, including short-term debt, long-term debt and current maturities of long-term debt; and

(2) common stock, preferred stock, capital surplus, premium on capital stock, capital in excess of par value and retained earnings (however the foregoing may be designated), less to the extent not otherwise deducted, the cost of shares of capital stock of the Company held in its treasury.

Capitalization shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Debt " shall mean any outstanding debt for money borrowed.

" Determination of Taxability " shall have the meaning ascribed to such term in Section 10.3 of this Agreement.

" Net Tangible Assets " means the amount shown as total assets on the balance sheet of the Company, less the following:

(1) intangible assets including, but without limitation, such items as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset on said balance sheet; and

(2) appropriate adjustments, if any, on account of minority interests.

Net Tangible Assets shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Operating Property " means (i) any interest in real property owned by the Company and (ii) any asset owned by the Company that is depreciable in accordance with generally accepted accounting principles.

" Original Bonds " means the $22,500,000 "County of Jefferson, Kentucky Pollution Control Revenue Bonds, 1982 Series A (Louisville Gas and Electric Company Project)", dated March 1, 1982.

" Prior Bond Fund " means the "County of Jefferson, Kentucky, Pollution Control Revenue Bond Fund, 1996 Series A (Louisville Gas and Electric Company Project)" created by the 1996 Series A Indenture.

" Prior Trustee " means U.S. Bank Trust National Association (formerly First Trust of New York, National Association), acting as trustee in respect of the Refunded 1996 Series A Bonds.

In addition to the definitions herein, terms used in this agreement and not defined herein shall have the meanings ascribed to such terms in the Indenture.

The words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement. Unless otherwise noted, all Section and Article references are to sections and articles in this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1 Representations, Warranties and Covenants by Issuer. Issuer represents, warrants and covenants that:

(a) Issuer is a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, Issuer has the power to issue the 2001 Series A Bonds, to enter into this Agreement and the Indenture and the transactions contemplated hereby and to carry out its obligations hereunder and thereunder. Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2001 Series A Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2001 Series A Bonds and to execute and deliver this Agreement and the Indenture. Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) Issuer agrees to loan funds derived from the sale of the 2001 Series A Bonds to Company to provide for the refunding, payment and discharge of the outstanding principal amount of the Refunded 1996 Series A Bonds, to the end that air and water pollution be abated and controlled and solid wastes be disposed of in the Commonwealth.

(c) To accomplish the foregoing, Issuer agrees to issue $22,500,000 aggregate principal amount of its 2001 Series A Bonds following the execution of this Agreement on such terms and conditions as are set forth in the Indenture. The proceeds from the sale of the 2001 Series A Bonds shall be applied exclusively and in whole to refund, pay and discharge the outstanding principal amount of the Refunded 1996 Series A Bonds on or prior to the 90th day after the date of issuance of the 2001 Series A Bonds.

(d) Issuer will cooperate with Company and take all actions necessary for Company to comply with Section 2.2(n), (r) and (u) hereof and take other actions reasonably requested by Company in furtherance of this Agreement.

Section 2.2. Representations, Warranties and Covenants by Company. Company represents, warrants and covenants that:

(a) Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the 2001 Series A Bonds.

(b) Company has full and complete legal power and authority to execute and deliver this Agreement, the Supplemental Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Agreement, the Supplemental Indenture and the First Mortgage Bonds.

(c) The Project currently refinanced by application of the proceeds of the Refunded 1996 Series A Bonds has been designed and constructed to control, contain, reduce and abate air and water pollution and dispose of solid wastes at the Project Site. The Project was and is necessary for the public health and welfare, and is designed for no significant purpose other than the control of air and water pollution and the abatement and disposal of solid wastes and the Project constitutes air and water pollution control facilities and abatement facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, and the Act.

(d) All of the proceeds of the 2001 Series A Bonds, exclusively of accrued interest, if any, shall be used on or prior to the 90th day after the date of issuance of the 2001 Series A Bonds exclusively and only to redeem, pay and discharge the principal of the Refunded 1996 Series A Bonds, all of the proceeds of which currently refunded the Issuer = s 1986 Series A Bonds, the proceeds of which currently refunded the Original Bonds, not less than substantially all of the proceeds of which Original Bonds (i.e., at least 90% of the proceeds thereof, including investment income thereon) were used to finance the Cost of Construction of air and water pollution control facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities, and all of such air and water pollution control facilities and solid waste disposal facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section 167 of the Code.

(e) The Project, as designed, has been certified by the Department for Natural Resources and Environmental Protection of Kentucky (now the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky), the agency exercising jurisdiction in the premises, to be in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants and water pollution.

(f) The Project is of the type authorized and permitted by the Act, and the Cost of Construction of the Project was not less than $22,500,000.

(g) No event of default, and no event of the type described in clauses (a) through (e) of Section 9.1 hereof, has occurred and is continuing and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under this Agreement, the Supplemental Indenture, the First Mortgage Bonds or the transactions contemplated hereby or

thereby. Neither the execution and delivery of this Agreement, Supplemental Indenture, the First Mortgage Bonds, the consummation of the transactions contemplated hereby or by the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of Company under the terms of any instrument or agreement.

(h) Company intends to continue to operate or cause the Project to be operated as air and water pollution control facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities until all of the 2001 Series A Bonds are paid and discharged.

(i) No portion of the proceeds of 2001 Series A Bonds will be invested at a yield in excess of the yield on the 2001 Series A Bonds except (i) during any permitted temporary period provided by the Code, (ii) proceeds of a reasonably required reserve or replacement fund and (iii) as part of a minor portion of the proceeds of the 2001 Series A Bonds, not in excess of the lesser of 5% of the proceeds of the 2001 Series A Bonds or $100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Section 148 of the Code and applicable tax regulations.

(j) No portion of the proceeds from the sale of the 2001 Series A Bonds will be deposited to the account of any reasonably required reserve or replacement fund or used to pay (i) any costs of issuance of the 2001 Series A Bonds or (ii) any redemption premium or accrued interest on the Refunded 1996 Series A Bonds, but such proceeds will be applied and used solely and exclusively to refund, pay and discharge the outstanding principal amount of the Refunded 1996 Series A Bonds on or prior to the 90th day after the issuance of the 2001 Series A Bonds.

(k) Company will provide any additional moneys, including investment proceeds of the 2001 Series A Bonds, required for the payment and discharge of the Refunded 1996 Series A Bonds, payment of redemption premium, if any, and accrued interest in respect thereto and payment of all underwriting discount and costs of issuance of the 2001 Series A Bonds. Any investment proceeds of the 2001 Series A Bonds shall be used exclusively to pay interest or redemption premium due, if any, on the Refunded 1996 Series A Bonds on the Redemption Date.

(l) Company will cause no investment of 2001 Series A Bond proceeds to be made and will make no other use of or omit to take any action with respect to the proceeds of the 2001 Series A Bonds or any funds reasonably expected to be used to pay the 2001 Series A Bonds which will cause the 2001 Series A Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or would otherwise result in the loss or impairment of the exclusion of the interest on such 2001 Series A Bonds from gross income for federal income tax purposes.

(m) The average maturity of the 2001 Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the date of issuance of the 2001 Bonds) of the Pollution Control Facilities and solid waste disposal facilities refinanced by the proceeds of the 2001 Bonds.

(n) Company will provide all information requested by the Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 filed by Issuer with respect to the 2001 Series A Bonds and the air and water pollution control facilities and solid waste disposal facilities constituting the Project, and such information will be true and correct in all material respects.

(o) Within the meaning of Section 149 of the Code, no portion of the payment of the principal or interest on the 2001 Series A Bonds or the Refunded 1996 Series A Bonds was or shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(p) All of the proceeds of the Refunded 1996 Series A Bonds, the 1986 Series A Bonds and the Original Bonds have been fully expended and the Project has been completed. All of the actual Cost of Construction of the Project represents amounts paid or incurred which were chargeable to the capital account of the Project or would be so chargeable either with a proper election by the Company or but for a proper election by the Company to deduct such amounts. Substantially all (i.e. at least 90%) of the net proceeds of the sale of the Original Bonds (including investment income therefrom), were used to finance Cost of Construction of the Project as described above, pay costs and expenses of issuing the Original Bonds, within then applicable Code limits, and pay interest and carrying charges on the Original Bonds during the period of construction of the Project and prior to its in-service date.

(q) All of the depreciable properties which were taken into account in determining the qualifying costs of the Project constitute properties either (i) used for the control, containment, reduction and abatement of atmospheric pollutants and contaminants and water pollution and disposal of solid wastes or (ii) facilities which are functionally related and subordinate to such facilities constituting the Project. All of such functionally related and subordinate facilities are of a size and character commensurate with the character and size of the air and water pollution control facilities and solid waste disposal facilities constituting the Project.

(r) The Company will cause the Issuer to comply in all respects with the requirements of Section 148 of the Code in respect of the rebate of Excess Earnings with respect to the 2001 Series A Bonds to the United States of America.

(s) None of the proceeds of the 2001 Series A Bonds will be applied and none of the proceeds of the Refunded 1996 Series A Bonds, the 1986 Series A Bonds or the Original Bonds were applied to provide any: (i) working capital, (ii) office space (other than office space located on the premises of the Project where not more than a de minimis amount of the functions to be performed are not

directly related to the day-to-day operations of the Project), (iii) airplane, (iv) skybox or other private luxury box, (v) health club facility, (vi) facility primarily used for gambling or (vii) store, the principal business of which is the sale of alcoholic beverages for consumption off premises.

(t) Less than twenty-five percent (25%) of the net proceeds of the Refunded 1996 Series A Bonds, the 1986 Series A Bonds or the Original Bonds, were used directly or indirectly to acquire land or any interest therein and no portion of such land, if acquired, was or is to be used for farming purposes. No portion of the proceeds of the Refunded 1996 Series A Bonds, the 1986 Series A Bonds or the Original Bonds was used to acquire existing property or any interest therein with respect to which the Company was not the first user for federal income tax purposes.

(u) Upon the date of issuance of the 2001 Series A Bonds, the Company will have caused the Issuer to comply with the public approval requirements of Section 147 of the Code and at or following the issuance of the 2001 Series A Bonds the Company will cause the Issuer to comply with the information reporting requirements of Section 149 of the Code by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

(v) All of the documents, instruments and written information furnished by Company on behalf of Company to Issuer or Trustee in connection with the issuance of the Bonds are true and correct in all material respects as of the date of delivery thereof and did not, as of the date of delivery thereof, omit or fail to state any material facts necessary to be stated therein to make the information provided not misleading.

(w) The proceeds derived from the sale of the 2001 Series A Bonds (other than any accrued interest thereon) will be used exclusively and solely to refund the principal of the Refunded 1996 Series A Bonds. The principal amount of the 2001 Series A Bonds does not exceed the principal amount of the Refunded 1996 Series A Bonds. The redemption of the outstanding principal amount of the Refunded 1996 Series A Bonds with such proceeds of the 2001 Series A Bonds will occur not later than 90 days after the date of issuance of the 2001 Series A Bonds. Any earnings derived from the investment of such proceeds of the 2001 Series A Bonds will be fully needed and used on such redemption date to pay a portion of the interest accrued and payable on the Refunded 1996 Series A Bonds on such date.

(x) It is not anticipated, as of the date hereof, that there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2001 Series A Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

Company need not comply with the covenants or representations in this Section if and to the extent that Issuer and Company receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2001 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE III

COMPLETION AND OWNERSHIP OF PROJECT

Section 3.1. Completion and Equipping of Project. Company represents that (a) it has previously caused the Project to be constructed as herein provided on the Project Site in accordance with the Plans and Specifications and (b) the Project was completed as previously evidenced by the filing of a completion certificate by the Company with the trustee in respect of the Original Bonds.

Section 3.2. Agreement as to Ownership of Project. Issuer and Company agree that title to and ownership of the Project shall remain in and be the sole property of Company in which Issuer shall have no interest. The Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.3. Use of Project. Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to Article IX of this Agreement or Article IX of the Indenture, to interfere with Company's ownership of the Project or to prevent Company from having possession, custody, use and enjoyment of the Project.

ARTICLE IV

ISSUANCE OF 2001 SERIES A BONDS; APPLICATION OF PROCEEDS; COMPANY TO ISSUE FIRST MORTGAGE BONDS

Section 4.1. Agreement to Issue 2001 Series A Bonds; Application of 2001 Series A Bond Proceeds. In order to provide funds to make the Loan, Issuer will issue, sell and deliver the 2001 Series A Bonds to the initial purchasers thereof and deposit the proceeds thereof with Trustee, as follows:

(i) Into the Bond Fund, a sum equal to the accrued interest, if any, to be paid by the initial purchasers of the 2001 Series A Bonds.

(ii) Into the Prior Bond Fund held by the Prior Trustee, for the benefit of and payment of the Refunded 1996 Series A Bonds,

an amount not less than all of the balance of all such proceeds, being the principal amount of the 2001 Series A Bonds.

Section 4.2 . Payment and Discharge of Refunded 1996 Series A Bonds . Company covenants and agrees with Issuer that it will, upon the date of issuance of the 2001 Series A Bonds, give irrevocable instructions to the Prior Trustee to call and redeem the Refunded 1996 Series A Bonds in accordance with their terms and will simultaneously deposit into the Prior Bond Fund cash or direct United States Obligations ("Governmental Obligations") sufficient on the date of issuance of the 2001 Series A Bonds, to fully defease and discharge the Refunded 1996 Series A Bonds on such date in accordance with Article VIII of the 1996 Series A Indenture, without reference to any interest earnings to be accrued during the period from the date of issuance of the 2001 Series A Bonds to the redemption date of the Refunded 1996 Series A Bonds. Such matters to be confirmed by issuance of an appropriate written certificate of the Prior Trustee confirming defeasance and full discharge of the Refunded 1996 Series A Bonds upon the date of issuance of the 2001 Series A Bonds. Such irrevocable instructions, deposit of sufficient cash and Governmental Obligations and issuance by the Prior Trustee of a certificate of defeasance and discharge is a condition precedent to the issuance of the 2001 Series A Bonds.

Section 4.3 . Investment of Bond Fund and Rebate Fund Moneys . Subject to the provisions of Section 148 of the Code, any moneys held as a part of the Bond Fund or the Rebate Fund, if applicable, shall be invested or reinvested by Trustee, at the written request of and as specifically directed by Company, in one or more of the Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of Trustee. All moneys invested shall be deemed at all times a part of the fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2001 Series A Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax or other charge in respect of any investments, reinvestments or any liquidation of investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

Section 4.4 . Special Arbitrage Certifications .

(a) Company covenants and agrees that it, will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results in interest paid on any of the 2001 Series A Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) or adversely affects the validity of the 2001 Series A Bonds.

(b) Company warrants, represents and certifies to Issuer that the proceeds of the 2001 Series A Bonds will not be used in any manner that would cause the 2001 Series A Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 and other applicable sections of the Code. To the best knowledge and belief of Company, there are no facts, estimates or circumstances that would materially change the foregoing conclusion.

(c) Company hereby covenants that it will at all times comply and cause Issuer to comply with the provisions of Section 148 and other applicable sections of the Code and will restrict the use of the proceeds of the 2001 Bonds, including the 2001 Series A Bonds, in such manner and to such extent, if any, as may be necessary, and remit Excess Earnings with respect to all of the 2001 Series A Bonds, if any, to the United States of America pursuant to Section 148(f)(2) of the Code and carry out such actions so that the 2001 Series A Bonds will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code. An officer or officers of Issuer having responsibility with respect to the issuance of the 2001 Series A Bonds is or are hereby authorized and directed to give an appropriate certificate of Issuer, for inclusion in the transcript of proceedings for the 2001 Series A Bonds, setting forth the reasonable expectations of Issuer regarding the amount and use of the proceeds of the 2001 Series A Bonds and the facts, estimates and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2001 Series A Bonds pursuant to said Section 148 of the Code. Company shall provide the Issuer, and Issuer's certificate may be expressly based on, a certificate of Company setting forth the facts, estimates and circumstances and reasonable expectations of Company on the date of delivery of and payment for the 2001 Series A Bonds regarding the amount and use of the proceeds of the 2001 Series A Bonds and related matters. In the event any such representation of Company relied upon by the Issuer is untrue or inaccurate and Issuer thereby suffers costs or damages, Company shall indemnify Issuer for any such costs or damages.

(d) Consistent with the foregoing, Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2001 Bonds, including the 2001 Series A Bonds, that no use will be made of the proceeds of the sale of the 2001 Series A Bonds which would cause the 2001 Series A Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and that Company and Issuer will, after issuance of the 2001 Series A Bonds, comply with the provisions of the Code at all times, including after the 2001 Series A Bonds are discharged, to the extent Excess Earnings with respect to the 2001 Series A Bonds are required to be rebated to the United States of America pursuant to Section 148(f)(2) of the Code. Pursuant to such covenant, Issuer and Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Section 148 of the Code.

(e) Company warrants, represents and certifies to Issuer that the proceeds of the Refunded 1996 Series A Bonds were applied and invested in compliance with the current requirements of Section 149(g) of the Code and that consequently the 2001 Series A Bonds will not be "hedge bonds" under such Section 149(g) of the Code.

(f) Company hereby covenants and agrees that it will at all times comply with the provisions of Section 148, including Section 148(f) of the Code and with Section 6.06 of the Indenture. Specifically, Company shall carry out, do and perform all acts stipulated to be performed by Company pursuant to such Section 6.06 of the Indenture. Company shall further undertake to assure and cause rebate payments to be calculated

and made to the United States of America in accordance with Section 148(f)(2) of the Code from moneys on deposit in the Rebate Fund from time to time after the end of each Computation Period, as defined in the Indenture, and following discharge of the 2001 Series A Bonds. Company also covenants to take all necessary acts and steps as required to cause Issuer to comply with the provisions of Section 7.03 of the Indenture.

Section 4.5 . Opinion of Bond Counsel . Company need not comply with the covenants or representations in Section 4.4 if and to the extent that Issuer and Company (with a copy to Trustee) receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2001 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Section 4.6 . First Mortgage Bonds . Company covenants and agrees with Issuer that it will, for the purpose of providing security for the 2001 Series A Bonds, execute and deliver on the date of issuance of the 2001 Series A Bonds, the First Mortgage Bonds to Trustee in aggregate principal amount not less than the aggregate principal amount of the 2001 Series A Bonds. The First Mortgage Bonds shall mature as to principal identically as in the case of the 2001 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental Indenture, shall bear interest identically as in the case of the 2001 Series A Bonds.

Prior to the Release Date, in the event of a default under Article IX of this Agreement or in the event of a default in payment of the principal of, premium, if any, or interest on the 2001 Series A Bonds as and when the same come due, whether at maturity, by purchase, redemption, acceleration or otherwise, and upon receipt by First Mortgage Trustee of a Redemption Demand from Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable in accordance with the provisions specified in the Supplemental Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2001 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2001 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of Company thereunder terminated and such First Mortgage Bonds shall be surrendered by Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Notwithstanding anything in this Agreement to the contrary, from and after the Release Date, the obligation of the Company to make payment with respect to the principal of and premium, if any, and interest on the First Mortgage Bonds shall be deemed satisfied and discharged as provided in the Supplemental Indenture and the First Mortgage Bonds shall cease to secure in any manner the 2001 Series A Bonds. As a result, on the Release Date, the obligations under this Agreement shall become unsecured general obligations of the Company.

The Company shall notify the Issuer and the Trustee in writing promptly upon the occurrence of the Release Date. Upon receiving written notice of the Release Date from the Company, the Trustee shall deliver for cancellation to the First Mortgage Trustee all of the First Mortgage Bonds.

ARTICLE V

PROVISIONS FOR PAYMENT

Section 5.1 Loan Payments and Other Amounts Payable . (a) Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2001 Series A Bonds or any other date that any payment of interest, premium, if any, purchase price or principal is required to be made in respect of the 2001 Series A Bonds at the times specified in accordance with the more specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2001 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the 2001 Series A Bonds as provided in the Indenture; provided that such payments by Company to enable the Tender Agent to pay the purchase price of Bonds shall be made within the times required by Section 3.05 of the Indenture.

It is understood and agreed that all payments payable by Company under this subsection (a) of Section 5.1 are assigned by the Issuer to the Trustee, the Paying Agent and the Tender Agent, as applicable, for the benefit of the Bondholders. Company assents to such assignment. Issuer hereby directs Company and Company hereby agrees to pay to Trustee and/or Paying Agent or Tender Agent, as appropriate, at the Principal Office of the Trustee and/or Paying Agent or Tender Agent, as appropriate, all payments payable by Company pursuant to this subsection.

(b) Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2001 Series A Bonds and incurred upon the request of Company.

(c) Company will also pay the agreed upon fees and expenses of Trustee (including those referred to in Section 10.02 of the Indenture), the Bond Registrar, the Tender Agent and the Paying Agent under the Indenture and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Market Agent, the Auction Agent and the Tender Agent, as applicable from time to time, under the Indenture, such amounts to be paid directly to Trustee, the Bond Registrar, the Paying Agent and Tender Agent for their respective own accounts

as and when such amounts become due and payable.

The Company further agrees to indemnify and hold harmless the Trustee, Bond Registrar and Paying Agent against any loss, liability or expense, including reasonable attorneys = fees and expenses, incurred by it without negligence or bad faith on its part in connection with the ıssuance of the 2001 Series A Bonds or the acceptance or administration of the trusts under the Indenture, including the costs of defending itself .gainst any claim or liability in connection therewith.

(d) The Company covenants, for the benefit of the Bondholders, to pay or cause to be paid, to the Tender Agent for deposit in the Purchase Fund, such amounts as shall be necessary to enable the Tender Agent to pay the purchase price of 2001 Series A Bonds delivered to it for purchase, all as more particularly described in Sections 3.03 and 3.05 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price of 2001 Series A Bonds delivered to it for purchase, as provided in the Indenture.

(e) In the event Company should fail to make any of the payments required in this Section 5.1 , the item or installment so in default shall continue as an obligation of Company until the amount in default shall have been fully paid, and Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due to the date of payment.

Section 5.2 . Payments Assigned . As set forth in Section 5.1 hereof, it is understood and agreed that this Agreement and all payments made by Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) or (c) or pursuant to Section 8.2 hereof) are assigned by Issuer to Trustee. Company assents to such assignment and hereby agrees that, as to Trustee, Paying Agent, the Market Agent, the Auction Agent and Tender Agent, as applicable from time to time, its obligation to make such payments shall be absolute, irrevocable and unconditional and shall not be subject to cancellation, termination or abatement or to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by any party, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing by any party. Except as provided above, Issuer hereby directs Company and Company hereby agrees to pay to Trustee, Paying Agent, the Market Agent, the Auction Agent, Bond Registrar or Tender Agent, as appropriate, all said payments payable by Company pursuant to Section 5.1 of this Agreement.

Section 5.3 . Taxes and Other Governmental Charges . Company agrees to pay during the term of this Agreement, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied or charged against or with respect to the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating Company to pay taxes on any interest or principal on the 2001 Series A Bonds disbursed to Bondholders.

Company may, at its expense and in its own name, in good faith contest any such taxes, assessments and other governmental charges ıd, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the ,eriod of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments or charges shall be paid forthwith. Issuer will cooperate fully with Company in any such contest. In the event Company shall fail to pay any of the foregoing items required by this Section to be paid by Company, Issuer or Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by Issuer or Trustee shall become an additional obligation of Company to the one making the advancement, which amounts, together with interest thereon Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on ninety-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; provided , however , that no such advancement shall operate to relieve the Company from any default hereunder. Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4 . Obligations of Company Unconditional . The obligation of Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.06 of the Indenture shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the 2001 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, Company (i) will not suspend or discontinue any payments pursuant to this Agreement and (ii) except as provided in Article X hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of title to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of Issuer or Trustee to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release Issuer from the performance of any of the agreements on its part herein contained; and in the event Issuer should fail to perform any such agreement on its part, Company may institute such action against Issuer as Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of Company contained in the preceding sentence. Company may, however, at its own cost and expense and in its own name or in the name of Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy and use of the Project, and in such event Issuer hereby ·qrees to cooperate fully with Company.

Section 5.5 . Rebate Fund . Company agrees to make all payments to the Trustee and rebate all amounts to the United States of America as are required of it under Section 6.06 of the Indenture. The obligation of Company to make such payments shall remain in effect and be binding upon Company notwithstanding the release and discharge of the Indenture.

Section 5.6. Redemption of the 2001 Series A Bonds in Advance of Scheduled Maturity. Under the terms of the Indenture, the 2001 Series A Bonds are and will be subject to redemption prior to their scheduled maturity. The Issuer agrees that it shall direct the Trustee to redeem and call 2001 Series A Bonds at the written direction of the Company.

Section 5.7. Cancellation of 2001 Series A Bonds. The cancellation by the Bond Registrar of any 2001 Series A Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2001 Series A Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan repayment equal to the principal amount of the 2001 Series A Bond or Bonds so cancelled.

ARTICLE VI

MAINTENANCE; DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS; INSURANCE

Section 6.1 Maintenance. So long as any 2001 Series A Bonds are Outstanding, as that term is defined in the Indenture, Company will maintain, preserve and keep the Project, or cause the Project to be maintained, preserved and kept, in good repair, working order and condition and will from time to time make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as air and water pollution control and abatement facilities and solid waste disposal facilities under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, the Code and the Act; provided, however, that Company will have no obligation to maintain, preserve, keep, repair, replace or renew any element or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to Company because of damage or destruction by a cause not within the control of Company, or condemnation of all or substantially all of the Project or the generating facilities to which the element or unit of the Project is an adjunct, or obsolescence (including economic obsolescence) or change in government standards and regulations, or the termination by Company of the operation of the generating facilities to which the element or unit of the Project is an adjunct, and (b) with respect to which Company has furnished to Issuer and Trustee a certificate executed by Company Representative certifying that the maintenance, preservation, keeping, repair, replacement or renewal of such element or unit of the Project is being discontinued for one of the foregoing reasons, which shall be stated therein, and that the discontinuance of such element or unit will not adversely affect the exclusion of interest on any of the 2001 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of this Agreement as part of the Project; provided, however, that Company shall take no actions which will change or alter the basic nature of the Project as air and water pollution control and abatement cilities and solid waste disposal facilities under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, and the Act.

If, prior to full payment of all 2001 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Company or the First Mortgage Trustee receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.l(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2001 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2001 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2001 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2001 Series A Bonds are otherwise subject to optional redemption.

Section 6.2. Insurance. Company agrees to insure the Project at all times in accordance with the provisions of First Mortgage Indenture.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1 No Warranty of Condition or Suitability by Issuer. Issuer makes no warranty, either express or implied, as to the Project or that it will be suitable for Company's purposes or needs.

Section 7.2. Company to Maintain its Corporate Existence; Conditions under Which Exceptions Permitted. Company agrees that during the term of this Agreement it will maintain its corporate existence and good standing, will continue to be a corporation organized under the laws of the Commonwealth of Kentucky or qualified and admitted to do business in the Commonwealth of Kentucky, and will neither dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge, (i) shall be a corporation organized and existing under the laws of one of the States of the United States of America, (ii) shall be qualified and admitted to do business in the Commonwealth of Kentucky, (iii) shall assume in writing all of the obligations of Company herein and (iv) shall deliver a copy of such assumption to the Issuer and Trustee.

Section 7.3. Financial Statements. Company agrees to furnish Trustee (within 120 days after the close of each fiscal year) with an audited balance sheet and statements of income, retained earnings and changes in cash flows showing the financial condition of Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of Company and its consolidated

subsidiary or subsidiaries, if any, for such fiscal year, accompanied by an opinion of its regular independent certified public accountants that such statements fairly represent the financial condition of Company in accordance with generally accepted accounting principles. The requirements of this Section 7.3 shall be satisfied by the submission to Trustee of Company's annual report on Form 10-K. The information so provided to Trustee shall be kept in its files and is not required to be distributed to any Registered Holder or other person. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 7.4. Further Assurances and Corrective Instruments. Issuer and Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5. Issuer Representative. Whenever under the provisions of this Agreement the approval of Issuer is required or Issuer is required to take some action at the request of Company, such approval shall be made or such action shall be taken by Issuer Representative and Company or Trustee shall be authorized to act on any such approval or action, and Issuer shall have no redress against Company or Trustee as a result of any such action taken.

Section 7.6. Company Representative. Whenever under the provisions of this Agreement the approval of Company is required or Company is required to take some action at the request of Issuer, such approval shall be made or such action shall be taken by Company Representative and Issuer or Trustee shall be authorized to act on any such approval or action and Company shall have no redress against Issuer or Trustee as a result of any such action taken.

Section 7.7. Financing Statements. Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the lien of the Indenture and the Supplemental Indenture. Issuer shall cooperate fully with Company in taking any such action. Concurrently with the execution and delivery of the 2001 Series A Bonds, Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such lien, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture, which filings the Company agrees to undertake.

Section 7.8. Company's Performance Under Indenture. The Company agrees, for the benefit of Bondholders to do and perform all acts and things contemplated in the Indenture to be done and performed by it.

Section 7.9. Negative Pledge. (a) The Company agrees that, subsequent to the Release Date (as defined in the Indenture) and so long as any Bonds remain outstanding, the Company will not issue, assume or guarantee any Debt secured by any mortgage, security interest, pledge or lien (herein referred to as a "mortgage") of or upon any Operating Property of the Company, whether owned at the date of the Indenture or thereafter acquired, and will not permit to exist any Debt secured by a mortgage on any Operating Property created on or prior to the Release Date, without in any such case effectively securing, on the later to occur of the issuance, assumption or guaranty of any such Debt or the Release Date, the Bonds equally and ratably with such Debt; provided, however, that the foregoing restriction shall not apply to Debt secured by any of the following:

(1) mortgages on any property existing at the time of acquisition thereof;

(2) mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with the Company, or at the time of a sale, lease or other disposition of the properties of such corporation or a division thereof as an entirety or substantially as an entirety to the Company, provided that such mortgage as a result of such merger, consolidation, sale, lease or other disposition is not extended to property owned by the Company immediately prior thereto;

(3) mortgages on property to secure all or part of the cost of acquiring, substantially repairing or altering, constructing, developing or substantially improving such property, or to secure indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided such mortgages are created or assumed contemporaneously with, or within 18 months after, such acquisition or completion of substantial repair or alteration, construction, development or substantial improvement or within six months thereafter pursuant to a commitment for financing arranged with a lender or investor within such 18 month period;

(4) mortgages in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any state thereof, or for the benefit of holders of securities issued by any such entity, to secure any Debt incurred for the purpose of financing all or any part of the purchase price or the cost of substantially repairing or altering, constructing, developing or substantially improving the property subject to such mortgages; or

(5) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any mortgage referred to in the foregoing clauses (1) to (4), inclusive; provided, however, that the principal amount of indebtedness secured thereby and not otherwise authorized by said clauses (1) to (4), inclusive, shall not exceed the principal amount of indebtedness, plus any premium or fee payable in connection with any such extension, renewal or replacement, so secured at the time of such extension, renewal or replacement.

(b) Notwithstanding the provisions of Section 7.9(a) from and after the Release Date and so long as any Bonds remain outstanding, the Company may issue, assume or guarantee Debt, or permit to exist Debt, secured by mortgages which would otherwise be subject to the restrictions of this Section up to an aggregate principal amount that, together with the principal amount of all other Debt of the Company secured by mortgages (other than mortgages permitted by Section 7.9(a) that would otherwise be subject to the foregoing restrictions) does not at the time exceed the greater of 10% of Net Tangible Assets or 10% of Capitalization.

(c) If at any time the Company shall issue, assume or guarantee any Debt secured by any mortgage and if Section 7.9(a) requires that the Bonds be secured equally and ratably with such Debt, the Company will promptly execute, at its expense, any instruments necessary to so equally and ratably secure such Bonds.

ARTICLE VIII

ASSIGNMENT; INDEMNIFICATION; REDEMPTION

Section 8.1 Assignment. This Agreement may be assigned by Company without the necessity of obtaining the consent of either Issuer or Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve Company from primary liability for any of its obligations hereunder, and in the event of any such assignment Company shall remain primarily liable for payments of the amounts specified in Section 5.1 hereof and for performance and observance of the other covenants or agreements on its part herein provided to be performed and observed to the same extent as though no assignment had been made;

(b) The assignee shall assume the obligations of Company hereunder to the extent of the interest assigned;

(c) Company shall, within thirty days after the delivery thereof, furnish or cause to be furnished to Issuer and to Trustee a true and complete copy of each such assignment and assumption of obligation; and

(d) prior to such assignment, the Company shall have obtained an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the 2001 Series A Bonds from gross income for Federal income tax purposes under Section 103(a) of the Code.

Section 8.2. Release and Indemnification Covenants. Company releases Issuer from and covenants and agrees that Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless against, any expense or liability incurred by Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the project or from any action commenced in connection with the financing thereof. If any such claim is asserted, Issuer agrees to give prompt notice to the Company and Company will assume the defense thereof, with full power to litigate, compromise or to settle the same in its sole discretion, it being understood that Issuer will not settle or consent to the settlement of the same without the consent of Company.

Section 8.3. Assignment of Interest in Agreement by Issuer. Any assignment by Issuer to Trustee pursuant to the Indenture or this Agreement of any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 8.4. Redemption of 2001 Series A Bonds. Upon the agreement of Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2001 Series A Bonds subject to redemption, Issuer, at the request of Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the 2001 Series A Bonds outstanding, as may be specified by Company, on the redemption date specified by the Company.

Section 8.5. Reference to 2001 Series A Bonds Ineffective after 2001 Series A Bonds Paid. Upon payment in full of the 2001 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.4 hereof and payment of all fees and charges of the Trustee (including reasonable attorneys fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2001 Series A Bonds, the First Mortgage Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2001 Series A Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1 Events of Default Defined. The following shall be "events of default" under this Agreement and the term "events of default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsections (a) and (d) of Section 5.1 hereof which results in failure to pay principal of, premium or interest on or the purchase price of the 2001 Series A Bonds, and such failure shall cause an event of default under the Indenture.

(b) Failure by Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, is given to Company by Issuer or Trustee, unless Issuer and Trustee shall agree in writing to an extension

of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Issuer and Trustee will not unreasonably withhold their consent to an extension of such time if such failure is capable of being cured and corrective action is instituted by Company within the applicable period and is being diligently pursued.

(c) All bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(d) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Company, or of a substantial part of the property or assets of Company, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company or (iii) the winding-up or liquidation of Company; and such proceeding or petition shall continue undismissed or unstayed for 90 days or an order or decree approving or ordering any of the foregoing shall be entered.

(e) Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (d) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing.

The provisions of Section 9.1(b) are subject to the following limitations: If by reason of force majeure Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of Company contained in Sections 2.2(k) and (l), 4.2, 4.4, 4.6 or 7.2 or Article V hereof and the general covenant and obligation of Company to take all necessary actions for the continued exclusion of interest on the 2001 Series A Bonds from gross income for federal and Kentucky income taxes, Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean any cause or event not reasonably within the control of Company, including without limitation the following: acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the Commonwealth of Kentucky or any of their departments, agencies or officials, or any civil or military authority; evacuations and quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines - pipes; or partial or entire failure of utility services. Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Company, and Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Company unfavorable to Company.

Section 9.2. Remedies on Default. Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, Issuer may take any one or more of the following remedial steps:

(a) By written notice to Company, Issuer may declare an amount equal to the principal and accrued interest on the 2001 Series A Bonds then Outstanding, as defined in the Indenture, to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

(b) Issuer may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of Company.

(c) Issuer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Company under this Agreement, including, until the Release Date, any remedies available in respect of the First Mortgage Bonds.

In case there shall be pending a proceeding of the nature described in Section 9.1(d) or (e) above, Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of Trustee allowed in such judicial proceedings relative to Company, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any custodian (including, without limitation a receiver, trustee or liquidator) of Company appointed in connection with such proceedings is hereby authorized to make such payments to Trustee, and to pay to Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Any amounts collected pursuant to action taken under this Section 9.2 (other than the compensation and expenses referred to in the immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2001 Series A Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of Trustee and any paying agents accrued and to accrue through final payment of the 2001 Series A Bonds, and all other liabilities of Company accrued and to accrue hereunder or under the Indenture through final payment of the 2001 Series A

Bonds have been paid, such amounts so collected shall be paid to Company.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given Issuer hereunder shall also extend to Trustee, and Trustee and the holders of the 2001 Series A Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 9.4. Agreement to Pay Attorneys' Fees and Expenses. In the event Company should default under any of the provisions of this Agreement and Issuer and/or Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of Company herein contained, Company agrees that it will on demand therefor pay to Issuer and/or Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by Issuer and/or Trustee.

Section 9.5. Waiver of Events of Default. If, after the acceleration of the maturity of the outstanding 2001 Series A Bonds by Trustee pursuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2001 Series A Bonds and the principal of, and premium, if any, on any and all 2001 Series A Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2001 Series A Bond, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2001 Series A Bonds which shall have become due by said declaration, shall have been remedied, and such event of default under the Indenture shall be deemed waived by Trustee in accordance with Section 9.11 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then Company's default hereunder shall be deemed to have been waived by Issuer and no further action or consent by Trustee or Issuer shall be required. In the event any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

PREPAYMENT OF LOAN

Section 10.1 Options to Prepay Loan. Company shall have, and is hereby granted, options to prepay the Loan in whole and to cancel or terminate this Agreement on any Business Day at any time Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by Company to Trustee of such election, as follows:

(a) If in the judgment of Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2001 Series A Bonds upon Company with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem, property, income or other taxes not imposed on the date of this Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) If the Project or a portion thereof or other property of Company in connection with which the Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use;

(d) In the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of the Cane Run or Mill Creek Generating Stations of the Company shall have occurred which, in the judgment of the Company, render the continued operation of the Cane Run or Mill Creek Generating Stations or any generating unit at such station uneconomical; or changes in circumstances, after the issuance of the 2001 Series A Bonds including but not limited to changes in clean air and water or other air and water pollution control requirements or solid waste disposal requirements, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) In the event this Agreement shall become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action, whether state or federal, or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) A final order or decree of any court or administrative body after the issuance of the 2001 Series A Bonds shall require the

Company to cease a substantial part of its operations at either or both of the Cane Run and Mill Creek Generating Stations to such extent that the Company will be prevented from carrying on its normal operations at such location for a period of six months.

In the case of prepayment pursuant to this Section 10.1 (or if any 2001 Series A Bonds be redeemed in whole or in part pursuant to Section 6.1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with Trustee and available for such purpose, to redeem all 2001 Series A Bonds then outstanding (or, in the case any 2001 Series A Bonds are redeemed in part pursuant to Section 6.1 hereof, such portion of the Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2001 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2001 Series A Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the events mentioned in (a) through (f) above, Company is required to give written notice to Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2 Additional Option to Prepay Loan. Company shall have, and is hereby granted, further options, to the extent that the 2001 Series A Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with Trustee moneys sufficient to pay, together with other funds deposited with Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2001 Series A Bonds then outstanding under the Indenture and, upon depositing with Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2001 Series A Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder, to cancel or terminate the term of this Agreement.

Section 10.3 Obligations to Prepay Loan. Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, prior to the required full payment of the 2001 Series A Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and Company shall take all actions required to mandatorily redeem the 2001 Series A Bonds at the cost of the Company upon the terms specified in this Agreement and in Article IV of the Indenture following the occurrence of a Determination of Taxability, including, but not limited to, prepaying appropriate amounts due on the 2001 Series A Bonds in order to effect such redemption. The 2001 Series A Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this section, a "Determination of Taxability" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2001 Series A Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2001 Series A Bonds, the interest on the 2001 Series A Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2001 Series A Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2001 Series A Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any 2001 Series A Bond in the computation of minimum or indirect taxes. All of the 2001 Series A Bonds shall be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2001 Series A Bonds of one or more series or one or more maturities would have the result that interest payable on the remaining 2001 Series A Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the 2001 Series A Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described in this Section 10.3, the Company shall give notice thereof to the Trustee and the Issuer.

In the case of the mandatory obligation of Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as specified in this Section 10.3 hereof and to provide to Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2001 Series A Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2001 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any paying agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2001 Series A Bonds.

Section 10.4. Notice of Prepayment; Redemption Procedures. It is understood and agreed by the parties hereto that in order to exercise an option granted in, or to consummate a mandatory prepayment required by, this Article X, Company shall give written notice to Issuer and Trustee which notice shall (i) contain the agreement of Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2001 Series A Bonds equal to the amount of the prepayment, including, in the case of a prepayment under Section 10.2 hereof, any applicable redemption premium in respect of such 2001 Series A Bonds, and any other amounts required under this Agreement and (ii) specify the prepayment date (which must be a Business Day and which shall also be the redemption date), which date shall not be less than 30 days (45 days if the 2001 Series A Bonds are bearing interest at the Semi-annual, Annual or Long Term Rate or in all cases such shorter period as may be acceptable to the Trustee) nor more than 90 days from the date the notice is mailed by Company to Issuer and Trustee.

Section 10.5. Relative Position of this Article and Indenture. The rights and options granted to Company in this Article, except the option granted to Company pursuant to Section 10.2 to prepay less than all of the Loan payments, shall be and remain prior and superior to the Indenture and may be exercised whether or not Company is otherwise in default hereunder; provided that such default will not result in nonfulfillment of any condition to the exercise of any such right or option.

Section 10.6. Concurrent Discharge of First Mortgage Bonds. Prior to the Release Date, in the event any of the 2001 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Term of Agreement. This Agreement shall remain in full force and effect from the date hereof to and including the later of September 1, 2026, or until such time as all of the 2001 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture), whichever shall be later; provided, however, that this Agreement may be cancelled and terminated prior to said date if Company shall prepay all of the Loan pursuant to Article X hereof; and provided further, however, that all obligations of Company under Article V and Section 8.2 hereof (a) to pay fees and expenses of Trustee, the Tender Agent, the Bond Registrar and any Paying Agent and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2001 Series A Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by Company as to all matters affecting the tax-exempt status of interest on the 2001 Series A Bonds shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2001 Series A Bonds and shall survive the termination of this Agreement and all obligations of Company contained herein relating to indemnification of Issuer, Trustee, Bond Registrar, Authenticating Agent, Tender Agent and any Paying Agent shall survive the termination of this Agreement.

Section 11.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Issuer, at the Jefferson County Courthouse, 5 th and Jefferson Streets, Louisville, Kentucky 40202, Attention: County Judge/Executive;

If to Company, at its corporate headquarters, 220 West Main Street, Louisville, Kentucky 40202, Attention: Treasurer, and

If to Trustee, at 100 Plaza One, 6 th Floor, Jersey City, New Jersey 07310, Attention: Corporate Trust Administration.

If to Paying Agent, Remarketing Agent, Auction Agent, Market Agent or Tender Agent, at such addresses for notices as are set forth in the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by either Issuer or Company to the other shall also be given to Trustee. Issuer, Company and Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon Issuer, Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 hereof.

Section 11.4. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5. Amounts Remaining in Bond Fund, Rebate Fund and Prior Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the 2001 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, all belong to and be paid to Company by Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied and disbursed strictly and only in accordance with the provisions of Section 6.06 of the Indenture. Following the payment and discharge of the Refunded 1996 Series A Bonds on their redemption date and the making of provision for payment of the Refunded 1996 Series A Bonds not presented for payment, any remaining moneys in the Prior Bond Fund shall belong to and be paid to Company by the Prior Trustee.

Section 11.6 . Amendments, Changes and Modifications . Subsequent to the issuance of the 2001 Series A Bonds and prior to payment in full of all 2001 Series A Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated, and no provision hereof waived, without the written consent of Trustee, given in accordance with the Indenture.

Section 11.7 . Execution in Counterparts . This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8 . Applicable Law . This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 11.9 . Captions . The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 11.10 . No Pecuniary Liability of Issue r. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement, as hereinabove provided.

Section 11.11 . Payments Due on Other Than Business Days . If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be on a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided in this Agreement, and if done on such succeeding Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

(remainder of page left blank intentionally)

IN WITNESS WHEREOF, Issuer and Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first written.

COUNTY OF JEFFERSON, KENTUCKY

(SEAL)

By:_____
REBECCA JACKSON
County Judge/Executive

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

_____
SANDRA A. MOORE
Fiscal Court Clerk

By:_____
JAMES T. CAREY
Assistant County Attorney

LOUISVILLE GAS AND ELECTRIC COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
S. BRADFORD RIVES
Senior Vice President -
Finance and Controller

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of _____, 2002, the foregoing instrument was produced to me in said County by Rebecca Jackson and Sandra A. Moore, personally known to me and personally known by me to be the County Judge/Executive and Fiscal Court Clerk, respectively, of the COUNTY OF JEFFERSON, KENTUCKY, and acknowledged before me by them and each of them to be their free act and deed as County Judge/Executive and Fiscal Court Clerk of such County, and the act and deed of said County as authorized by an Ordinance of the Fiscal Court of such County.

Witness my hand and seal this _____ day of _____, 2002. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of March, 2002, the foregoing instrument was produced to me in said County by Daniel K. Arbough and S. Bradford Rives, personally known to me and personally known by me to be the Treasurer and the Senior Vice President-Finance and Controller, respectively, of LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

Witness my hand and seal this _____ day of March, 2002. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

This Instrument Prepared by the
Undersigned, Attorney at Law of
HARPER, FERGUSON & DAVIS
1730 Meidinger Tower
Louisville, Kentucky 40202

_____
SPENCER E. HARPER, JR

Exhibit 4(jj)-2

Execution Copy

(2001 Series A - Louisville Metro)
(Pollution Control Facilities)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

AMENDMENT NO. 1 TO LOAN AGREEMENT IN CONNECTION WITH POLLUTION CONTROL FACILITIES

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Dated as of September 1, 2010

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NOTICE: The interest of the Louisville/Jefferson County Metro Government, Kentucky in and to this Amendment No. 1 to Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Indenture of Trust dated as of November 1, 2001.

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THIS AMENDMENT NO. 1 TO LOAN AGREEMENT, dated as of September 1, 2010, but made effective as of the Effective Date (defined herein) (this "Amendment No. 1 to Loan Agreement"), by and between the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, the governmental successor in interest by operation of law to the County of Jefferson, Kentucky, being a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky.

WITNESSETH:

WHEREAS, the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer") is the governmental successor in interest by operation of law to the County of Jefferson, Kentucky and constitutes a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), the Issuer has the power to enter into the transactions contemplated by this Amendment No. 1 to Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, the Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act for the abatement and control of air and water pollution and abatement of solid wastes and to refund bonds which were previously issued for such purposes; and

WHEREAS, on March 6, 2002, the Issuer, at the request of Louisville Gas and Electric Company (the "Company"), issued its Pollution Control Revenue Bonds, 2001 Series A (Louisville Gas and Electric Company Project) (the "Bonds" or "2001 Series A Bonds") in the original principal amount of $22,500,000, and the Issuer loaned the proceeds of the 2001 Series A Bonds to the Company pursuant to the Loan Agreement dated as of November 1, 2001, between the Issuer and the Company (the "Agreement"); and

WHEREAS, to secure the payment of the 2001 Series A Bonds, the Issuer assigned substantially all of its rights, title and interests in and to the Agreement to Deutsche Bank Trust Company Americas (successor to Bankers Trust Company), as Trustee (the "Trustee"), pursuant to the Indenture of Trust dated as of November 1, 2001, between the Issuer and the Trustee (the "Indenture"); and

WHEREAS, the Company delivered to the Trustee, as security for the Company's payment obligations under the Agreement, $22,500,000 aggregate principal amount of the Company's first mortgage bonds issued under the Company's Indenture dated November 1, 1949, as amended by indentures supplemental thereto (the "1949 Indenture"); and

WHEREAS, the 1949 Indenture was subsequently terminated, the first mortgage bonds issued under the 1949 Indenture to secure the .001 Series A Bonds were released and the Company's obligations under the Agreement became unsecured; and

WHEREAS, all of the 2001 Series A Bonds remain outstanding and unpaid; and

WHEREAS, the Company intends to enter into that certain Indenture dated as of October 1, 2010 (the "First Mortgage Indenture"), between the Company and The Bank of New York Mellon (the "First Mortgage Trustee"), pursuant to which the Company shall issue certain first mortgage bonds secured by a lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky; and

WHEREAS, in the event the Company grants a lien on and a security interest in its operating property to secure general debt for borrowed money, which the Company intends to do pursuant to the issuance of the first mortgage bonds pursuant to the First Mortgage Indenture, the Agreement obligates the Company to grant an equal and ratable lien on and security interest in its operating property in favor of the Trustee under the Indenture to secure the 2001 Series A Bonds; and

WHEREAS, the Company intends to issue first mortgage bonds (the "First Mortgage Bonds") to the Trustee under the Indenture, thereby creating in favor of the Trustee for the benefit of the holders of the 2001 Series A Bonds an equal and ratable lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky as security for the payment of the 2001 Series A Bonds; and

WHEREAS, pursuant to Section 13.01 of the Indenture, the consent of the holders of the 2001 Series A Bonds is not required for the Issuer and the Company to enter into an amendment to the Agreement in order to conform the Agreement with changes and modifications to the Indenture made pursuant to Section 12.01 of the Indenture; and

WHEREAS, it is now appropriate and necessary that the Agreement be amended pursuant to Section 13.01 of the Indenture in connection with the issuance of the First Mortgage Bonds to the Trustee under the Indenture as additional collateral and security for the payment of the 2001 Series A Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Issuer on September 23, 2010, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to enter into this mendment No. 1 to Loan Agreement in order to provide additional collateral and security for the 2001 Series A Bonds; and

WHEREAS, the Issuer and the Trustee have entered into that certain Supplemental Indenture No. 1 to Indenture of Trust (the "Supplemental Indenture No. 1") of even date herewith pursuant to Section 12.01 of the Indenture; and

WHEREAS , all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amendment No. 1 to Loan Agreement have happened, have existed and have been performed as so required in order to make this Amendment No. 1 to Loan Agreement a valid and binding loan agreement for the security of the holders of the 2001 Series A Bonds and for payment of all amounts due under the Agreement and this Amendment No. 1 to Loan Agreement in accordance with their respective terms.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER AS FOLLOWS :

ARTICLE I

AMENDMENTS TO THE LOAN AGREEMENT

Section 1.1. Amendment of Table of Contents . Section 7.9 of the Table of Contents of the Agreement is hereby deleted in its entirety.

Section 1.2. Amendment of Section 1.02. Incorporation of Certain Terms by Reference . The following defined terms are hereby added to Section 1.02 of the Agreement and shall have the meanings set forth in Section 1.5 of the Supplemental Indenture No. 1:

"Amendment No. 1 to Loan Agreement"
"Effective Date"
"Supplemental Indenture No. 1"

The following defined terms in Section 1.5 of the Supplemental Indenture No. 1 shall amend, restate and supersede the corresponding defined terms set forth in Section 1.02 of the Agreement:

"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Redemption Demand"
"Supplemental First Mortgage Indenture" in lieu of "Supplemental Indenture"

Section 1.02 of the Agreement is further hereby amended by deleting the definition of "Release Date" and all references to such term in the Agreement.

Section 1.3. Amendment of Section 1.03. Additional Definitions . The following defined terms set forth in Section 1.03 of the Agreement are hereby deleted in their entirety:

"Capitalization"
"Debt"
"Net Tangible Assets"
"Operating Property"

Section 1.4. Amendment of Section 3.2. Agreement as to Ownership of Project . Section 3.2 of the Agreement is hereby amended and restated to read as follows:

> Section 3.2 . Agreement as to Ownership of Project . The Issuer and the Company agree that title to and ownership of the Project shall remain in and be the sole property of the Company in which the Issuer shall have no interest. From and after the Effective Date, the Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2001 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement and the Amendment No. 1 to Loan Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 1.5. Amendment of Section 4.6. First Mortgage Bonds . Section 4.6 of the Agreement is hereby amended and restated to read as follows:

> Section 4.6 . First Mortgage Bonds . The Company covenants and agrees with the Issuer that it will, for the purpose of providing security for the 2001 Series A Bonds, execute and deliver to the Trustee on the Effective Date the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2001 Series A Bonds. The First Mortgage Bonds shall be in full force and effect from and after the Effective Date and shall mature as to principal identically as in the case of the 2001 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental First Mortgage Indenture, shall bear interest identically as in the case of the 2001 Series A Bonds.
>
> Following the Effective Date, upon the occurrence of an event of default under Article IX of this Agreement, as amended by the Amendment No. 1 to Loan Agreement, that has resulted in a default in payment of the principal of, premium,

if any, or interest on the 2001 Series A Bonds as and when the same come due, whether at maturity, redemption, acceleration or otherwise, or a default in payment of the purchase price of any 2001 Series A Bond tendered for purchase, the acceleration of the maturity date of the 2001 Series A Bonds (to the extent not already due and payable) as a consequence of such event of default and the receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable, in accordance with the provisions specified in the Supplemental First Mortgage Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2001 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, the Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2001 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of the Company thereunder terminated and such First Mortgage Bonds shall be surrendered by the Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of the Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Section 1.6. Amendment of Section 7.7. Financing Statements. Section 7.7 of the Agreement is hereby amended and restated to read as follows:

Section 7.7. Financing Statements. The Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the respective liens of the Indenture and the First Mortgage Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the First Mortgage Bonds, the Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the respective liens of the Indenture and the First Mortgage Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such liens, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the respective liens of the Indenture and the First Mortgage Indenture, which filings the Company agrees to undertake.

Section 1.7. Deletion of Section 7.9. Negative Pledge. Section 7.9 of the Agreement is hereby deleted in its entirety.

Section 1.8. Amendment of Section 9.1. Events of Default Defined. Section 9.1(c) of the Agreement is hereby amended and stated and subsection (f) is hereby added to Section 9.1, in each case to read as follows:

(c) From and after the Effective Date, all bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(f) The occurrence of an Event of Default under the Indenture.

Section 1.9. Amendment of Section 9.2. Remedies on Default. Section 9.2(c) of the Agreement is hereby amended and restated to read as follows:

(c) The Trustee, on behalf of the Issuer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement and the Amendment No. 1 to Loan Agreement, including, from and after the Effective Date, any remedies available in respect of the First Mortgage Bonds.

Section 1.10. Amendment of Section 10.6. Concurrent Discharge of First Mortgage Bonds. Section 10.6 of the Agreement is hereby amended and restated to read as follows:

Section 10.6. Concurrent Discharge of First Mortgage Bonds. From and after the Effective Date, in the event any of the 2001 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement and the Amendment No. 1 to Loan Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by the Issuer. The Issuer represents, warrants and covenants that:

(a) The Issuer is a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, the Issuer has the power to enter into this

Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1 and the transactions contemplated hereby and thereby and to carry out its obligations hereunder and thereunder.

(b) To its knowledge, the Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the First Mortgage Bonds or the consummation of the transactions contemplated hereby, and the Issuer has been duly authorized to execute and deliver this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1. The Issuer agrees that it will do or cause to be done in a timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Amendment No. 1 to Loan Agreement.

Section 2.2. Representations, Warranties and Covenants by the Company. The Company represents, warrants and covenants that:

(a) The Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the First Mortgage Bonds.

(b) The Company has full and complete legal power and authority to execute and deliver this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds.

(c) No event of default, and no event of the type described in clauses (a) through (f) of Section 9.1 of the Agreement, as amended by this Amendment No. 1 to Loan Agreement, has occurred and is continuing, and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture or the First Mortgage Bonds, nor the consummation of the transactions contemplated hereby or by the Indenture and the Supplemental Indenture No. 1, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1. Term of Amendment No. 1 to Loan Agreement. This Amendment No. 1 to Loan Agreement shall remain in full force and effect from the date hereof to and including the later of September 1, 2026, or until such time as all of the 2001 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture and the Supplemental Indenture No. 1 and any amendments thereto), whichever shall be later; provided, however, that the Agreement, as amended, may be cancelled and terminated prior to said date in accordance with the provisions of Section 11.1 of the Agreement.

Section 3.2. Ratification. Except as amended and supplemented by Articles I and II hereof, the Issuer and the Company hereby ratify and reaffirm the terms and provisions of the Agreement and their respective representations, warranties, covenants, agreements and obligations set forth therein.

Section 3.3. Effective Date. This Amendment No. 1 to Loan Agreement has been made and entered into as of the date first written above but shall be effective as of the Effective Date

Section 3.4. Binding Effect. This Amendment No. 1 to Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 of the Agreement.

Section 3.5. Severability. In the event any provision of this Amendment No. 1 to Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 3.6. Execution in Counterparts. This Amendment No. 1 to Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.7. Applicable Law. This Amendment No. 1 to Loan Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 3.8. Captions. The captions or headings in this Amendment No. 1 to Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Amendment No. 1 to Loan Agreement.

Section 3.9. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Amendment No. 1 to Loan Agreement or breach thereof shall constitute or give rise to a pecuniary liability of the Issuer or a charge upon its general credit or taxing powers.

(signature page immediately follows)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Amendment No. 1 to Loan Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all of the date first written.

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT, KENTUCKY

(SEAL)

By:_____
JERRY E. ABRAMSON
Mayor

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

Mike O'Connell
Jefferson County Attorney

_____
KATHLEEN J. HERRON
Metro Council Clerk

By:_____
JAMES T. CAREY
Assistant County Attorney

LOUISVILLE GAS AND ELECTRIC
COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

Exhibit 4(kk)-1

(2001 Series B-Jefferson Co.)

COUNTY OF JEFFERSON, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * *

LOAN AGREEMENT IN CONNECTION WITH
POLLUTION CONTROL FACILITIES

* * * *

Dated as of November 1, 2001

* * * *

NOTICE: The interest of the County of Jefferson, Kentucky, in and to this Loan Agreement has been assigned to Bankers Trust Company, as Trustee, under the Indenture of Trust dated as of November 1, 2001.

LOAN AGREEMENT

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(This Table of Contents is for convenience of reference only and is not a part of this Loan Agreement.)

LOAN AGREEMENT IN CONNECTION WITH
POLLUTION CONTROL FACILITIES

This LOAN AGREEMENT , dated as of November 1, 2001, by and between the COUNTY OF JEFFERSON , KENTUCKY , a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY , a corporation organized and existing under the laws of Kentucky;

W I T N E S S E T H :

WHEREAS , the County of Jefferson, Kentucky ("Issuer"), is a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), Issuer has the power to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder; and

WHEREAS , Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act ("Pollution Control Facilities") for the abatement and control of air pollution and to refund bonds which were previously issued for such purposes; and

WHEREAS , Issuer is further authorized pursuant to the Act to enter into a loan agreement, which may include such provisions as Issuer shall deem appropriate to effect the securing of a financing or refinancing undertaken in respect of Pollution Control Facilities, including the pledge of direct securities of a utility company; and

WHEREAS , the Act further provides that title to Pollution Control Facilities shall not be acquired by Issuer in the case of a loan transaction; and

WHEREAS , Louisville Gas and Electric Company, a Kentucky corporation ("Company"), has heretofore, by the issuance of the Refunded 1997 Series A Bonds, hereinafter defined, refinanced a portion of the costs of construction and acquisition of certain air pollution control facilities and facilities functionally related and subordinate to such facilities to serve the Cane Run and Mill Creek Generating Stations of Company, which specified facilities constitute the Project, as hereinafter defined in Article I (the "Project") located within the corporate boundaries of Issuer, which Project consists of certain air pollution control facilities and facilities functionally related and subordinate to such cilities in furtherance of the regulations of the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky, id which Project qualifies for financing within the meaning of the Act; and

WHEREAS , (i) construction of the Project began before September 26, 1985; completion of the Project occurred after September 26, 1985 and original use of the Project commenced with the Company, (ii) a binding contract to incur significant (i.e., 10% of the then reasonably anticipated cost of construction of the Project) expenditures for construction of the Project was entered into before September 26, 1985 and some of such expenditures were incurred on or after September 26, 1985 and (iii) with respect to both (i) and (ii) above, the Project was described in an inducement resolution or other comparable approval adopted by the Fiscal Court of the Issuer before September 26, 1985 (i.e., on November 8, 1984); and

WHEREAS , the Project has been completed and placed in operation and has contributed to the control, containment, reduction and abatement of atmospheric pollution and contamination in the Commonwealth of Kentucky; and

WHEREAS , under date of November 13, 1997, the Issuer, at the request of the Company, issued its "County of Jefferson, Kentucky, Pollution Control Revenue Bonds, 1997 Series A (Louisville Gas and Electric Company Project)" of which $35,000,000 principal amount of such bonds remains outstanding and unpaid (the "Refunded 1997 Series A Bonds), such Refunded 1997 Series A Bonds having been issued for currently refinancing the Issuer = s Original Bonds, the proceeds of which financed a portion of the Cost of Construction of the Project, hereinafter described, and in connection with the issuance of the Refunded 1997 Series A Bonds, the right was reserved to Issuer, upon direction by Company, to redeem the Refunded 1997 Series A Bonds in advance of their maturity; and the Refunded 1997 Series A Bonds are by their terms subject to redemption at the option of Issuer in whole or in part on any interest payment date, at the price of 100% of the principal amount thereof and accrued interest to the date of redemption, as provided in the hereinafter defined 1997 Series A Indenture; and the redemption and discharge of the Refunded 1997 Series A Bonds will result in benefits to the general public and the Company and should be carried out forthwith in the public interest by the issuance of the 2001 Series B Bonds, hereinafter defined, and the application of the proceeds of the 2001 Series B Bonds, together with funds to be provided by Company, for the refunding, payment and discharge of the Refunded 1997 Series A Bonds on or prior to the 90th day after the date of issuance of the 2001 Series B Bonds; and

WHEREAS , in respect of the Refunded 1997 Series A Bonds, Issuer entered into a certain Indenture of Trust dated as of September 1, 1996 (the "1997 Series A Indenture"), with First Trust of New York, National Association (now known as U.S. Bank Trust National Association), as Trustee, Paying Agent and Bond Registrar (the "Prior Trustee"), and it is provided in Article VIII of the 1997 Series A Indenture that the Refunded 1997 Series A Bonds, or any of them, shall be deemed to have been paid within the meaning of such 1997 Series A Indenture when there shall have been irrevocably deposited with the Prior Trustee, in trust, either cash or Governmental Obligations, as defined in the 1997 Series A Indenture, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal and the applicable redemption premium, if any, on the Refunded 1997 Series A Bonds plus interest thereon to the date of payment and discharge thereof (whether at maturity or upon redemption or otherwise), plus sufficient moneys to pay all necessary and proper fees, compensation and expenses of the Prior Trustee, authenticating agent, bond registrar and any paying agent; together with irrevocable

instructions to call and redeem the Refunded 1997 Series A Bonds; and

WHEREAS , pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Fiscal Court of Issuer on November 13, 2001, and in furtherance of the purposes of the Act, Issuer proposes to issue, sell and deliver a series of its bonds in fully registered form which will be designated "County of Jefferson, Kentucky, Pollution Control Revenue Bonds, 2001 Series B (Louisville Gas and Electric Company Project)" (the "2001 Series B Bonds"), the proceeds of which will be lent to Company to cause the outstanding principal amount of the Refunded 1997 Series A Bonds to be refunded, paid and discharged in full on or prior to the 90th day after the date of issuance of the 2001 Series B Bonds; and

WHEREAS , the 2001 Series B Bonds are to be issued under and pursuant to and are secured by an Indenture of Trust by and between Issuer and Bankers Trust Company, as trustee thereunder, dated as of November 1, 2001 (the "Indenture"); and

WHEREAS , the 2001 Series B Bonds will be issued simultaneously with the 2001 Trimble Bonds, hereinafter defined, pursuant to a common plan of marketing and financing and with a single Official Statement; and the 2001 Series B Bonds and 2001 Trimble Bonds will be paid out of substantially the same source of funds and have substantially the same claim to such source of funds and shall constitute a single issue of obligations; and

WHEREAS , the Natural Resources and Environmental Protection Cabinet of Kentucky, having jurisdiction in the premises, has previously certified that the Project, as designed, is in furtherance of the purposes of abating and controlling atmospheric pollutants or contaminants; and

WHEREAS , Issuer proposes to lend to Company and Company desires to borrow from Issuer the proceeds from the sale of the 2001 Series B Bonds to cause the outstanding principal amount of the Refunded 1997 Series A Bonds to be refunded, paid and discharged on or prior to the 90th day after the date of issuance of the 2001 Series B Bonds;

NOW, THEREFORE FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER, AS FOLLOWS :

ARTICLE I

DEFINITIONS

Section 1.01 . Use of Defined Terms . In addition to the words and terms defined elsewhere in this Agreement or in the Indenture or by reference to another document, the words and terms set forth in Sections 1.02 and 1.03 shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.02 . Incorporation of Certain Terms by Reference . When and if used in this Agreement, the following terms shall have the meaning set forth in Article I of the Indenture:

"Act"
"Agreement"
"Authorized Denomination"
"Bond Counsel"
"Bond Fund"
"Bond Year"
"2001 Bonds"
"Business Day"
"Code"
"Company"
"Company Bonds"
"Company Representative"
"Cost of Construction"
"Cumulative Excess Earnings"
"Excess Earnings"
"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Governmental Obligations"
"Indenture"
"Interest Payment Date"
"Issuer"
"Issuer Representative"
"Loan"
"No Auction Rate"
"Net Proceeds"
"Paying Agent"
"Permitted Investments"

"Plans and Specifications"
"Pollution Control Facilities"
"Prevailing Rating"
"Project"
"Project Site"
"Purchase Fund"
"Rating Service"
"Rebate Fund"
"Redemption Date"
"Redemption Demand"
"Refunded 1997 Series A Bonds"
"Refunded 1997 Trimble Bonds"
"Release Date"
"2001 Series A Bonds"
"2001 Trimble Bonds"
"1997 Series A Indenture"
"1997 Trimble Indenture"
"Seven-Day "AA" Composite Commercial Paper Rate
"Supplemental Indenture"
"Tender Agent"
"Trustee"

Section 1.03 . Additional Definitions . In addition to the terms whose definitions are incorporated by reference herein pursuant to Section 1.02 , the following terms shall have the meanings set forth in this Section unless the use or context clearly indicates otherwise:

" Capitalization " means the total of all the following items appearing on, or included in, the balance sheet of the Company:

(1) liabilities for indebtedness, including short-term debt, long-term debt and current maturities of long-term debt; and

(2) common stock, preferred stock, capital surplus, premium on capital stock, capital in excess of par value and retained earnings (however the foregoing may be designated), less to the extent not otherwise deducted, the cost of shares of capital stock of the Company held in its treasury.

Capitalization shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of ısiness in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall ɹe determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Debt " shall mean any outstanding debt for money borrowed.

" Determination of Taxability " shall have the meaning ascribed to such term in Section 10.3 of this Agreement.

" Net Tangible Assets " means the amount shown as total assets on the balance sheet of the Company, less the following:

(1) intangible assets including, but without limitation, such items as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset on said balance sheet; and

(2) appropriate adjustments, if any, on account of minority interests.

Net Tangible Assets shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Operating Property " means (i) any interest in real property owned by the Company and (ii) any asset owned by the Company that is depreciable in accordance with generally accepted accounting principles.

" Original Bonds " means the $35,000,000 "County of Jefferson, Kentucky Pollution Control Revenue Bonds, 1989 Series A (Louisville Gas and Electric Company Project)", dated February 1, 1989.

" Prior Bond Fund" means the "County of Jefferson, Kentucky, Pollution Control Revenue Bond Fund, 1997 Series A (Louisville Gas and Electric Company Project)", created by the 1997 Series A Indenture.

" Prior Trustee " means U.S. Bank Trust National Association (formerly First Trust of New York, National Association), acting as ıstee in respect of the Refunded 1997 Series A Bonds.

In addition to the definitions herein, terms used in this agreement and not defined herein shall have the meanings ascribed to such terms in the Indenture.

The words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement. Unless otherwise noted, all Section and Article references are to sections and articles in this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1 Representations, Warranties and Covenants by Issuer. Issuer represents, warrants and covenants that:

(a) Issuer is a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, Issuer has the power to issue the 2001 Series B Bonds, to enter into this Agreement and the Indenture and the transactions contemplated hereby and to carry out its obligations hereunder and thereunder. Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2001 Series B Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2001 Series B Bonds and to execute and deliver this Agreement and the Indenture. Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) Issuer agrees to loan funds derived from the sale of the 2001 Series B Bonds to Company to provide for the refunding, payment and discharge of the outstanding principal amount of the Refunded 1997 Series A Bonds, to the end that air pollution be abated and controlled in the Commonwealth.

(c) To accomplish the foregoing, Issuer agrees to issue $35,000,000 aggregate principal amount of its 2001 Series B Bonds following the execution of this Agreement on such terms and conditions as are set forth in the Indenture. The proceeds from the sale of the 2001 Series B Bonds shall be applied exclusively and in whole to refund, pay and discharge the outstanding principal amount of the Refunded 1997 Series A Bonds on or prior to the 90th day after the date of issuance of the 2001 Series B Bonds.

(d) Issuer will cooperate with Company and take all actions necessary for Company to comply with Section 2.2(n), (r) and (u) hereof and take other actions reasonably requested by Company in furtherance of this Agreement.

Section 2.2. Representations, Warranties and Covenants by Company. Company represents, warrants and covenants that:

(a) Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the 2001 Series B Bonds.

(b) Company has full and complete legal power and authority to execute and deliver this Agreement, the Supplemental Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Agreement, the Supplemental Indenture and the First Mortgage Bonds.

(c) The Project currently refinanced by application of the proceeds of the Refunded 1997 Series A Bonds has been designed and constructed to control, contain, reduce and abate air pollution at the Project Site. The Project was and is necessary for the public health and welfare, and is designed for no significant purpose other than the control of air pollution and the Project constitutes air pollution control facilities and abatement facilities and facilities functionally related and subordinate to such facilities under Section 103 (b)(4)(F) of the Internal Revenue Code of 1954, as amended, and the Act.

(d) All of the proceeds of the 2001 Series B Bonds, exclusively of accrued interest, if any, shall be used on or prior to the 90th day after the date of issuance of the 2001 Series B Bonds exclusively and only to redeem, pay and discharge the principal of the Refunded 1997 Series A Bonds, all of the proceeds of which currently refunded the Original Bonds, not less than substantially all of the proceeds of which Original Bonds (i.e., at least 95% of the proceeds thereof, including investment income thereon) were used to finance the Cost of Construction of air pollution control facilities and facilities functionally related and subordinate to such facilities, and all of such air pollution control facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section 167 of the Code.

(e) The Project, as designed, has been certified by the Department for Natural Resources and Environmental Protection of Kentucky (now the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky), the agency exercising jurisdiction in the premises, to be in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants.

(f) The Project is of the type authorized and permitted by the Act, and the Cost of Construction of the Project was not less than $35,000,000.

(g) No event of default, and no event of the type described in clauses (a) through (e) of Section 9.1 hereof, has occurred and is continuing and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which

any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under this Agreement, the Supplemental Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of this Agreement, Supplemental Indenture, the First Mortgage Bonds, the consummation of the transactions contemplated hereby or by the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of Company under the terms of any instrument or agreement.

(h) Company intends to continue to operate or cause the Project to be operated as air pollution control facilities and facilities functionally related and subordinate to such facilities until all of the 2001 Series B Bonds are paid and discharged.

(i) No portion of the proceeds of 2001 Series B Bonds will be invested at a yield in excess of the yield on the 2001 Series B Bonds except (i) during any permitted temporary period provided by the Code, (ii) proceeds of a reasonably required reserve or replacement fund and (iii) as part of a minor portion of the proceeds of the 2001 Series B Bonds, not in excess of the lesser of 5% of the proceeds of the 2001 Series B Bonds or $100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Section 148 of the Code and applicable tax regulations.

(j) No portion of the proceeds from the sale of the 2001 Series B Bonds will be deposited to the account of any reasonably required reserve or replacement fund or used to pay (i) any costs of issuance of the 2001 Series B Bonds or (ii) any redemption premium or accrued interest on the Refunded 1997 Series A Bonds, but such proceeds will be applied and used solely and exclusively to refund, pay and discharge the outstanding principal amount of the Refunded 1997 Series A Bonds on or prior to the 90th day after the issuance of the 2001 Series B Bonds.

(k) Company will provide any additional moneys, including investment proceeds of the 2001 Series B Bonds, required for the payment and discharge of the Refunded 1997 Series A Bonds, payment of redemption premium, if any, and accrued interest in respect thereto and payment of all underwriting discount and costs of issuance of the 2001 Series B Bonds. Any investment proceeds of the 2001 Series B Bonds shall be used exclusively to pay interest or redemption premium due, if any, on the Refunded 1997 Series A Bonds on the Redemption Date.

(l) Company will cause no investment of 2001 Series B Bond proceeds to be made and will make no other use of or omit to take any action with respect to the proceeds of the 2001 Series B Bonds or any funds reasonably expected to be used to pay the 2001 Series B Bonds which will cause the 2001 Series B Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or would otherwise result in the loss or impairment of the exclusion of the interest on such 2001 Series B Bonds from gross income for federal income tax purposes.

(m) The average maturity of the 2001 Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the date of issuance of the 2001 Bonds) of the Pollution Control Facilities refinanced by the proceeds of the 2001 Bonds.

(n) Company will provide all information requested by the Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 filed by Issuer with respect to the 2001 Series B Bonds and the air pollution control facilities constituting the Project, and such information will be true and correct in all material respects.

(o) Within the meaning of Section 149 of the Code, no portion of the payment of the principal or interest on the 2001 Series B Bonds or the Refunded 1997 Series A Bonds was or shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(p) All of the proceeds of the Refunded 1997 Series A Bonds and the Original Bonds have been fully expended and the Project has been completed. All of the actual Cost of Construction of the Project represents amounts paid or incurred which were chargeable to the capital account of the Project or would be so chargeable either with a proper election by the Company or but for a proper election by the Company to deduct such amounts. Substantially, all (i.e. at least 95%) of the net proceeds of the sale of the Original Bonds (including investment income therefrom), were used to finance Cost of Construction of the Project as described above, pay costs and expenses of issuing the Original Bonds, within then applicable Code limits, and pay interest and carrying charges on the Original Bonds during the period of construction of the Project and prior to its in-service date.

(q) All of the depreciable properties which were taken into account in determining the qualifying costs of the Project constitute properties either (i) used for the control, containment, reduction and abatement of atmospheric pollutants and contaminants or (ii) facilities which are functionally related and subordinate to such facilities constituting the Project. All of such functionally related and subordinate facilities are of a size and character commensurate with the character and size of the air pollution control facilities constituting the Project.

(r) The Company will cause the Issuer to comply in all respects with the requirements of Section 148 of the Code in respect of the rebate of Excess Earnings with respect to the 2001 Series B Bonds to the United States of America.

(s) None of the proceeds of the 2001 Series B Bonds will be applied and none of the proceeds of the Refunded 1997 Series A Bonds or the Original Bonds were applied to provide any: (i) working capital, (ii) office space (other than office space located on the

premises of the Project where not more than a de minimis amount of the functions to be performed are not directly related to the day-to-day operations of the Project), (iii) airplane, (iv) skybox or other private luxury box, (v) health club facility, (vi) facility primarily used for gambling or (vii) store, the principal business of which is the sale of alcoholic beverages for consumption off premises.

(t) Less than twenty-five percent (25%) of the net proceeds of the Refunded 1997 Series A Bonds or the Original Bonds, were used directly or indirectly to acquire land or any interest therein and no portion of such land, if acquired, was or is to be used for farming purposes. No portion of the proceeds of the Refunded 1997 Series A Bonds or the Original Bonds was used to acquire existing property or any interest therein with respect to which the Company was not the first user for federal income tax purposes.

(u) Upon the date of issuance of the 2001 Series B Bonds, the Company will have caused the Issuer to comply with the public approval requirements of Section 147 of the Code and at or following the issuance of the 2001 Series B Bonds the Company will cause the Issuer to comply with the information reporting requirements of Section 149 of the Code by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

(v) All of the documents, instruments and written information furnished by Company on behalf of Company to Issuer or Trustee in connection with the issuance of the Bonds are true and correct in all material respects as of the date of delivery thereof and did not, as of the date of delivery thereof, omit or fail to state any material facts necessary to be stated therein to make the information provided not misleading.

(w) The proceeds derived from the sale of the 2001 Series B Bonds (other than any accrued interest thereon) will be used exclusively and solely to refund the principal of the Refunded 1997 Series A Bonds. The principal amount of the 2001 Series B Bonds does not exceed the principal amount of the Refunded 1997 Series A Bonds. The redemption of the outstanding principal amount of the Refunded 1997 Series A Bonds with such proceeds of the 2001 Series B Bonds will occur not later than 90 days after the date of issuance of the 2001 Series B Bonds. Any earnings derived from the investment of such proceeds of the 2001 Series B Bonds will be fully needed and used on such redemption date to pay a portion of the interest accrued and payable on the Refunded 1997 Series A Bonds on such date.

(x) It is not anticipated, as of the date hereof, that there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2001 Series B Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

(y) (i) Construction of the Project began before September 26, 1985; completion of the Project occurred after September 26, 1985 and original use of the Project commenced with the Company;

(ii) A binding contract to incur significant (i.e., 10% of the then reasonably anticipated cost of construction of the Project) expenditures for construction of the Project was entered into before September 26, 1985 and some of such expenditures were incurred on or after September 26, 1985; and

(iii) With respect to both (i) and (ii) above, the Project was described in an inducement resolution or other comparable approval adopted by the Fiscal Court of the Issuer before September 26, 1985 (i.e., on November 8, 1984).

Company need not comply with the covenants or representations in this Section if and to the extent that Issuer and Company receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2001 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE III

COMPLETION AND OWNERSHIP OF PROJECT

Section 3.1 . Completion and Equipping of Project . Company represents that (a) it has previously caused the Project to be constructed as herein provided on the Project Site in accordance with the Plans and Specifications and (b) the Project was completed as previously evidenced by the filing of a completion certificate by the Company with the trustee in respect of the Original Bonds.

Section 3.2 . Agreement as to Ownership of Project . Issuer and Company agree that title to and ownership of the Project shall remain in and be the sole property of Company in which Issuer shall have no interest. The Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.3 . Use of Project . Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to Article IX of this Agreement or Article IX of the Indenture, to interfere with Company's ownership of the Project or to prevent Company from having possession, custody, use and enjoyment of the Project.

ARTICLE IV

ISSUANCE OF 2001 SERIES B BONDS; APPLICATION OF PROCEEDS;

COMPANY TO ISSUE FIRST MORTGAGE BONDS

Section 4.1 . Agreement to Issue 2001 Series B Bonds; Application of 2001 Series B Bond Proceeds . In order to provide funds to make the Loan, Issuer will issue, sell and deliver the 2001 Series B Bonds to the initial purchasers thereof and deposit the proceeds thereof with Trustee, as follows:

(i) Into the Bond Fund, a sum equal to the accrued interest, if any, to be paid by the initial purchasers of the 2001 Series B Bonds.

(ii) Into the Prior Bond Fund held by the Prior Trustee, for the benefit of and payment of the Refunded 1997 Series A Bonds, an amount not less than all of the balance of all such proceeds, being the principal amount of the 2001 Series B Bonds.

Section 4.2 . Payment and Discharge of Refunded 1997 Series A Bonds . Company covenants and agrees with Issuer that it will, upon the date of issuance of the 2001 Series B Bonds, give irrevocable instructions to the Prior Trustee to call and redeem the Refunded 1997 Series A Bonds in accordance with their terms and will simultaneously deposit into the Prior Bond Fund cash or direct United States obligations ("Governmental Obligations") sufficient on the date of issuance of the 2001 Series B Bonds, to fully defease and discharge the Refunded 1997 Series A Bonds on such date in accordance with Article VIII of the 1997 Series A Indenture, without reference to any interest earnings to be accrued during the period from the date of issuance of the 2001 Series B Bonds to the redemption date of the Refunded 1997 Series A Bonds. Such matters to be confirmed by issuance of an appropriate written certificate of the Prior Trustee confirming defeasance and full discharge of the Refunded 1997 Series A Bonds upon the date of issuance of the 2001 Series B Bonds. Such irrevocable instructions, deposit of sufficient cash and Governmental Obligations and issuance by the Prior Trustee of a certificate of defeasance and discharge is a condition precedent to the issuance of the 2001 Series B Bonds.

Section 4.3 . Investment of Bond Fund and Rebate Fund Moneys . Subject to the provisions of Section 148 of the Code, any moneys held as a part of the Bond Fund or the Rebate Fund, if applicable, shall be invested or reinvested by Trustee, at the written request of and as specifically directed by Company, in one or more of the Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of Trustee. All moneys invested shall be deemed at all times a part of the fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2001 Series B Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax or other charge in respect of any investments, reinvestments or any liquidation of investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

Section 4.4 . Special Arbitrage Certifications .

(a) Company covenants and agrees that it, will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results in interest paid on any of the 2001 Series B Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) or adversely affects the validity of the 2001 Series B Bonds.

(b) Company warrants, represents and certifies to Issuer that the proceeds of the 2001 Series B Bonds will not be used in any manner that would cause the 2001 Series B Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 and other applicable sections of the Code. To the best knowledge and belief of Company, there are no facts, estimates or circumstances that would materially change the foregoing conclusion.

(c) Company hereby covenants that it will at all times comply and cause Issuer to comply with the provisions of Section 148 and other applicable sections of the Code and will restrict the use of the proceeds of the 2001 Bonds, including the 2001 Series B Bonds, in such manner and to such extent, if any, as may be necessary, and remit Excess Earnings with respect to all of the 2001 Series B Bonds, if any, to the United States of America pursuant to Section 148(f)(2) of the Code and carry out such actions so that the 2001 Series B Bonds will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code. An officer or officers of Issuer having responsibility with respect to the issuance of the 2001 Series B Bonds is or are hereby authorized and directed to give an appropriate certificate of Issuer, for inclusion in the transcript of proceedings for the 2001 Series B Bonds, setting forth the reasonable expectations of Issuer regarding the amount and use of the proceeds of the 2001 Series B Bonds and the facts, estimates and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2001 Series B Bonds pursuant to said Section 148 of the Code. Company shall provide the Issuer, and Issuer's certificate may be expressly based on, a certificate of Company setting forth the facts, estimates and circumstances and reasonable expectations of Company on the date of delivery of and payment for the 2001 Series B Bonds regarding the amount and use of the proceeds of the 2001 Series B Bonds and related matters. In the event any such representation of Company relied upon by the Issuer is untrue or inaccurate and Issuer thereby suffers costs or damages, Company shall indemnify Issuer for any such costs or damages.

(d) Consistent with the foregoing, Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2001 Bonds, including the 2001 Series B Bonds, that no use will be made of the proceeds of the sale of the 2001 Series B Bonds which would cause the 2001 Series B Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and that Company and Issuer will, after issuance of the 2001 Series B Bonds, comply with the provisions of the Code at all times, including after the 2001 Series B Bonds are discharged, to the extent Excess Earnings with respect to the 2001 Series B Bonds are required to be rebated to the

United States of America pursuant to Section 148(f)(2) of the Code. Pursuant to such covenant, Issuer and Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Section 148 of the Code.

(e) Company warrants, represents and certifies to Issuer that the proceeds of the Refunded 1997 Series A Bonds were applied and invested in compliance with the current requirements of Section 149(g) of the Code and that consequently the 2001 Series B Bonds will not be "hedge bonds" under such Section 149(g) of the Code.

(f) Company hereby covenants and agrees that it will at all times comply with the provisions of Section 148, including Section 148(f) of the Code and with Section 6.06 of the Indenture. Specifically, Company shall carry out, do and perform all acts stipulated to be performed by Company pursuant to such Section 6.06 of the Indenture. Company shall further undertake to assure and cause rebate payments to be calculated and made to the United States of America in accordance with Section 148(f)(2) of the Code from moneys on deposit in the Rebate Fund from time to time after the end of each Computation Period, as defined in the Indenture, and following discharge of the 2001 Series B Bonds. Company also covenants to take all necessary acts and steps as required to cause Issuer to comply with the provisions of Section 7.03 of the Indenture.

Section 4.5. Opinion of Bond Counsel. Company need not comply with the covenants or representations in Section 4.4 if and to the extent that Issuer and Company (with a copy to Trustee) receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2001 Series B Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Section 4.6. First Mortgage Bonds. Company covenants and agrees with Issuer that it will, for the purpose of providing security for the 2001 Series B Bonds, execute and deliver on the date of issuance of the 2001 Series B Bonds, the First Mortgage Bonds to Trustee in aggregate principal amount not less than the aggregate principal amount of the 2001 Series B Bonds. The First Mortgage Bonds shall mature as to principal identically as in the case of the 2001 Series B Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental Indenture, shall bear interest identically as in the case of the 2001 Series B Bonds.

Prior to the Release Date, in the event of a default under Article IX of this Agreement or in the event of a default in payment of the principal of, premium, if any, or interest on the 2001 Series B Bonds as and when the same come due, whether at maturity, by purchase, redemption, acceleration or otherwise, and upon receipt by First Mortgage Trustee of a Redemption Demand from Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable in accordance with the provisions specified in the Supplemental Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2001 Series B Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2001 Series B Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of Company thereunder terminated and such First Mortgage Bonds shall be surrendered by Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Notwithstanding anything in this Agreement to the contrary, from and after the Release Date, the obligation of the Company to make payment with respect to the principal of and premium, if any, and interest on the First Mortgage Bonds shall be deemed satisfied and discharged as provided in the Supplemental Indenture and the First Mortgage Bonds shall cease to secure in any manner the 2001 Series B Bonds. As a result, on the Release Date, the obligations under this Agreement shall become unsecured general obligations of the Company.

The Company shall notify the Issuer and the Trustee in writing promptly upon the occurrence of the Release Date. Upon receiving written notice of the Release Date from the Company, the Trustee shall deliver for cancellation to the First Mortgage Trustee all of the First Mortgage Bonds.

ARTICLE V

PROVISIONS FOR PAYMENT

Section 5.1 Loan Payments and Other Amounts Payable. (a) Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2001 Series B Bonds or any other date that any payment of interest, premium, if any, purchase price or principal is required to be made in respect of the 2001 Series B Bonds at the times specified in accordance with the more specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2001 Series B Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the 2001 Series B Bonds as provided in the Indenture; provided that such payments by Company to enable the Tender Agent to pay the purchase price of Bonds shall be made within the times required by Section 3.05 of the Indenture.

It is understood and agreed that all payments payable by Company under this subsection (a) of Section 5.1 are assigned by the Issuer to the Trustee, the Paying Agent and the Tender Agent, as applicable, for the benefit of the Bondholders. Company assents to such assignment. Issuer hereby directs Company and Company hereby agrees to pay to Trustee and/or Paying Agent or Tender Agent, as appropriate,

at the Principal Office of the Trustee and/or Paying Agent or Tender Agent, as appropriate, all payments payable by Company pursuant to this subsection.

(b) Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2001 Series B Bonds and incurred upon he request of Company.

(c) Company will also pay the agreed upon fees and expenses of Trustee (including those referred to in Section 10.02 of the Indenture), the Bond Registrar, the Tender Agent and the Paying Agent under the Indenture and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Market Agent, the Auction Agent and the Tender Agent, as applicable from time to time, under the Indenture, such amounts to be paid directly to Trustee, the Bond Registrar, the Paying Agent and Tender Agent for their respective own accounts as and when such amounts become due and payable.

The Company further agrees to indemnify and hold harmless the Trustee, Bond Registrar and Paying Agent against any loss, liability or expense, including reasonable attorneys = fees and expenses, incurred by it without negligence or bad faith on its part in connection with the issuance of the 2001 Series B Bonds or the acceptance or administration of the trusts under the Indenture, including the costs of defending itself against any claim or liability in connection therewith.

(d) The Company covenants, for the benefit of the Bondholders, to pay or cause to be paid, to the Tender Agent for deposit in the Purchase Fund, such amounts as shall be necessary to enable the Tender Agent to pay the purchase price of 2001 Series B Bonds delivered to it for purchase, all as more particularly described in Sections 3.03 and 3.05 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price of 2001 Series B Bonds delivered to it for purchase, as provided in the Indenture.

(e) In the event Company should fail to make any of the payments required in this Section 5.1 , the item or installment so in default shall continue as an obligation of Company until the amount in default shall have been fully paid, and Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due to the date of payment.

Section 5.2 . Payments Assigned . As set forth in Section 5.1 hereof, it is understood and agreed that this Agreement and all payments made by Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) or (c) or pursuant to Section 8.2 hereof) are assigned by Issuer to Trustee. Company assents to such assignment and hereby agrees that, as to Trustee, Paying Agent, the Market Agent, the Auction Agent and Tender Agent, as applicable from time to time, its obligation to make such payments shall be absolute, irrevocable and unconditional and shall not be subject to cancellation, termination or abatement or to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by any party, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing by any party. Except as provided above, Issuer hereby directs Company and Company hereby agrees to pay to Trustee, Paying Agent, the Market Agent, the Auction gent, Bond Registrar or Tender Agent, as appropriate, all said payments payable by Company pursuant to Section 5.1 of this Agreement.

Section 5.3 . Taxes and Other Governmental Charges . Company agrees to pay during the term of this Agreement, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied or charged against or with respect to the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating Company to pay taxes on any interest or principal on the 2001 Series B Bonds disbursed to Bondholders.

Company may, at its expense and in its own name, in good faith contest any such taxes, assessments and other governmental charges and, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments or charges shall be paid forthwith. Issuer will cooperate fully with Company in any such contest. In the event Company shall fail to pay any of the foregoing items required by this Section to be paid by Company, Issuer or Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by Issuer or Trustee shall become an additional obligation of Company to the one making the advancement, which amounts, together with interest thereon Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on ninety-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; provided , however , that no such advancement shall operate to relieve the Company from any default hereunder. Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4 . Obligations of Company Unconditional . The obligation of Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.06 of the Indenture shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the 2001 Series B Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, Company (i) will not suspend or discontinue any payments pursuant to this Agreement and (ii) except as provided in Article X hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of title to the Project or any part thereof, any acts or circumstances that may constitute ilure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of Issuer or Trustee to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release Issuer from the performance of any of the agreements on its part

herein contained; and in the event Issuer should fail to perform any such agreement on its part, Company may institute such action against Issuer as Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of Company contained in the preceding sentence. Company may, however, at its own cost and expense and in its own name or in the name of Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy and use of the Project, and in such event Issuer hereby agrees to cooperate fully with Company.

Section 5.5. Rebate Fund. Company agrees to make all payments to the Trustee and rebate all amounts to the United States of America as are required of it under Section 6.06 of the Indenture. The obligation of Company to make such payments shall remain in effect and be binding upon Company notwithstanding the release and discharge of the Indenture.

Section 5.6. Redemption of the 2001 Series B Bonds in Advance of Scheduled Maturity. Under the terms of the Indenture, the 2001 Series B Bonds are and will be subject to redemption prior to their scheduled maturity. The Issuer agrees that it shall direct the Trustee to redeem and call 2001 Series B Bonds at the written direction of the Company.

Section 5.7. Cancellation of 2001 Series B Bonds. The cancellation by the Bond Registrar of any 2001 Series B Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2001 Series B Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan repayment equal to the principal amount of the 2001 Series B Bond or Bonds so cancelled.

ARTICLE VI

MAINTENANCE; DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS; INSURANCE

Section 6.1 Maintenance. So long as any 2001 Series B Bonds are Outstanding, as that term is defined in the Indenture, Company will maintain, preserve and keep the Project, or cause the Project to be maintained, preserved and kept, in good repair, working order and condition and will from time to time make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as air pollution control and abatement facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, the Code and the Act; provided, however, that Company will have no obligation to maintain, preserve, keep, repair, replace or renew any element or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to Company because of damage or destruction by a cause not within the control of Company, or condemnation of all or substantially all of the Project or the generating facilities to which the element or unit of the Project is an adjunct, or obsolescence (including economic obsolescence) or change in government standards and regulations, or the termination by Company of the operation of the generating facilities to which the element or unit of the Project is an adjunct, and (b) with respect to which Company has furnished to Issuer and Trustee a certificate executed by Company Representative certifying that the maintenance, preservation, keeping, repair, replacement or renewal of such element or unit of the Project is being discontinued for one of the foregoing reasons, which shall be stated therein, and that the discontinuance of such element or unit will not adversely affect the exclusion of interest on any of the 2001 Series B Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of this Agreement as part of the Project; provided, however, that Company shall take no actions which will change or alter the basic nature of the Project as air pollution control and abatement facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, and the Act.

If, prior to full payment of all 2001 Series B Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Company or the First Mortgage Trustee receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.1(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2001 Series B Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2001 Series B Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2001 Series B Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2001 Series B Bonds are otherwise subject to optional redemption.

Section 6.2. Insurance. Company agrees to insure the Project at all times in accordance with the provisions of First Mortgage Indenture.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1 No Warranty of Condition or Suitability by Issuer. Issuer makes no warranty, either express or implied, as to the Project or that it will be suitable for Company's purposes or needs.

Section 7.2. Company to Maintain its Corporate Existence; Conditions under Which Exceptions Permitted. Company agrees that

during the term of this Agreement it will maintain its corporate existence and good standing, will continue to be a corporation organized under the laws of the Commonwealth of Kentucky or qualified and admitted to do business in the Commonwealth of Kentucky, and will neither dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge, (i) shall be a corporation organized and existing under the laws of one of the States of the United States of America, (ii) shall be qualified and admitted to do business in the Commonwealth of Kentucky, (iii) shall assume in writing all of the obligations of Company herein and (iv) shall deliver a copy of such assumption to the Issuer and Trustee.

Section 7.3 . Financial Statements . Company agrees to furnish Trustee (within 120 days after the close of each fiscal year) with an audited balance sheet and statements of income, retained earnings and changes in cash flows showing the financial condition of Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of Company and its consolidated subsidiary or subsidiaries, if any, for such fiscal year, accompanied by an opinion of its regular independent certified public accountants that such statements fairly represent the financial condition of Company in accordance with generally accepted accounting principles. The requirements of this Section 7.3 shall be satisfied by the submission to Trustee of Company's annual report on Form 10-K. The information so provided to Trustee shall be kept in its files and is not required to be distributed to any Registered Holder or other person. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 7.4 . Further Assurances and Corrective Instruments . Issuer and Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5 . Issuer Representative . Whenever under the provisions of this Agreement the approval of Issuer is required or Issuer is required to take some action at the request of Company, such approval shall be made or such action shall be taken by Issuer Representative and Company or Trustee shall be authorized to act on any such approval or action, and Issuer shall have no redress against Company or Trustee as a result of any such action taken.

Section 7.6 . Company Representative . Whenever under the provisions of this Agreement the approval of Company is required or Company is required to take some action at the request of Issuer, such approval shall be made or such action shall be taken by Company Representative and Issuer or Trustee shall be authorized to act on any such approval or action and Company shall have no redress against Issuer or Trustee as a result of any such action taken.

Section 7.7 . Financing Statements . Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law order to perfect, or maintain the perfection of, the lien of the Indenture and the Supplemental Indenture. Issuer shall cooperate fully with Company in taking any such action. Concurrently with the execution and delivery of the 2001 Series B Bonds, Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such lien, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture, which filings the Company agrees to undertake.

Section 7.8 . Company's Performance Under Indenture . The Company agrees, for the benefit of Bondholders to do and perform all acts and things contemplated in the Indenture to be done and performed by it.

Section 7.9 . Negative Pledge . (a) The Company agrees that, subsequent to the Release Date (as defined in the Indenture) and so long as any Bonds remain outstanding, the Company will not issue, assume or guarantee any Debt secured by any mortgage, security interest, pledge or lien (herein referred to as a "mortgage") of or upon any Operating Property of the Company, whether owned at the date of the Indenture or thereafter acquired, and will not permit to exist any Debt secured by a mortgage on any Operating Property created on or prior to the Release Date, without in any such case effectively securing, on the later to occur of the issuance, assumption or guaranty of any such Debt or the Release Date, the Bonds equally and ratably with such Debt; provided, however, that the foregoing restriction shall not apply to Debt secured by any of the following:

(1) mortgages on any property existing at the time of acquisition thereof;

(2) mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with the Company, or at the time of a sale, lease or other disposition of the properties of such corporation or a division thereof as an entirety or substantially as an entirety to the Company, provided that such mortgage as a result of such merger, consolidation, sale, lease or other disposition is not extended to property owned by the Company immediately prior thereto;

(3) mortgages on property to secure all or part of the cost of acquiring, substantially repairing or altering, constructing, developing or substantially improving such property, or to secure indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided such mortgages are created or assumed contemporaneously with, or within 18 months after, such acquisition or completion of substantial repair or alteration, construction, development or substantial improvement or within six months thereafter pursuant to a commitment for financing arranged with a lender or investor within such 18 month period;

(4) mortgages in favor of the United States of America or any State thereof, or any department, agency or instrumentality or

political subdivision of the United States of America or any state thereof, or for the benefit of holders of securities issued by any such entity, to secure any Debt incurred for the purpose of financing all or any part of the purchase price or the cost of substantially repairing or altering, constructing, developing or substantially improving the property subject to such mortgages; or

(5) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any mortgage referred to in the foregoing clauses (1) to (4), inclusive; provided, however, that the principal amount of indebtedness secured thereby and not otherwise authorized by said clauses (1) to (4), inclusive, shall not exceed the principal amount of indebtedness, plus any premium or fee payable in connection with any such extension, renewal or replacement, so secured at the time of such extension, renewal or replacement.

(b) Notwithstanding the provisions of Section 7.9(a) from and after the Release Date and so long as any Bonds remain outstanding, the Company may issue, assume or guarantee Debt, or permit to exist Debt, secured by mortgages which would otherwise be subject to the restrictions of this Section up to an aggregate principal amount that, together with the principal amount of all other Debt of the Company secured by mortgages (other than mortgages permitted by Section 7.9(a) that would otherwise be subject to the foregoing restrictions) does not at the time exceed the greater of 10% of Net Tangible Assets or 10% of Capitalization.

(c) If at any time the Company shall issue, assume or guarantee any Debt secured by any mortgage and if Section 7.9(a) requires that the Bonds be secured equally and ratably with such Debt, the Company will promptly execute, at its expense, any instruments necessary to so equally and ratably secure such Bonds.

ARTICLE VIII

ASSIGNMENT; INDEMNIFICATION; REDEMPTION

Section 8.1 Assignment. This Agreement may be assigned by Company without the necessity of obtaining the consent of either Issuer or Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve Company from primary liability for any of its obligations hereunder, and in the event of any such assignment Company shall remain primarily liable for payments of the amounts specified in Section 5.1 hereof and for performance and observance of the other covenants or agreements on its part herein provided to be performed and observed to the same extent as though no assignment had been made;

(b) The assignee shall assume the obligations of Company hereunder to the extent of the interest assigned;

(c) Company shall, within thirty days after the delivery thereof, furnish or cause to be furnished to Issuer and to Trustee a true and complete copy of each such assignment and assumption of obligation; and

(d) prior to such assignment, the Company shall have obtained an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the 2001 Series B Bonds from gross income for Federal income tax purposes under Section 103(a) of the Code.

Section 8.2. Release and Indemnification Covenants. Company releases Issuer from and covenants and agrees that Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless against, any expense or liability incurred by Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof. If any such claim is asserted, Issuer agrees to give prompt notice to the Company and Company will assume the defense thereof, with full power to litigate, compromise or to settle the same in its sole discretion, it being understood that Issuer will not settle or consent to the settlement of the same without the consent of Company.

Section 8.3. Assignment of Interest in Agreement by Issuer. Any assignment by Issuer to Trustee pursuant to the Indenture or this Agreement of any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 8.4. Redemption of 2001 Series B Bonds. Upon the agreement of Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2001 Series B Bonds subject to redemption, Issuer, at the request of Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the 2001 Series B Bonds outstanding, as may be specified by Company, on the redemption date specified by the Company.

Section 8.5. Reference to 2001 Series B Bonds Ineffective after 2001 Series B Bonds Paid. Upon payment in full of the 2001 Series B Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.4 hereof and payment of all fees and charges of the Trustee (including reasonable attorneys = fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2001 Series B Bonds, the First Mortgage Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2001 Series B Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1 Events of Default Defined. The following shall be "events of default" under this Agreement and the term "events of default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsections (a) and (d) of Section 5.1 hereof which results in failure to pay principal of, premium or interest on or the purchase price of the 2001 Series B Bonds, and such failure shall cause an event of default under the Indenture.

(b) Failure by Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, is given to Company by Issuer or Trustee, unless Issuer and Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Issuer and Trustee will not unreasonably withhold their consent to an extension of such time if such failure is capable of being cured and corrective action is instituted by Company within the applicable period and is being diligently pursued.

(c) All bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(d) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Company, or of a substantial part of the property or assets of Company, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company or (iii) the winding-up or liquidation of Company; and such proceeding or petition shall continue undismissed or unstayed for 90 days or an order or decree approving or ordering any of the foregoing shall be entered.

(e) Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (d) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing.

The provisions of Section 9.1(b) are subject to the following limitations: If by reason of force majeure Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of Company contained in Sections 2.2(k) and (l), 4.2, 4.4, 4.6 or 7.2 or Article V hereof and the general covenant and obligation of Company to take all necessary actions for the continued exclusion of interest on the 2001 Series B Bonds from gross income for federal and Kentucky income taxes, Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean any cause or event not reasonably within the control of Company, including without limitation the following: acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the Commonwealth of Kentucky or any of their departments, agencies or officials, or any civil or military authority; evacuations and quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines or pipes; or partial or entire failure of utility services. Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Company, and Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Company unfavorable to Company.

Section 9.2. Remedies on Default. Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, Issuer may take any one or more of the following remedial steps:

(a) By written notice to Company, Issuer may declare an amount equal to the principal and accrued interest on the 2001 Series B Bonds then Outstanding, as defined in the Indenture, to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

(b) Issuer may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of Company.

(c) Issuer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Company under this Agreement, including, until the Release Date, any remedies available in respect of the First Mortgage Bonds.

In case there shall be pending a proceeding of the nature described in Section 9.1(d) or (e) above, Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of Trustee allowed in such judicial proceedings relative to Company, its creditors or its

property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any custodian (including, without limitation a receiver, trustee or liquidator) of Company appointed in connection with such proceedings is hereby authorized to make such payments to Trustee, and to pay to Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Any amounts collected pursuant to action taken under this Section 9.2 (other than the compensation and expenses referred to in the immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2001 Series B Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of Trustee and any paying agents accrued and to accrue through final payment of the 2001 Series B Bonds, and all other liabilities of Company accrued and to accrue hereunder or under the Indenture through final payment of the 2001 Series B Bonds have been paid, such amounts so collected shall be paid to Company.

Section 9.3 . No Remedy Exclusive . No remedy herein conferred upon or reserved to Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given Issuer hereunder shall also extend to Trustee, and Trustee and the holders of the 2001 Series B Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 9.4 . Agreement to Pay Attorneys' Fees and Expenses . In the event Company should default under any of the provisions of this Agreement and Issuer and/or Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of Company herein contained, Company agrees that it will on demand therefor pay to Issuer and/or Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by Issuer and/or Trustee.

Section 9.5 . Waiver of Events of Default . If, after the acceleration of the maturity of the outstanding 2001 Series B Bonds by Trustee pursuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2001 Series B Bonds and the principal of, and premium, if any, on any and all 2001 Series B Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2001 Series B Bond, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal f 2001 Series B Bonds which shall have become due by said declaration, shall have been remedied, and such event of default under the ndenture shall be deemed waived by Trustee in accordance with Section 9.11 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then Company's default hereunder shall be deemed to have been waived by Issuer and no further action or consent by Trustee or Issuer shall be required. In the event any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

PREPAYMENT OF LOAN

Section 10.1 Options to Prepay Loan . Company shall have, and is hereby granted, options to prepay the Loan in whole and to cancel or terminate this Agreement on any Business Day at any time Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by Company to Trustee of such election, as follows:

(a) If in the judgment of Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2001 Series B Bonds upon Company with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem, property, income or other taxes not imposed on the date of this Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) If the Project or a portion thereof or other property of Company in connection with which the Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use;

(d) In the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of the Cane Run or Mill Creek Generating Stations of the Company shall have occurred which, in the judgment of the Company, render the continued operation of the Cane Run or Mill Creek Generating Stations or any generating unit at such station uneconomical; or changes in circumstances, after the issuance of the

2001 Series B Bonds including but not limited to changes in clean air or other air pollution control requirements, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) In the event this Agreement shall become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action, whether state or federal, or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) A final order or decree of any court or administrative body after the issuance of the 2001 Series B Bonds shall require the Company to cease a substantial part of its operations at either or both of the Cane Run and Mill Creek Generating Stations to such extent that the Company will be prevented from carrying on its normal operations at such location for a period of six months.

In the case of prepayment pursuant to this Section 10.1 (or if any 2001 Series B Bonds be redeemed in whole or in part pursuant to Section 6.1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with Trustee and available for such purpose, to redeem all 2001 Series B Bonds then outstanding (or, in the case any 2001 Series B Bonds are redeemed in part pursuant to Section 6.1 hereof, such portion of the Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2001 Series B Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2001 Series B Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the events mentioned in (a) through (f) above, Company is required to give written notice to Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2 Additional Option to Prepay Loan. Company shall have, and is hereby granted, further options, to the extent that the 2001 Series B Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with Trustee moneys sufficient to pay, together with other funds deposited with Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2001 Series B Bonds then outstanding under the Indenture and, upon depositing with Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2001 Series B Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder, to cancel or terminate the term of this Agreement.

Section 10.3 Obligations to Prepay Loan. Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, prior to the required full payment of the 2001 Series B Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and Company shall take all actions required to mandatorily redeem the 2001 Series B Bonds at the cost of the Company upon the terms specified in this Agreement and in Article IV of the Indenture following the occurrence of a Determination of Taxability, including, but not limited to, prepaying appropriate amounts due on the 2001 Series B Bonds in order to effect such redemption. The 2001 Series B Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this section, a "Determination of Taxability" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2001 Series B Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2001 Series B Bonds, the interest on the 2001 Series B Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the A Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2001 Series B Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2001 Series B Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any 2001 Series B Bond in the computation of minimum or indirect taxes. All of the 2001 Series B Bonds shall be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2001 Series B Bonds of one or more series or one or more maturities would have the result that interest payable on the remaining 2001 Series B Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any quiry, audit or other proceedings relating to the 2001 Series B Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the

events described in this Section 10.3 , the Company shall give notice thereof to the Trustee and the Issuer.

In the case of the mandatory obligation of Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as specified in this Section 10.3 hereof and to provide to Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2001 Series B Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2001 Series B Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any paying agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2001 Series B Bonds.

Section 10.4 . Notice of Prepayment; Redemption Procedures . It is understood and agreed by the parties hereto that in order to exercise an option granted in, or to consummate a mandatory prepayment required by, this Article X , Company shall give written notice to Issuer and Trustee which notice shall (i) contain the agreement of Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2001 Series B Bonds equal to the amount of the prepayment, including, in the case of a prepayment under Section 10.2 hereof, any applicable redemption premium in respect of such 2001 Series B Bonds, and any other amounts required under this Agreement and (ii) specify the prepayment date (which must be a Business Day and which shall also be the redemption date), which date shall not be less than 30 days (45 days if the 2001 Series B Bonds are bearing interest at the Semi-annual, Annual or Long Term Rate or in all cases such shorter period as may be acceptable to the Trustee) nor more than 90 days from the date the notice is mailed by Company to Issuer and Trustee.

Section 10.5 . Relative Position of this Article and Indenture . The rights and options granted to Company in this Article, except the option granted to Company pursuant to Section 10.2 to prepay less than all of the Loan payments, shall be and remain prior and superior to the Indenture and may be exercised whether or not Company is otherwise in default hereunder; provided that such default will not result in nonfulfillment of any condition to the exercise of any such right or option.

Section 10.6 . Concurrent Discharge of First Mortgage Bonds . Prior to the Release Date, in the event any of the 2001 Series B Bonds shall be paid and discharged pursuant to any provisions of this Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE XI

MISCELLANEOUS

Section 11.1 . Term of Agreement . This Agreement shall remain in full force and effect from the date hereof to and including the later of November 1, 2027, or until such time as all of the 2001 Series B Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture), whichever shall be later; provided, however, that this Agreement may be cancelled and terminated prior to said date if Company shall prepay all of the Loan pursuant to Article X hereof; and provided further, however, that all obligations of Company under Article V and Section 8.2 hereof (a) to pay fees and expenses of Trustee, the Tender Agent, the Bond Registrar and any Paying Agent and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2001 Series B Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by Company as to all matters affecting the tax-exempt status of interest on the 2001 Series A Bonds shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2001 Series B Bonds and shall survive the termination of this Agreement and all obligations of Company contained herein relating to indemnification of Issuer, Trustee, Bond Registrar, Authenticating Agent, Tender Agent and any Paying Agent shall survive the termination of this Agreement.

Section 11.2 . Notices . All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Issuer, at the Jefferson County Courthouse, 5 th and Jefferson Streets, Louisville, Kentucky 40202, Attention: County Judge/Executive;

If to Company, at its corporate headquarters, 220 West Main Street, Louisville, Kentucky 40202, Attention: Treasurer, and

If to Trustee, at 100 Plaza One, 6 th Floor, Jersey City, New Jersey 07310, Attention: Corporate Trust Administration.

If to Paying Agent, Remarketing Agent, Auction Agent, Market Agent or Tender Agent, at such addresses for notices as are set forth in the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by either Issuer or Company to the other shall also be given to Trustee. Issuer, Company and Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.3 . Binding Effect . This Agreement shall inure to the benefit of and shall be binding upon Issuer, Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 hereof.

Section 11.4 . Severability . In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5 . Amounts Remaining in Bond Fund, Rebate Fund and Prior Bond Fund . It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the 2001 Series B Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, shall belong to and be paid to Company by Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied and disbursed strictly and only in accordance with the provisions of Section 6.06 of the Indenture. Following the payment and discharge of the Refunded 1997 Series A Bonds on their redemption date and the making of provision for payment of the Refunded 1997 Series A Bonds not presented for payment, any remaining moneys in the Prior Bond Fund shall belong to and be paid to Company by Prior Trustee.

Section 11.6 . Amendments, Changes and Modifications . Subsequent to the issuance of the 2001 Series B Bonds and prior to payment in full of all 2001 Series B Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated, and no provision hereof waived, without the written consent of Trustee, given in accordance with the Indenture.

Section 11.7 . Execution in Counterparts . This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8 . Applicable Law . This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 11.9 . Captions . The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 11.10 . No Pecuniary Liability of Issue r. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement, as hereinabove provided.

Section 11.11 . Payments Due on Other Than Business Days . If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be on a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided in this Agreement, and if done on such succeeding Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

(remainder of page left blank intentionally)

IN WITNESS WHEREOF , Issuer and Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first written.

COUNTY OF JEFFERSON, KENTUCKY

(SEAL)

By:_____
REBECCA JACKSON
County Judge/Executive

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

_____
SANDRA A MOORE
Fiscal Court Clerk

By:_____
JAMES T. CAREY
Assistant County Attorney

LOUISVILLE GAS AND ELECTRIC COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
S. BRADFORD RIVES
Senior Vice President -
Finance and Controller

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of _____, 2002, the foregoing instrument was produced to me in said County by Rebecca Jackson and Sandra A. Moore, personally known to me and personally known by me to be the County Judge/Executive and Fiscal Court Clerk, respectively, of the COUNTY OF JEFFERSON, KENTUCKY, and acknowledged before me by them and each of them to be their free act and deed as County Judge/Executive and Fiscal Court Clerk of such County, and the act and deed of said County as authorized by an Ordinance of the Fiscal Court of such County.

Witness my hand and seal this _____ day of _____, 2002. My commission expires _____.

_____
Notary Public
State at Large, Kentucky

(SEAL)

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of March, 2002, the foregoing instrument was produced to me in said County by Daniel K. Arbough and S. Bradford Rives, personally known to me and personally known by me to be the Treasurer and the Senior Vice President-Finance and Controller, respectively, of LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

Witness my hand and seal this _____ day of March, 2002. My commission expires _____.

_____
Notary Public
State at Large, Kentucky

(SEAL)

This Instrument Prepared by the
Undersigned, Attorney at Law of
HARPER, FERGUSON & DAVIS
1730 Meidinger Tower
Louisville, Kentucky 40202

_____
SPENCER E. HARPER, JR.

Exhibit 4(kk)-2

Execution Copy

(2001 Series B - Louisville Metro)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

AMENDMENT NO. 1 TO LOAN AGREEMENT IN CONNECTION WITH POLLUTION CONTROL FACILITIES

* * * * *

Dated as of September 1, 2010

* * * * *

NOTICE: The interest of the Louisville/Jefferson County Metro Government, Kentucky in and to this Amendment No. 1 to Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Indenture of Trust dated as of November 1, 2001.

TABLE OF CONTENTS

THIS AMENDMENT NO. 1 TO LOAN AGREEMENT, dated as of September 1, 2010, but made effective as of the Effective Date (defined herein) (this "Amendment No. 1 to Loan Agreement"), by and between the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, the governmental successor in interest by operation of law to the County of Jefferson, Kentucky, being a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky.

WITNESSETH:

WHEREAS, the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer") is the governmental successor in interest by operation of law to the County of Jefferson, Kentucky and constitutes a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), the Issuer has the power to enter into the transactions contemplated by this Amendment No. 1 to Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, the Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act for the abatement and control of air pollution and to refund bonds which were previously issued for such purposes; and

WHEREAS, on March 22, 2002, the Issuer, at the request of Louisville Gas and Electric Company (the "Company"), issued its Pollution Control Revenue Bonds, 2001 Series B (Louisville Gas and Electric Company Project) (the "Bonds" or "2001 Series B Bonds") in the original principal amount of $35,000,000, and the Issuer loaned the proceeds of the 2001 Series B Bonds to the Company pursuant to the Loan Agreement dated as of November 1, 2001, between the Issuer and the Company (the "Agreement"); and

WHEREAS, to secure the payment of the 2001 Series B Bonds, the Issuer assigned substantially all of its rights, title and interests in and to the Agreement to Deutsche Bank Trust Company Americas (successor to Bankers Trust Company), as Trustee (the "Trustee"), pursuant to the Indenture of Trust dated as of November 1, 2001, between the Issuer and the Trustee (the "Indenture"); and

WHEREAS, the Company delivered to the Trustee, as security for the Company's payment obligations under the Agreement, $35,000,000 aggregate principal amount of the Company's first mortgage bonds issued under the Company's Indenture dated November 1, 1949, as amended by indentures supplemental thereto (the "1949 Indenture"); and

WHEREAS, the 1949 Indenture was subsequently terminated, the first mortgage bonds issued under the 1949 Indenture to secure the 2001 Series B Bonds were released and the Company's obligations under the Agreement became unsecured; and

WHEREAS, all of the 2001 Series B Bonds remain outstanding and unpaid; and

WHEREAS, the Company intends to enter into that certain Indenture dated as of October 1, 2010 (the "First Mortgage Indenture"), between the Company and The Bank of New York Mellon (the "First Mortgage Trustee"), pursuant to which the Company shall issue certain first mortgage bonds secured by a lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky; and

WHEREAS, in the event the Company grants a lien on and a security interest in its operating property to secure general debt for borrowed money, which the Company intends to do pursuant to the issuance of the first mortgage bonds pursuant to the First Mortgage Indenture, the Agreement obligates the Company to grant an equal and ratable lien on and security interest in its operating property in favor of the Trustee under the Indenture to secure the 2001 Series B Bonds; and

WHEREAS, the Company intends to issue first mortgage bonds (the "First Mortgage Bonds") to the Trustee under the Indenture, thereby creating in favor of the Trustee for the benefit of the holders of the 2001 Series B Bonds an equal and ratable lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky as security for the payment of the 2001 Series B Bonds; and

WHEREAS, pursuant to Section 13.01 of the Indenture, the consent of the holders of the 2001 Series B Bonds is not required for the Issuer and the Company to enter into an amendment to the Agreement in order to conform the Agreement with changes and modifications to the Indenture made pursuant to Section 12.01 of the Indenture; and

WHEREAS, it is now appropriate and necessary that the Agreement be amended pursuant to Section 13.01 of the Indenture in connection with the issuance of the First Mortgage Bonds to the Trustee under the Indenture as additional collateral and security for the payment of the 2001 Series B Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Issuer on September 23, 2010, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to enter into this Amendment No. 1 to Loan Agreement in order to provide additional collateral and security for the 2001 Series B Bonds; and

WHEREAS, the Issuer and the Trustee have entered into that certain Supplemental Indenture No. 1 to Indenture of Trust (the "Supplemental Indenture No. 1") of even date herewith pursuant to Section 12.01 of the Indenture; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the

requirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amendment No. 1 to Loan Agreement have happened, have existed and have been performed as so required in order to make this Amendment No. 1 to Loan Agreement a valid and binding loan agreement for the security of the holders of the 2001 Series B Bonds and for payment of all amounts due under the Agreement and this Amendment No. 1 to Loan Agreement in accordance with their respective terms.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER AS FOLLOWS:

ARTICLE I

AMENDMENTS TO THE LOAN AGREEMENT

Section 1.1. Amendment of Table of Contents. Section 7.9 of the Table of Contents of the Agreement is hereby deleted in its entirety.

Section 1.2. Amendment of Section 1.02. Incorporation of Certain Terms by Reference. The following defined terms are hereby added to Section 1.02 of the Agreement and shall have the meanings set forth in Section 1.5 of the Supplemental Indenture No. 1:

"Amendment No. 1 to Loan Agreement"
"Effective Date"
"Supplemental Indenture No. 1"

The following defined terms in Section 1.5 of the Supplemental Indenture No. 1 shall amend, restate and supersede the corresponding defined terms set forth in Section 1.02 of the Agreement:

"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Redemption Demand"
"Supplemental First Mortgage Indenture" in lieu of "Supplemental Indenture"

Section 1.02 of the Agreement is further hereby amended by deleting the definition of "Release Date" and all references to such term in the Agreement.

Section 1.3. Amendment of Section 1.03. Additional Definitions. The following defined terms set forth in Section 1.03 of the Agreement are hereby deleted in their entirety:

"Capitalization"
"Debt"
"Net Tangible Assets"
"Operating Property"

Section 1.4. Amendment of Section 3.2. Agreement as to Ownership of Project. Section 3.2 of the Agreement is hereby amended and restated to read as follows:

> Section 3.2. Agreement as to Ownership of Project. The Issuer and the Company agree that title to and ownership of the Project shall remain in and be the sole property of the Company in which the Issuer shall have no interest. From and after the Effective Date, the Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2001 Series B Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement and the Amendment No. 1 to Loan Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 1.5. Amendment of Section 4.6. First Mortgage Bonds. Section 4.6 of the Agreement is hereby amended and restated to read as follows:

> Section 4.6. First Mortgage Bonds. The Company covenants and agrees with the Issuer that it will, for the purpose of providing security for the 2001 Series B Bonds, execute and deliver to the Trustee on the Effective Date the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2001 Series B Bonds. The First Mortgage Bonds shall be in full force and effect from and after the Effective Date and shall mature as to principal identically as in the case of the 2001 Series B Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental First Mortgage Indenture, shall bear interest identically as in the case of the 2001 Series B Bonds.
>
> Following the Effective Date, upon the occurrence of an event of default under Article IX of this Agreement, as amended by the Amendment No. 1 to Loan Agreement, that has resulted in a default in payment of the principal of, premium,

if any, or interest on the 2001 Series B Bonds as and when the same come due, whether at maturity, redemption, acceleration or otherwise, or a default in payment of the purchase price of any 2001 Series B Bond tendered for purchase, the acceleration of the maturity date of the 2001 Series B Bonds (to the extent not already due and payable) as a consequence of such event of default and the receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable, in accordance with the provisions specified in the Supplemental First Mortgage Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2001 Series B Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, the Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2001 Series B Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of the Company thereunder terminated and such First Mortgage Bonds shall be surrendered by the Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of the Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Section 1.6. Amendment of Section 7.7. Financing Statements. Section 7.7 of the Agreement is hereby amended and restated to read as follows:

Section 7.7. Financing Statements. The Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the respective liens of the Indenture and the First Mortgage Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the First Mortgage Bonds, the Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the respective liens of the Indenture and the First Mortgage Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such liens, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the respective liens of the Indenture and the First Mortgage Indenture, which filings the Company agrees to undertake.

Section 1.7. Deletion of Section 7.9. Negative Pledge. Section 7.9 of the Agreement is hereby deleted in its entirety.

Section 1.8. Amendment of Section 9.1. Events of Default Defined. Section 9.1(c) of the Agreement is hereby amended and restated and subsection (f) is hereby added to Section 9.1, in each case to read as follows:

(c) From and after the Effective Date, all bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(f) The occurrence of an Event of Default under the Indenture.

Section 1.9. Amendment of Section 9.2. Remedies on Default. Section 9.2(c) of the Agreement is hereby amended and restated to read as follows:

(c) The Trustee, on behalf of the Issuer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement and the Amendment No. 1 to Loan Agreement, including, from and after the Effective Date, any remedies available in respect of the First Mortgage Bonds.

Section 1.10. Amendment of Section 10.6. Concurrent Discharge of First Mortgage Bonds. Section 10.6 of the Agreement is hereby amended and restated to read as follows:

Section 10.6. Concurrent Discharge of First Mortgage Bonds. From and after the Effective Date, in the event any of the 2001 Series B Bonds shall be paid and discharged pursuant to any provisions of this Agreement and the Amendment No. 1 to Loan Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by the Issuer. The Issuer represents, warrants and covenants that:

(a) The Issuer is a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, the Issuer has the power to enter into this

Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1 and the transactions contemplated hereby and thereby and to carry out its obligations hereunder and thereunder.

(b) To its knowledge, the Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the First Mortgage Bonds or the consummation of the transactions contemplated hereby, and the Issuer has been duly authorized to execute and deliver this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1. The Issuer agrees that it will do or cause to be done in a timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Amendment No. 1 to Loan Agreement.

Section 2.2. Representations, Warranties and Covenants by the Company. The Company represents, warrants and covenants that:

(a) The Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business, and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the First Mortgage Bonds.

(b) The Company has full and complete legal power and authority to execute and deliver this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds.

(c) No event of default, and no event of the type described in clauses (a) through (f) of Section 9.1 of the Agreement, as amended by this Amendment No. 1 to Loan Agreement, has occurred and is continuing, and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture or the First Mortgage Bonds, nor the consummation of the transactions contemplated hereby or by the Indenture and the Supplemental Indenture No. 1, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1. Term of Amendment No. 1 to Loan Agreement. This Amendment No. 1 to Loan Agreement shall remain in full force and effect from the date hereof to and including the later of November 1, 2027, or until such time as all of the 2001 Series B Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture and the Supplemental Indenture No. 1 and any amendments thereto), whichever shall be later; provided, however, that the Agreement, as amended, may be cancelled and terminated prior to said date in accordance with the provisions of Section 11.1 of the Agreement.

Section 3.2. Ratification. Except as amended and supplemented by Articles I and II hereof, the Issuer and the Company hereby ratify and reaffirm the terms and provisions of the Agreement and their respective representations, warranties, covenants, agreements and obligations set forth therein.

Section 3.3. Effective Date. This Amendment No. 1 to Loan Agreement has been made and entered into as of the date first written above but shall be effective as of the Effective Date.

Section 3.4. Binding Effect. This Amendment No. 1 to Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 of the Agreement.

Section 3.5. Severability. In the event any provision of this Amendment No. 1 to Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 3.6. Execution in Counterparts
. This Amendment No. 1 to Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.7. Applicable Law. This Amendment No. 1 to Loan Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 3.8. Captions. The captions or headings in this Amendment No. 1 to Loan Agreement are for convenience only and in no

way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Amendment No. 1 to Loan Agreement.

Section 3.9. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Amendment No. 1 to Loan Agreement or breach thereof shall constitute or give rise to a pecuniary liability of the Issuer or a charge upon its general credit or taxing powers.

(signature page immediately follows)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Amendment No. 1 to Loan Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all of the date first written.

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT, KENTUCKY

(SEAL)

By:_____
JERRY E. ABRAMSON
Mayor

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

Mike O'Connell
Jefferson County Attorney

_____
KATHLEEN J. HERRON
Metro Council Clerk

By:_____
JAMES T. CAREY
Assistant County Attorney

LOUISVILLE GAS AND ELECTRIC
COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * *

LOAN AGREEMENT IN CONNECTION WITH POLLUTION CONTROL FACILITIES

* * * *

Dated as of October 1, 2003

* * * *

NOTICE: The interest of the Louisville/Jefferson County Metro Government, Kentucky, in and to this Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Indenture of Trust dated as of October 1, 2003

LOAN AGREEMENT

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(This Table of Contents is for convenience of reference only and is not a part of this Loan Agreement.)

LOAN AGREEMENT IN CONNECTION WITH
POLLUTION CONTROL FACILITIES

This LOAN AGREEMENT, dated as of October 1, 2003, by and between the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, the governmental successor in interest to the County of Jefferson, Kentucky, being a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of Kentucky;

WITNESSETH:

WHEREAS, the Louisville/Jefferson County Metro Government, Kentucky (the "Metro Government" or the "Issuer") is the governmental successor in interest to the County of Jefferson, Kentucky and constitutes a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), Issuer has the power to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, Issuer came into legal existence on January 6, 2003 by operation of law and voter approval in accordance with laws now codified as Chapter 67C of the Kentucky Revised Statutes and replaced and superceded the prior governments of both the City of Louisville, Kentucky and the County of Jefferson, Kentucky (the "Predecessor County") and pursuant to law has mandatorily assumed all existing contracts and obligations of the past City and County and has been endowed with all powers of such prior City and County; and

WHEREAS, the Metro Government, as the successor to the Predecessor County, is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act ("Pollution Control Facilities") for the abatement and control of air and water pollution and the abatement, control and disposal of solid wastes, and to refund bonds of the Predecessor County which were previously issued for such purposes; and

WHEREAS, Issuer is further authorized pursuant to the Act to enter into a loan agreement, which may include such provisions as Issuer shall deem appropriate to effect the securing of a financing or refinancing undertaken in respect of Pollution Control Facilities, including the pledge of direct securities of a utility company; and

WHEREAS, the Act further provides that title to Pollution Control Facilities shall not be acquired by Issuer in the case of a loan transaction; and

WHEREAS, Louisville Gas and Electric Company, a Kentucky corporation ("Company"), has heretofore, by the issuance of the Refunded 1993 Series B Bonds and the Refunded 1993 Series C Bonds, hereinafter defined, financed or refinanced all or a portion of the costs of construction and acquisition of certain air and water pollution control facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities to serve the Mill Creek and the Cane Run Generating Stations of Company, which specified facilities constitute the 1993 Project, as hereinafter defined in Article I (the "1993 Project"), which 1993 Project is located within the corporate boundaries of Issuer and consists of certain air and water pollution control facilities and solid waste disposal facilities, together with facilities functionally related and subordinate to such facilities in furtherance of the regulations of the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky and the Air Pollution Control District of Jefferson County, Kentucky, and which 1993 Project, hereinafter defined, qualifies for financing within the meaning of the Act; and

WHEREAS, the 1993 Project has been completed and placed in operation and has contributed and does contribute to the control, containment, reduction and abatement of atmospheric pollution and contamination and water pollution and the abatement of solid wastes in the Commonwealth of Kentucky; and

WHEREAS, under date of August 15, 1993, the Predecessor County, at the request of the Company, issued its "County of Jefferson, Kentucky, Pollution Control Revenue Bonds, 1993 Series B (Louisville Gas and Electric Company Project)" of which $102,000,000 principal amount of such bonds remains outstanding and unpaid (the "Refunded 1993 Series B Bonds"), such Refunded 1993 Series B Bonds having been issued to refinance certain Predecessor County 1978 Series A Bonds and 1979 Series A Bonds, dated June 1, 1978 and October 1, 1979, respectively (the "1978 Bonds" and the "1979 Bonds", and being a portion of the Original Bonds, hereinafter defined) which financed a portion of the Cost of Construction of the 1993 Project, hereinafter described, and in connection with the issuance of the Refunded 1993 Series B Bonds, the right was reserved to the Predecessor County, upon direction by Company, to redeem the Refunded 1993 Series B Bonds in advance of their maturity; and the Refunded 1993 Series B Bonds are by their terms currently subject to redemption at the option of the Issuer in whole or in part on any date, at the price of 102% of the principal amount thereof and accrued interest to the date of redemption, as provided in the hereinafter defined 1993 Series B Indenture; and the immediate redemption and discharge of the Refunded 1993 Series B Bonds will result in benefits to the general public and the Company and should be carried out forthwith in the public interest by the issuance by the Issuer of the 2003 Series A Bonds, hereinafter defined, and the application of the proceeds of the 2003 Series A Bonds, together with funds to be provided by Company, for the refunding, payment and discharge of the Refunded 1993 Series B Bonds on or prior to the 90th day after the date of issuance of the 2003 Series A Bonds; and

WHEREAS, in respect of the Refunded 1993 Series B Bonds, the Predecessor County entered into a certain Indenture of Trust dated as of August 15, 1993 (the "1993 Series B Indenture"), with PNC Bank, Kentucky, Inc. (now JPMorgan Chase Bank), as Trustee, Paying Agent and Bond Registrar (the "Prior 1993B Trustee"), and it is provided in Article VIII of the 1993 Series B Indenture that the Refunded 1993 Series B Bonds, or any of them, shall be deemed to have been paid within the meaning of such 1993 Series B Indenture when there shall have been

irrevocably deposited with the Prior 1993B Trustee, in trust, either cash or Governmental Obligations, as defined in the 1993 Series B Indenture, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal and the applicable redemption premium, if any, on the Refunded 1993 Series B Bonds plus interest thereon to the date of payment and discharge thereof (whether at maturity or upon redemption or otherwise), plus sufficient moneys to pay all necessary and proper fees, compensation and expenses of the Prior 1993B Trustee, authenticating agent, bond registrar and any paying agent; together with irrevocable instructions to call and redeem the Refunded 1993 Series B Bonds; and

WHEREAS, under date of October 15, 1993, the Predecessor County, at the request of the Company, issued its "County of Jefferson, Kentucky, Pollution Control Revenue Bonds, 1993 Series C (Louisville Gas and Electric Company Project)" of which $26,000,000 principal amount of such bonds remains outstanding and unpaid (the "Refunded 1993 Series C Bonds"), the proceeds of which were loaned to the Company and applied to the current refunding of $26,000,000 principal amount of "County of Jefferson, Kentucky, Pollution Control Revenue Bonds, 1984 Series A", dated February 1, 1984, the proceeds of which were previously loaned to the Company and applied to the current refunding of $26,000,000 principal amount of "County of Jefferson, Kentucky Pollution Control Revenue Bonds, 1981 Series A (Louisville Gas and Electric Company Project)", dated October 1, 1981 (the "1981 Bonds" and being a portion of the Original Bonds, hereinafter defined), which funded a portion of the Cost of Construction of the 1993 Project, hereinafter described, and in connection with the issuance of the Refunded 1993 Series C Bonds, the right was reserved to the Predecessor County, upon direction by Company, to redeem the Refunded 1993 Series C Bonds in advance of their maturity; and the Refunded 1993 Series C Bonds will be by their terms currently subject to redemption at the option of Issuer in whole on any date or in part on October 15, 2003 or any date thereafter, at the price of 102% of the principal amount thereof and accrued interest to the date of redemption, as provided in the hereinafter defined 1993 Series C Indenture; and the immediate redemption and discharge of the Refunded 1993 Series C Bonds when redeemable will result in certain benefits to the general public and the Company and should be carried out forthwith in the public interest by the issuance by the Issuer of the 2003 Series A Bonds, hereinafter defined, and the application of the proceeds of the 2003 Series A Bonds, together with funds to be provided by Company, for the refunding, payment and discharge of the Refunded 1993 Series C Bonds on or prior to the 90th day after the date of issuance of the 2003 Series A Bonds; and

WHEREAS, in respect of the Refunded 1993 Series C Bonds, the Predecessor County entered into a certain Indenture of Trust dated as of October 15, 1993 (the "1993 Series C Indenture"), with Liberty National Bank and Trust Company of Kentucky (now Bank One, NA), Louisville, Kentucky (the "Prior 1993C Trustee"), and it is provided in Article VIII of the 1993 Series C Indenture that the Refunded 1993 Series C Bonds, or any of them, shall be deemed to have been paid within the meaning of such 1993 Series C Indenture when there shall have been irrevocably deposited with the Prior 1993C Trustee, in trust, either cash or Governmental Obligations, as defined in the 1993 Series C Indenture, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal and the applicable redemption premium, if any, on the Refunded 1993 Series C Bonds plus interest thereon to the date of payment and discharge thereof (whether at maturity or upon redemption or otherwise), plus sufficient moneys to pay all necessary and proper fees, compensation and expenses of the Prior 1993C Trustee, authenticating agent, bond registrar and any paying agent; together with irrevocable instructions to call and redeem the Refunded 1993 Series C Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Metro Council of Issuer on October 23, 2003, and in furtherance of the purposes of the Act, Issuer proposes to issue, sell and deliver a series of its bonds in fully registered form which will be designated "Louisville/Jefferson County Metro Government, Kentucky, Pollution Control Revenue Bonds, 2003 Series A (Louisville Gas and Electric Company Project)" (the "2003 Series A Bonds"), the proceeds of which will be lent to Company to cause the outstanding principal amount of the Refunded 1993 Series B Bonds and the Refunded 1993 Series C Bonds to be refunded, paid and discharged in full on or prior to the 90th day after the date of issuance of the 2003 Series A Bonds; and

WHEREAS, the 2003 Series A Bonds are to be issued under and pursuant to and are secured by an Indenture of Trust by and between Issuer and Deutsche Bank Trust Company Americas, as trustee thereunder, dated as of October 1, 2003 (the "Indenture"); and

WHEREAS, the Natural Resources and Environmental Protection Cabinet of Kentucky and the Air Pollution Control District of Jefferson County, Kentucky, having jurisdiction in the premises, as applicable, have both previously certified that the 1993 Project, as designed, is in furtherance of the purposes of abating and controlling atmospheric and liquid pollutants or contaminants; and

WHEREAS, Issuer proposes to lend to Company and Company desires to borrow from Issuer the proceeds from the sale of the 2003 Series A Bonds to cause the outstanding principal amount of the Refunded 1993 Series B Bonds and the Refunded 1993 Series C Bonds to be refunded, paid and discharged on or prior to the 90th day after the date of issuance of the 2003 Series A Bonds;

NOW, THEREFORE FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER, AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01. Use of Defined Terms. In addition to the words and terms defined elsewhere in this Agreement or in the Indenture or by reference to another document, the words and terms set forth in Sections 1.02 and 1.03 shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.02. Incorporation of Certain Terms by Reference. When and if used in this Agreement, the following terms shall have the meaning set forth in Article I of the Indenture:

"Act"
"Agreement"
"Auction Agent"
"Authorized Denomination"
"Bond Counsel"
"Bond Fund"
"Bond Year"
"Business Day"
"Code"
"Company"
"Company Bonds"
"Company Representative"
"Cost of Construction"
"Cumulative Excess Earnings"
"Excess Earnings"
"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Governmental Obligations"
"Indenture"
"Interest Payment Date"
"Issuer"
"Issuer Representative"
"Loan"
"Market Agent"
"Net Proceeds"
"No Auction Rate"
"Paying Agent"
"Permitted Investments"
"Plans and Specifications"
"Pollution Control Facilities"
"Prevailing Rating"
"1993 Project"
"Project Site"
"Purchase Fund"
"Rating Service"
"Rebate Fund"
"Redemption Date"
"Redemption Demand"
"Refunded 1993 Series B Bonds"
"Refunded 1993 Series C Bonds"
"Refunded 1993 Bonds"
"Release Date"
"2003 Series A Bonds"
"1993 Series B Indenture"
"1993 Series C Indenture"
"Supplemental Indenture"
"Tender Agent"
"Thirty-Day 'AA' Composite Commercial Paper Rate"
"Trustee"

Section 1.03. Additional Definitions. In addition to the terms whose definitions are incorporated by reference herein pursuant to Section 1.02, the following terms shall have the meanings set forth in this Section unless the use or context clearly indicates otherwise:

"Capitalization" means the total of all the following items appearing on, or included in, the balance sheet of the Company:

(1) liabilities for indebtedness, including short-term debt, long-term debt and current maturities of long-term debt; and

(2) common stock, preferred stock, capital surplus, premium on capital stock, capital in excess of par value and retained earnings (however the foregoing may be designated), less to the extent not otherwise deducted, the cost of shares of capital stock of the Company held in its treasury.

Capitalization shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

"Debt" shall mean any outstanding debt for money borrowed.

" Determination of Taxability " shall have the meaning ascribed to such term in Section 10.3 of this Agreement.

" Net Tangible Assets " means the amount shown as total assets on the balance sheet of the Company, less the following:

(1) intangible assets including, but without limitation, such items as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset on said balance sheet; and

(2) appropriate adjustments, if any, on account of minority interests.

Net Tangible Assets shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Operating Property " means (i) any interest in real property owned by the Company and (ii) any asset owned by the Company that is depreciable in accordance with generally accepted accounting principles.

" Original Bonds " means, collectively, the 1978 Bonds, the 1979 Bonds and the 1981 Bonds.

" Prior 1993B Bond Fund " means the "County of Jefferson, Kentucky, Pollution Control Revenue Bond Fund, 1993 Series B (Louisville Gas and Electric Company Project)", created by the 1993 Series B Indenture.

" Prior 1993 C Bond Fund " means the "County of Jefferson, Kentucky, Pollution Control Revenue Bond Fund, 1993 Series C (Louisville Gas and Electric Company Project)", created by the 1993 Series C Indenture.

" Prior 1993 Bond Funds " means collectively, the Prior 1993B Bond Fund and the Prior 1993C Bond Fund.

" Prior 1993B Trustee " means PNC Bank, Kentucky, Inc. (now known as JPMorgan Chase Bank), acting as trustee in respect of the Refunded 1993 Series B Bonds.

" Prior 1993C Trustee " means Liberty National Bank and Trust Company of Kentucky (now known as Bank One, NA), acting as trustee in respect of the Refunded 1993 Series C Bonds.

" Prior 1993 Trustees " means collectively, the Prior 1993B Trustee and the Prior 1993C Trustee.

In addition to the definitions herein, terms used in this agreement and not defined herein shall have the meanings ascribed to such terms in the Indenture.

The words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement. Unless otherwise noted, all Section and Article references are to sections and articles in this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1 Representations, Warranties and Covenants by Issuer. Issuer represents, warrants and covenants that:

(a) Issuer is a public body corporate and politic duly created and existing as a political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, Issuer, the de jure governmental successor to the Predecessor County, has the power and duty to issue the 2003 Series A Bonds, to enter into this Agreement and the Indenture and the transactions contemplated hereby and to carry out its obligations hereunder and thereunder. Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2003 Series A Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2003 Series A Bonds and to execute and deliver this Agreement and the Indenture. Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) Issuer agrees to loan funds derived from the sale of the 2003 Series A Bonds to Company to provide for the refunding, payment and discharge of the outstanding principal amount of the Refunded 1993 Bonds, to the end that air and water pollution be abated and controlled in the Commonwealth and that solid wastes be collected, stored, neutralized and abated.

(c) To accomplish the foregoing, Issuer agrees to issue $128,000,000 aggregate principal amount of its 2003 Series A Bonds following the execution of this Agreement on such terms and conditions as are set forth in the Indenture. The proceeds from the sale of the 2003 Series A Bonds shall be applied exclusively and in whole to refund, pay and discharge the outstanding principal amount of the Refunded 1993 Bonds on or prior to the 90th day after the date of issuance of the 2003 Series A Bonds.

(d) Issuer will cooperate with Company and take all actions necessary for Company to comply with Section 2.2(n), (r) and (u) hereof and take other actions reasonably requested by Company in furtherance of this Agreement.

Section 2.2. Representations, Warranties and Covenants by Company. Company represents, warrants and covenants that:

(a) Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the 2003 Series A Bonds.

(b) Company has full and complete legal power and authority to execute and deliver this Agreement, the Supplemental Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Agreement, the Supplemental Indenture and the First Mortgage Bonds.

(c) The 1993 Project currently refinanced by application of the proceeds of the Refunded 1993 Bonds was designed and constructed to control, contain, reduce and abate air and water pollution and implement solid waste abatement, control and disposal at the Project Site. The 1993 Project was and is necessary for the public health and welfare, and is designed for no significant purpose other than the control of air and water pollution and the collection, holding, storage, neutralization and disposal of solid wastes. The 1993 Project constitutes air and water pollution control facilities and solid waste disposal facilities, together with facilities functionally related and subordinate to such facilities under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, and the Act.

(d) All of the proceeds of the 2003 Series A Bonds, exclusively of accrued interest, if any, shall be used on or prior to the 90th day after the date of issuance of the 2003 Series A Bonds exclusively and only to redeem, pay and discharge the principal of the Refunded 1993 Bonds, not less than substantially all of the proceeds of the Refunded 1993 Bonds (i.e., at least 90% of the proceeds thereof, including investment income thereon) (as provided by then-applicable laws when the Original Bonds were issued in 1978, 1979 and 1981) were used to refinance the original Cost of Construction of air and water pollution control facilities and solid waste disposal facilities, together with facilities functionally related and subordinate to such facilities, and all of such air and water pollution control facilities and solid waste disposal facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section 167 of the Code.

(e) The 1993 Project, as designed, has been previously certified by the Department for Natural Resources and Environmental Protection of Kentucky (now the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky) and the Air Pollution Control District of Jefferson County, Kentucky, the agencies exercising jurisdiction in the premises, to be in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants and water pollution.

(f) The 1993 Project is of the type authorized and permitted by the Act, and the Cost of Construction of the 1993 Project was not less than $128,000,000.

(g) No event of default, and no event of the type described in clauses (a) through (e) of Section 9.1 hereof, has occurred and is continuing and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under this Agreement, the Supplemental Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of this Agreement, the Supplemental Indenture, the First Mortgage Bonds, the consummation of the transactions contemplated hereby or by the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of Company under the terms of any instrument or agreement.

(h) Company intends to continue to operate or cause the 1993 Project to be operated as air and water pollution control facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities until all of the 2003 Series A Bonds are paid and discharged.

(i) No portion of the proceeds of 2003 Series A Bonds will be invested at a yield in excess of the yield on the 2003 Series A Bonds except (i) during any permitted temporary period provided by the Code, (ii) proceeds of a reasonably required reserve or replacement fund and (iii) as part of a minor portion of the proceeds of the 2003 Series A Bonds, not in excess of the lesser of 5% of the proceeds of the 2003 Series A Bonds or $100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Section 148 of the Code and applicable tax regulations.

(j) No portion of the proceeds from the sale of the 2003 Series A Bonds will be deposited to the account of any reasonably required reserve or replacement fund or used to pay (i) any costs of issuance of the 2003 Series A Bonds or (ii) any redemption premium or accrued interest on the Refunded 1993 Bonds, but such proceeds will be applied and used solely and exclusively to refund, pay and discharge the outstanding principal amount of the Refunded 1993 Bonds on or prior to the 90th day after the issuance of the 2003 Series A Bonds.

(k) Company will provide any additional moneys, including investment proceeds of the 2003 Series A Bonds, required for the payment and discharge of the Refunded 1993 Bonds, payment of redemption premium, if any, and accrued interest in respect thereto and payment of all underwriting discount and costs of issuance of the 2003 Series A Bonds. Any investment proceeds of the 2003

Series A Bonds shall be used exclusively to pay interest or redemption premium due, if any, on the Refunded 1993 Bonds on the Redemption Date.

(l) Company will cause no investment of 2003 Series A Bond proceeds to be made and will make no other use of or omit to take any action with respect to the proceeds of the 2003 Series A Bonds or any funds reasonably expected to be used to pay the 2003 Series A Bonds which will cause the 2003 Series A Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or would otherwise result in the loss or impairment of the exclusion of the interest on such 2003 Series A Bonds from gross income for federal income tax purposes.

(m) The average maturity of the 2003 Series A Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the date of issuance of the 2003 Series A Bonds) of the Pollution Control Facilities refinanced by the proceeds of the 2003 Series A Bonds.

(n) Company will provide all information requested by the Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 filed by Issuer with respect to the 2003 Series A Bonds and the air and water pollution control facilities and solid waste disposal facilities constituting the 1993 Project, and such information will be true and correct in all material respects.

(o) Within the meaning of Section 149 of the Code, no portion of the payment of the principal or interest on the 2003 Series A Bonds or the Refunded 1993 Bonds was or shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(p) All of the proceeds of the Original Bonds and the Refunded 1993 Bonds and all predecessor bonds have been fully expended and the 1993 Project has been completed. All of the actual Cost of Construction of the 1993 Project represents amounts paid or incurred which were chargeable to the capital account of the 1993 Project or would be so chargeable either with a proper election by the Company or but for a proper election by the Company to deduct such amounts. Substantially all (i.e. at least 90%) of the net proceeds of the sale of the Original Bonds (including investment income therefrom), were used to finance Cost of Construction of the 1993 Project as described above, pay costs and expenses of issuing the Original Bonds, within then applicable Code limits, and pay interest and carrying charges on the Original Bonds during the period of construction of the 1993 Project and prior to its in-service date.

(q) All of the depreciable properties which were taken into account in determining the qualifying costs of the 1993 Project constitute properties either (i) used for the control, containment, reduction and abatement of atmospheric pollutants and contaminants and water pollution and disposal of solid wastes or (ii) facilities which are functionally related and subordinate to such facilities constituting the 1993 Project. All of such functionally related and subordinate facilities are of a size and character commensurate with the character and size of the air and water pollution control facilities and solid waste disposal facilities constituting the 1993 Project.

(r) The Company will cause the Issuer to comply in all respects with the requirements of Section 148 of the Code in respect of the rebate of Excess Earnings with respect to the 2003 Series A Bonds to the United States of America.

(s) None of the proceeds of the 2003 Series A Bonds will be applied and none of the proceeds of the Refunded 1993 Bonds were applied to provide any: (i) working capital, (ii) office space (other than office space located on the premises of the 1993 Project where not more than a de minimis amount of the functions to be performed are not directly related to the day-to-day operations of the 1993 Project), (iii) airplane, (iv) skybox or other private luxury box, (v) health club facility, (vi) facility primarily used for gambling or (vii) store, the principal business of which is the sale of alcoholic beverages for consumption off premises.

(t) Less than twenty-five percent (25%) of the net proceeds of the Refunded 1993 Bonds were used directly or indirectly to acquire land or any interest therein and no portion of such land, if acquired, was or is to be used for farming purposes. No portion of the proceeds of the Refunded 1993 Bonds was used to acquire existing property or any interest therein with respect to which the Company was not the first user for federal income tax purposes.

(u) Upon the date of issuance of the 2003 Series A Bonds, the Company will have caused the Issuer to comply with the public approval requirements of Section 147 of the Code and at or following the issuance of the 2003 Series A Bonds the Company will cause the Issuer to comply with the information reporting requirements of Section 149 of the Code by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

(v) All of the documents, instruments and written information furnished by Company on behalf of Company to Issuer or Trustee in connection with the issuance of the Bonds are true and correct in all material respects as of the date of delivery thereof and did not, as of the date of delivery thereof, omit or fail to state any material facts necessary to be stated therein to make the information provided not misleading.

(w) The Refunded 1993 Series B Bonds were issued on August 31, 1993. The Refunded 1993 Series C Bonds were issued on November 18, 1993.

(x) No construction, reconstruction or acquisition of the 1993 Project was commenced prior to the taking of official action by the Issuer with respect thereto except for preparation of plans and specifications and other preliminary engineering work.

(y) Acquisition, construction and installation of the 1993 Project has been accomplished and the 1993 Project is being utilized substantially in accordance with the purposes of the 1993 Project and in conformity with all applicable zoning, planning, building,

environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, which permits, variances and orders have not been withdrawn or otherwise suspended, and consistently with the Act.

(z) The Company has used, is currently using and presently intends to use or operate the 1993 Project in a manner consistent with the purposes of the 1993 Project and the Act until the date on which the 2003 Series A Bonds have been fully paid and knows of no reason why the 1993 Project will not be so operated.

(aa) The proceeds derived from the sale of the 2003 Series A Bonds (other than any accrued interest thereon) will be used exclusively and solely to refund the principal of the Refunded 1993 Bonds. The principal amount of the 2003 Series A Bonds does not exceed the principal amount of the Refunded 1993 Bonds. The redemption of the outstanding principal amount of the Refunded 1993 Bonds with such proceeds of the 2003 Series A Bonds will occur not later than 90 days after the date of issuance of the 2003 Series A Bonds. Any earnings derived from the investment of such proceeds of the 2003 Series A Bonds will be fully needed and used on such redemption date to pay a portion of the interest accrued and payable on the Refunded 1993 Bonds on such date.

(bb) It is not anticipated, as of the date hereof, that there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2003 Series A Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

(cc) On the date of issuance and delivery of the Refunded 1993 Bonds, the Company reasonably expected that all of the proceeds of the Refunded 1993 Bonds would be used to carry out the governmental purposes of such issue within the 3-year period beginning on the date such issue was issued and none of the proceeds of such issue, if any, was invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

Company need not comply with the covenants or representations in this Section if and to the extent that Issuer and Company receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2003 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE III

COMPLETION AND OWNERSHIP OF 1993 PROJECT

Section 3.1. Completion and Equipping of 1993 Project. Company represents that (a) it has previously caused the 1993 Project to be constructed as herein provided on the Project Site in accordance with the Plans and Specifications and (b) the 1993 Project was completed as previously evidenced by the filing of a completion certificate by the Company with the trustee in respect of the Original Bonds.

Section 3.2. Agreement as to Ownership of 1993 Project. Issuer and Company agree that title to and ownership of the 1993 Project shall remain in and be the sole property of Company in which Issuer shall have no interest. The 1993 Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the 1993 Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.3. Use of 1993 Project. Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to Article IX of this Agreement or Article IX of the Indenture, to interfere with Company's ownership of the 1993 Project or to prevent Company from having possession, custody, use and enjoyment of the 1993 Project.

ARTICLE IV

ISSUANCE OF 2003 SERIES A BONDS; APPLICATION OF PROCEEDS; COMPANY TO ISSUE FIRST MORTGAGE BONDS

Section 4.1. Agreement to Issue 2003 Series A Bonds; Application of 2003 Series A Bond Proceeds. In order to provide funds to make the Loan, Issuer will issue, sell and deliver the 2003 Series A Bonds to the initial purchasers thereof and deposit the proceeds thereof with Trustee into each of the (i) Prior 1993B Bond Fund and (ii) Prior 1993C Bond Fund, the respective amounts of $102,000,000 and $26,000,000; such Prior 1993 Bond Funds being held, respectively, by the Prior 1993 B Trustee and the Prior 1993 C Trustee, for the benefit of and payment of the Refunded 1993 Series B Bonds and the Refunded 1993 Series C Bonds, respectively.

Section 4.2. Payment and Discharge of Refunded 1993 Bonds. Company covenants and agrees with Issuer that it will, upon the date of issuance of the 2003 Series A Bonds, give irrevocable instructions to each Prior 1993 Trustee to call and redeem the Refunded 1993 Series B Bonds and the Refunded 1993 Series C Bonds in accordance with their terms and will simultaneously deposit into each of the Prior 1993 Bond Funds cash or direct United States obligations ("Governmental Obligations") sufficient, on the date of issuance of the 2003 Series A Bonds, to fully defease and discharge both issues of the Refunded 1993 Bonds on such date in accordance with Article VIII of the 1993 Series B Indenture and Article VIII of the 1993 Series C Indenture, without reference to any interest earnings to be accrued during the period from the date of issuance of the 2003 Series A Bonds to the redemption date of the Refunded 1993 Bonds. Such matters shall be confirmed by issuance of an appropriate written certificate of each Prior 1993 Trustee confirming defeasance and full discharge of the Refunded 1993 Bonds upon the date of issuance of the 2003 Series A Bonds. Such irrevocable instructions, deposit of sufficient cash and Governmental Obligations and issuance by each Prior 1993 Trustee of a certificate of defeasance and discharge is a condition precedent to the issuance of the 2003 Series A Bonds.

Section 4.3. Investment of Bond Fund and Rebate Fund Moneys. Any moneys held as a part of the Bond Fund or the Rebate Fund, if applicable, shall be invested or reinvested by Trustee, at the written request of and as specifically directed by Company, in one or more of the Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of Trustee. All moneys invested shall be deemed at all times a part of the fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2003 Series A Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax or other charge in respect of any investments, reinvestments or any liquidation of investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

Section 4.4. Special Arbitrage Certifications.

(a) Company covenants and agrees that it, will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results in interest paid on any of the 2003 Series A Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the 1993 Project or a "related person" within the meaning of Section 147(a) of the Code) or adversely affects the validity of the 2003 Series A Bonds.

(b) Company warrants, represents and certifies to Issuer that the proceeds of the 2003 Series A Bonds will not be used in any manner that would cause the 2003 Series A Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 and other applicable sections of the Code. To the best knowledge and belief of Company, there are no facts, estimates or circumstances that would materially change the foregoing conclusion.

(c) Company hereby covenants that it will at all times comply and cause Issuer to comply with the provisions of Section 148 and other applicable sections of the Code and will restrict the use of the proceeds of the 2003 Series A Bonds, in such manner and to such extent, if any, as may be necessary, and remit Excess Earnings with respect to all of the 2003 Series A Bonds, if any, to the United States of America pursuant to Section 148(f)(2) of the Code and carry out such actions so that the 2003 Series A Bonds will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code. An officer or officers of Issuer having responsibility with respect to the issuance of the 2003 Series A Bonds is or are hereby authorized and directed to give an appropriate certificate of Issuer, for inclusion in the transcript of proceedings for the 2003 Series A Bonds, setting forth the reasonable expectations of Issuer regarding the amount and use of the proceeds of the 2003 Series A Bonds and the facts, estimates and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2003 Series Bonds pursuant to said Section 148 of the Code. Company shall provide the Issuer, and Issuer's certificate may be expressly based on, a certificate of Company setting forth the facts, estimates and circumstances and reasonable expectations of Company on the date of delivery of and payment for the 2003 Series A Bonds regarding the amount and use of the proceeds of the 2003 Series A Bonds and related matters. In the event any such representation of Company relied upon by the Issuer is untrue or inaccurate and Issuer thereby suffers costs or damages, Company shall indemnify Issuer for any such costs or damages.

(d) Consistent with the foregoing, Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2003 Series A Bonds, that no use will be made of the proceeds of the sale of the 2003 Series A Bonds which would cause the 2003 Series A Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and that Company and Issuer will, after issuance of the 2003 Series A Bonds, comply with the provisions of the Code at all times, including after the 2003 Series A Bonds are discharged, to the extent Excess Earnings with respect to the 2003 Series A Bonds are required to be rebated to the United States of America pursuant to Section 148(f)(2) of the Code. Pursuant to such covenant, Issuer and Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Section 148 of the Code.

(e) Company warrants, represents and certifies to Issuer that the proceeds of the Refunded 1993 Bonds were applied and invested in compliance with the current requirements of Section 149(g) of the Code and that consequently the 2003 Series A Bonds will not be "hedge bonds" under such Section 149(g) of the Code.

(f) Company hereby covenants and agrees that it will at all times comply with the provisions of Section 148, including Section 148(f) of the Code and with Section 6.06 of the Indenture. Specifically, Company shall carry out, do and perform all acts stipulated to be performed by Company pursuant to such Section 6.06 of the Indenture. Company shall further undertake to assure and cause rebate payments to be calculated and made to the United States of America in accordance with Section 148(f)(2) of the Code from moneys on deposit in the Rebate Fund from time to time after the end of each Computation Period, as defined in the Indenture, and following discharge of the 2003 Series A Bonds. Company also covenants to take all necessary acts and steps as required to cause Issuer to comply with the provisions of Section 7.03 of the Indenture.

Section 4.5. Opinion of Bond Counsel. Company need not comply with the covenants or representations in Section 4.4 if and to the extent that Issuer and Company (with a copy to Trustee) receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2003 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Section 4.6. First Mortgage Bonds. Company covenants and agrees with Issuer that it will, for the purpose of providing security for the 2003 Series A Bonds, execute and deliver on the date of issuance of the 2003 Series A Bonds, the First Mortgage Bonds to Trustee in aggregate principal amount not less than the aggregate principal amount of the 2003 Series A Bonds. The First Mortgage Bonds shall mature as

to principal identically as in the case of the 2003 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental Indenture, shall bear interest identically as in the case of the 2003 Series A Bonds.

Prior to the Release Date, in the event of a default under Article IX of this Agreement or in the event of a default in payment of the principal of, premium, if any, or interest on the 2003 Series A Bonds as and when the same come due, whether at maturity, by purchase, redemption, acceleration or otherwise, and upon receipt by First Mortgage Trustee of a Redemption Demand from Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable in accordance with the provisions specified in the Supplemental Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2003 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2003 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of Company thereunder terminated and such First Mortgage Bonds shall be surrendered by Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Notwithstanding anything in this Agreement to the contrary, from and after the Release Date, the obligation of the Company to make payment with respect to the principal of and premium, if any, and interest on the First Mortgage Bonds shall be deemed satisfied and discharged as provided in the Supplemental Indenture and the First Mortgage Bonds shall cease to secure in any manner the 2003 Series A Bonds. As a result, on the Release Date, the obligations under this Agreement shall become unsecured general obligations of the Company, subject, however to Section 7.9 .

The Company shall notify the Issuer and the Trustee in writing promptly upon the occurrence of the Release Date. Upon receiving written notice of the Release Date from the Company, the Trustee shall deliver for cancellation to the First Mortgage Trustee all of the First Mortgage Bonds.

ARTICLE V

PROVISIONS FOR PAYMENT

Section 5.1 Loan Payments and Other Amounts Payable . (a) Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2003 Series A Bonds or any other date that any payment of interest, premium, if any, purchase price or principal is required to be made in respect of the 2003 Series A Bonds at the times specified in accordance with the more specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2003 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the 2003 Series A Bonds as provided in the Indenture; provided that such payments by Company to enable the Tender Agent to pay the purchase price of Bonds shall be made within the times required by Section 3.05 of the Indenture.

It is understood and agreed that all payments payable by Company under this subsection (a) of Section 5.1 are assigned by the Issuer to the Trustee, the Paying Agent and the Tender Agent, as applicable, for the benefit of the Bondholders. Company assents to such assignment. Issuer hereby directs Company and Company hereby agrees to pay to Trustee and/or Paying Agent or Tender Agent, as appropriate, at the Principal Office of the Trustee and/or Paying Agent or Tender Agent, as appropriate, all payments payable by Company pursuant to this subsection.

(b) Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2003 Series A Bonds and incurred upon the request of Company.

(c) Company will also pay the agreed upon fees and expenses of Trustee (including those referred to in Section 10.02 of the Indenture), the Bond Registrar, the Tender Agent and the Paying Agent under the Indenture and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Market Agent, the Auction Agent and the Tender Agent, as applicable from time to time, under the Indenture, such amounts to be paid directly to Trustee, the Bond Registrar, the Paying Agent and Tender Agent for their respective own accounts as and when such amounts become due and payable.

The Company further agrees to indemnify and hold harmless the Trustee, Bond Registrar and Paying Agent against any loss, liability or expense, including reasonable attorneys' fees and expenses, incurred by it without negligence or bad faith on its part in connection with the issuance of the 2003 Series A Bonds or the acceptance or administration of the trusts under the Indenture, including the costs of defending itself against any claim or liability in connection therewith.

(d) The Company covenants, for the benefit of the Bondholders, to pay or cause to be paid, to the Tender Agent for deposit in the Purchase Fund, such amounts as shall be necessary to enable the Tender Agent to pay the purchase price of 2003 Series A Bonds delivered to it for purchase, all as more particularly described in Sections 3.03 and 3.05 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price of 2003 Series A Bonds delivered to it for purchase, as provided in the Indenture.

(e) In the event Company should fail to make any of the payments required in this Section 5.1, the item or installment so in default shall continue as an obligation of Company until the amount in default shall have been fully paid, and Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due to the date of payment.

Section 5.2. Payments Assigned. As set forth in Section 5.1 hereof, it is understood and agreed that this Agreement and all payments made by Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) or (c) or pursuant to Section 8.2 hereof) are assigned by Issuer to Trustee. Company assents to such assignment and hereby agrees that, as to Trustee, Paying Agent, the Market Agent, the Auction Agent and Tender Agent, as applicable from time to time, its obligation to make such payments shall be absolute, irrevocable and unconditional and shall not be subject to cancellation, termination or abatement or to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by any party, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing by any party. Except as provided above, Issuer hereby directs Company and Company hereby agrees to pay to Trustee, Paying Agent, the Market Agent, the Auction Agent, Bond Registrar or Tender Agent, as appropriate, all said payments payable by Company pursuant to Section 5.1 of this Agreement.

Section 5.3. Taxes and Other Governmental Charges. Company agrees to pay during the term of this Agreement, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied or charged against or with respect to the 1993 Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating Company to pay taxes on any interest or principal on the 2003 Series A Bonds disbursed to Bondholders.

Company may, at its expense and in its own name, in good faith contest any such taxes, assessments and other governmental charges and, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments or charges shall be paid forthwith. Issuer will cooperate fully with Company in any such contest. In the event Company shall fail to pay any of the foregoing items required by this Section to be paid by Company, Issuer or Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by Issuer or Trustee shall become an additional obligation of Company to the one making the advancement, which amounts, together with interest thereon Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on ninety-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; provided, however, that no such advancement shall operate to relieve the Company from any default hereunder. Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4. Obligations of Company Unconditional. The obligation of Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.06 of the Indenture shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the 2003 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, Company (i) will not suspend or discontinue any payments pursuant to this Agreement and (ii) except as provided in Article X hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of title to the 1993 Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 1993 Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of Issuer or Trustee to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release Issuer from the performance of any of the agreements on its part herein contained; and in the event Issuer should fail to perform any such agreement on its part, Company may institute such action against Issuer as Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of Company contained in the preceding sentence. Company may, however, at its own cost and expense and in its own name or in the name of Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy and use of the 1993 Project, and in such event Issuer hereby agrees to cooperate fully with Company.

Section 5.5. Rebate Fund. Company agrees to make all payments to the Trustee and rebate all amounts to the United States of America as are required of it under Section 6.06 of the Indenture. The obligation of Company to make such payments shall remain in effect and be binding upon Company notwithstanding the release and discharge of the Indenture.

Section 5.6. Redemption of the 2003 Series A Bonds in Advance of Scheduled Maturity. Under the terms of the Indenture, the 2003 Series A Bonds are and will be subject to redemption prior to their scheduled maturity. The Issuer agrees that it shall direct the Trustee to redeem and call 2003 Series A Bonds at the written direction of the Company.

Section 5.7. Cancellation of 2003 Series A Bonds. The cancellation by the Bond Registrar of any 2003 Series A Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2003 Series A Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan repayment equal to the principal amount of the 2003 Series A Bond or Bonds so cancelled.

ARTICLE VI

MAINTENANCE; DAMAGE, DESTRUCTION AND CONDEMNATION ;
USE OF NET PROCEEDS; INSURANCE

Section 6.1 Maintenance . So long as any 2003 Series A Bonds are Outstanding, as that term is defined in the Indenture, Company will maintain, preserve and keep the 1993 Project, or cause the 1993 Project to be maintained, preserved and kept, in good repair, working order and condition and will from time to time make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the 1993 Project as air and water pollution control and abatement facilities and solid waste abatement, control and disposal facilities under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, the Code and the Act; provided, however, that Company will have no obligation to maintain, preserve, keep, repair, replace or renew any element or portion of the 1993 Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to Company because of damage or destruction by a cause not within the control of Company, or condemnation of all or substantially all of the 1993 Project or the generating facilities to which the element or unit of the 1993 Project is an adjunct, or obsolescence (including economic obsolescence) or change in government standards and regulations, or the termination by Company of the operation of the generating facilities to which the element or unit of the 1993 Project is an adjunct, and (b) with respect to which Company has furnished to Issuer and Trustee a certificate executed by Company Representative certifying that the maintenance, preservation, keeping, repair, replacement or renewal of such element or unit of the 1993 Project is being discontinued for one of the foregoing reasons, which shall be stated therein, and that the discontinuance of such element or unit will not adversely affect the exclusion of interest on any of the 2003 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Company shall have the privilege at its own expense of remodeling the 1993 Project or making substitutions, modifications and improvements to the 1993 Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of this Agreement as part of the 1993 Project; provided, however, that Company shall take no actions which will change or alter the basic nature of the 1993 Project as air and water pollution control and abatement facilities and solid waste abatement, control and disposal facilities under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, and the Act.

If, prior to full payment of all 2003 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the 1993 Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the 1993 Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Company or the First Mortgage Trustee receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.l(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the 1993 Project, or (ii) take any other action, including the redemption of 2003 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2003 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2003 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2003 Series A Bonds are otherwise subject to optional redemption.

Section 6.2 . Insurance . Prior to the Release Date, Company agrees to insure the 1993 Project at all times in accordance with the provisions of First Mortgage Indenture. From and after the Release Date, the Company agrees to insure, or self-insure, the 1993 Project at all times reasonably in accordance with investor-owned public utility industry general practices and standards.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1 No Warranty of Condition or Suitability by Issuer . Issuer makes no warranty, either express or implied, as to the 1993 Project or that it will be suitable for Company's purposes or needs.

Section 7.2 . Company to Maintain its Corporate Existence; Conditions under Which Exceptions Permitted . Company agrees that during the term of this Agreement it will maintain its corporate existence and good standing, will continue to be a corporation organized under the laws of the Commonwealth of Kentucky or qualified and admitted to do business in the Commonwealth of Kentucky, and will neither dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge, (i) shall be a corporation organized and existing under the laws of one of the States of the United States of America, (ii) shall be qualified and admitted to do business in the Commonwealth of Kentucky, (iii) shall assume in writing all of the obligations of Company herein and (iv) shall deliver a copy of such assumption to the Issuer and Trustee.

Section 7.3 . Financial Statements . Company agrees to furnish Trustee (within 120 days after the close of each fiscal year) with an audited balance sheet and statements of income, retained earnings and changes in cash flows showing the financial condition of Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of Company and its consolidated subsidiary or subsidiaries, if any, for such fiscal year, accompanied by an opinion of its regular independent certified public accountants that such statements fairly represent the financial condition of Company in accordance with generally accepted accounting principles. The requirements of this Section 7.3 shall be satisfied by the submission to Trustee of Company's annual report on Form 10-K. The information so provided to Trustee shall be kept in its files and is not required to be distributed to any Registered Holder or other person. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 7.4 . Further Assurances and Corrective Instruments . Issuer and Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may

reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5. Issuer Representative. Whenever under the provisions of this Agreement the approval of Issuer is required or Issuer is required to take some action at the request of Company, such approval shall be made or such action shall be taken by Issuer Representative and Company or Trustee shall be authorized to act on any such approval or action, and Issuer shall have no redress against Company or Trustee as a result of any such action taken.

Section 7.6. Company Representative. Whenever under the provisions of this Agreement the approval of Company is required or Company is required to take some action at the request of Issuer, such approval shall be made or such action shall be taken by Company Representative and Issuer or Trustee shall be authorized to act on any such approval or action and Company shall have no redress against Issuer or Trustee as a result of any such action taken.

Section 7.7. Financing Statements. Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the lien of the Indenture and the Supplemental Indenture. Issuer shall cooperate fully with Company in taking any such action. Concurrently with the execution and delivery of the 2003 Series A Bonds, Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such lien, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture, which filings the Company agrees to undertake.

Section 7.8. Company's Performance Under Indenture. The Company agrees, for the benefit of Bondholders, to do and perform all acts and things contemplated in the Indenture to be done and performed by it.

Section 7.9. Negative Pledge. (a) The Company agrees that, subsequent to the Release Date (as defined in the Indenture) and so long as any Bonds remain outstanding, the Company will not issue, assume or guarantee any Debt secured by any mortgage, security interest, pledge or lien (herein referred to as a "mortgage") of or upon any Operating Property of the Company, whether owned at the date of the Indenture or thereafter acquired, and will not permit to exist any Debt secured by a mortgage on any Operating Property created on or prior to the Release Date, without in any such case effectively securing, on the later to occur of the issuance, assumption or guaranty of any such Debt or the Release Date, the Bonds equally and ratably with such Debt; provided, however, that the foregoing restriction shall not apply to Debt secured by any of the following:

(1) mortgages on any property existing at the time of acquisition thereof;

(2) mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with the Company, or at the time of a sale, lease or other disposition of the properties of such corporation or a division thereof as an entirety or substantially as an entirety to the Company, provided that such mortgage as a result of such merger, consolidation, sale, lease or other disposition is not extended to property owned by the Company immediately prior thereto;

(3) mortgages on property to secure all or part of the cost of acquiring, substantially repairing or altering, constructing, developing or substantially improving such property, or to secure indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided such mortgages are created or assumed contemporaneously with, or within 18 months after, such acquisition or completion of substantial repair or alteration, construction, development or substantial improvement or within six months thereafter pursuant to a commitment for financing arranged with a lender or investor within such 18 month period;

(4) mortgages in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any state thereof, or for the benefit of holders of securities issued by any such entity, to secure any Debt incurred for the purpose of financing all or any part of the purchase price or the cost of substantially repairing or altering, constructing, developing or substantially improving the property subject to such mortgages; or

(5) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any mortgage referred to in the foregoing clauses (1) to (4), inclusive; provided, however, that the principal amount of indebtedness secured thereby and not otherwise authorized by said clauses (1) to (4), inclusive, shall not exceed the principal amount of indebtedness, plus any premium or fee payable in connection with any such extension, renewal or replacement, so secured at the time of such extension, renewal or replacement.

(b) Notwithstanding the provisions of Section 7.9(a) from and after the Release Date and so long as any Bonds remain outstanding, the Company may issue, assume or guarantee Debt, or permit to exist Debt, secured by mortgages which would otherwise be subject to the restrictions of this Section up to an aggregate principal amount that, together with the principal amount of all other Debt of the Company secured by mortgages (other than mortgages permitted by Section 7.9(a) that would otherwise be subject to the foregoing restrictions) does not at the time exceed the greater of 10% of Net Tangible Assets or 10% of Capitalization.

(c) If at any time the Company shall issue, assume or guarantee any Debt secured by any mortgage and if Section 7.9(a) requires that the Bonds be secured equally and ratably with such Debt, the Company will promptly execute, at its expense, any instruments necessary to so equally and ratably secure such Bonds.

ARTICLE VIII

ASSIGNMENT; INDEMNIFICATION; REDEMPTION

Section 8.1 Assignment. This Agreement may be assigned by Company without the necessity of obtaining the consent of either Issuer or Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve Company from primary liability for any of its obligations hereunder, and in the event of any such assignment Company shall remain primarily liable for payments of the amounts specified in Section 5.1 hereof and for performance and observance of the other covenants or agreements on its part herein provided to be performed and observed to the same extent as though no assignment had been made;

(b) The assignee shall assume the obligations of Company hereunder to the extent of the interest assigned;

(c) Company shall, within thirty days after the delivery thereof, furnish or cause to be furnished to Issuer and to Trustee a true and complete copy of each such assignment and assumption of obligation; and

(d) prior to such assignment, the Company shall have obtained an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the 2003 Series A Bonds from gross income for Federal income tax purposes under Section 103(a) of the Code.

Section 8.2. Release and Indemnification Covenants. Company releases Issuer from and covenants and agrees that Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless against, any expense or liability incurred by Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the 1993 Project or from any action commenced in connection with the financing thereof. If any such claim is asserted, Issuer agrees to give prompt notice to the Company and Company will assume the defense thereof, with full power to litigate, compromise or to settle the same in its sole discretion, it being understood that Issuer will not settle or consent to the settlement of the same without the consent of Company.

Section 8.3. Assignment of Interest in Agreement by Issuer. Any assignment by Issuer to Trustee pursuant to the Indenture or this Agreement of any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 8.4. Redemption of 2003 Series A Bonds. Upon the agreement of Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2003 Series A Bonds subject to redemption, Issuer, at the request of Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the 2003 Series A Bonds outstanding, as may be specified by Company, on the redemption date specified by the Company.

Section 8.5. Reference to 2003 Series A Bonds Ineffective after 2003 Series A Bonds Paid. Upon payment in full of the 2003 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.4 hereof and payment of all fees and charges of the Trustee (including reasonable attorney's fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2003 Series A Bonds, the First Mortgage Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2003 Series A Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1 Events of Default Defined. The following shall be "events of default" under this Agreement and the term "events of default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsections (a) and (d) of Section 5.1 hereof which results in failure to pay principal of, premium or interest on or the purchase price of the 2003 Series A Bonds, and such failure shall cause an event of default under the Indenture.

(b) Failure by Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, is given to Company by Issuer or Trustee, unless Issuer and Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Issuer and Trustee will not unreasonably withhold their consent to an extension of such time if such failure is capable of being cured and corrective action is instituted by Company within the applicable period and is being diligently pursued.

(c) All bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(d) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Company, or of a substantial part of the property or assets of Company, under Title 11 of the

United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company or (iii) the winding-up or liquidation of Company; and such proceeding or petition shall continue undismissed or unstayed for 90 days or an order or decree approving or ordering any of the foregoing shall be entered.

(e) Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (d) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing.

The provisions of Section 9.1(b) are subject to the following limitations: If by reason of force majeure Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of Company contained in Sections 2.2(k) and (l), 4.2, 4.4, 4.6 or 7.2 or Article V hereof and the general covenant and obligation of Company to take all necessary actions for the continued exclusion of interest on the 2003 Series A Bonds from gross income for federal and Kentucky income taxes, Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean any cause or event not reasonably within the control of Company, including without limitation the following: acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the Commonwealth of Kentucky or any of their departments, agencies or officials, or any civil or military authority; evacuations and quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines or pipes; or partial or entire failure of utility services. Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Company, and Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Company unfavorable to Company.

Section 9.2. Remedies on Default. Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, Issuer may take any one or more of the following remedial steps:

(a) By written notice to Company, Issuer may declare an amount equal to the principal and accrued interest on the 2003 Series A Bonds then Outstanding, as defined in the Indenture, to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

(b) Issuer may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of Company.

(c) Issuer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Company under this Agreement, including, until the Release Date, any remedies available in respect of the First Mortgage Bonds.

In case there shall be pending a proceeding of the nature described in Section 9.1(d) or (e) above, Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise; to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of Trustee allowed in such judicial proceedings relative to Company, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any custodian (including, without limitation a receiver, trustee or liquidator) of Company appointed in connection with such proceedings is hereby authorized to make such payments to Trustee, and to pay to Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Any amounts collected pursuant to action taken under this Section 9.2 (other than the compensation and expenses referred to in the immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2003 Series A Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of Trustee and any paying agents accrued and to accrue through final payment of the 2003 Series A Bonds, and all other liabilities of Company accrued and to accrue hereunder or under the Indenture through final payment of the 2003 Series A Bonds have been paid, such amounts so collected shall be paid to Company.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given Issuer hereunder shall also extend to Trustee, and Trustee and the holders of the 2003 Series A Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 9.4. Agreement to Pay Attorneys' Fees and Expenses. In the event Company should default under any of the provisions of this Agreement and Issuer and/or Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of Company herein contained, Company agrees that it will n demand therefor pay to Issuer and/or Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so ıcurred by Issuer and/or Trustee.

Section 9.5. Waiver of Events of Default. If, after the acceleration of the maturity of the outstanding 2003 Series A Bonds by Trustee pursuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2003 Series A Bonds and the principal of, and premium, if any, on any and all 2003 Series A Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2003 Series A Bond, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2003 Series A Bonds which shall have become due by said declaration, shall have been remedied, and such event of default under the Indenture shall be deemed waived by Trustee in accordance with Section 9.12 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then Company's default hereunder shall be deemed to have been waived by Issuer and no further action or consent by Trustee or Issuer shall be required. In the event any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

PREPAYMENT OF LOAN

Section 10.1 Options to Prepay Loan. Company shall have, and is hereby granted, options to prepay the Loan in whole and to cancel or terminate this Agreement on any Business Day at any time Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by Company to Trustee of such election, as follows:

(a) If in the judgment of Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2003 Series A Bonds upon Company with respect to the 1993 Project or the operation thereof, including without limitation federal, state or other ad valorem, property, income or other taxes not imposed on the date of this Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the 1993 Project;

(b) If the 1993 Project or a portion thereof or other property of Company in connection with which the 1993 Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the 1993 Project or other property of Company in connection with which the 1993 Project is used unsatisfactory to Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the 1993 Project or the taking by eminent domain of such use or control of the 1993 Project or other property of Company in connection with which the 1993 Project is used so as, in the judgment of the Company, to render the 1993 Project or other property of Company in connection with which the 1993 Project is used unsatisfactory to Company for its intended use;

(d) In the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of either of the Mill Creek and Cane Run Generating Stations of the Company shall have occurred which, in the judgment of the Company, render the continued operation of either of the Mill Creek or Cane Run Generating Stations or any generating unit at either such station uneconomical; or changes in circumstances, after the issuance of the 2003 Series A Bonds including but not limited to changes in clean air and water or other air and water pollution control and solid waste control, abatement and disposal requirements, shall have occurred such that the Company shall determine that use of the 1993 Project is no longer required or desirable;

(e) In the event this Agreement shall become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action, whether state or federal, or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) A final order or decree of any court or administrative body after the issuance of the 2003 Series A Bonds shall require the Company to cease a substantial part of its operations at the Mill Creek and Cane Run Generating Stations to such extent that the Company will be prevented from carrying on its normal operations at such location for a period of six months.

In the case of prepayment pursuant to this Section 10.1 (or if any 2003 Series A Bonds be redeemed in whole or in part pursuant to Section 6.1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with Trustee and available for such ɹurpose, to redeem all 2003 Series A Bonds then outstanding (or, in the case any 2003 Series A Bonds are redeemed in part pursuant to Section 1 hereof, such portion of the Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest ɑccrued and to accrue to the date of redemption of the 2003 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2003 Series A Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the

events mentioned in (a) through (f) above, Company is required to give written notice to Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2 Additional Option to Prepay Loan. Company shall have, and is hereby granted, further options, to the extent that the 2003 Series A Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with Trustee moneys sufficient to pay, together with other funds deposited with Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2003 Series A Bonds then outstanding under the Indenture and, upon depositing with Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2003 Series A Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder, to cancel or terminate the term of this Agreement.

Section 10.3 Obligations to Prepay Loan. Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, prior to the required full payment of the 2003 Series A Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and Company shall take all actions required to mandatorily redeem the 2003 Series A Bonds at the cost of the Company upon the terms specified in this Agreement and in Article IV of the Indenture following the occurrence of a Determination of Taxability, including, but not limited to, prepaying appropriate amounts due on the 2003 Series A Bonds in order to effect such redemption. The 2003 Series A Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this section, a "Determination of Taxability" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2003 Series A Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2003 Series A Bonds, the interest on the 2003 Series A Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2003 Series A Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2003 Series A Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any 2003 Series A Bond in the computation of minimum or indirect taxes. All of the 2003 Series A Bonds shall be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2003 Series A Bonds of one or more series or one or more maturities would have the result that interest payable on the remaining 2003 Series A Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the 2003 Series A Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described in this Section 10.3, the Company shall give notice thereof to the Trustee and the Issuer.

In the case of the mandatory obligation of Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as specified in this Section 10.3 hereof and to provide to Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2003 Series A Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2003 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any paying agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2003 Series A Bonds.

Section 10.4. Notice of Prepayment; Redemption Procedures. It is understood and agreed by the parties hereto that in order to exercise an option granted in, or to consummate a mandatory prepayment required by, this Article X, Company shall give written notice to Issuer and Trustee which notice shall (i) contain the agreement of Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2003 Series A Bonds equal to the amount of the prepayment, including, in the case of a prepayment under Section 10.2 hereof, any applicable redemption premium in respect of such 2003 Series A Bonds, and any other amounts required under this Agreement and (ii) specify the prepayment date (which must be a Business Day and which shall also be the redemption date), which date shall not be less than 30 days (45 days if the 2003 Series A Bonds are bearing interest at the Semi-annual, Annual or Long Term Rate or in all cases such shorter period as may be acceptable to the Trustee) nor more than 90 days from the date the notice is mailed by Company to Issuer and Trustee.

Section 10.5. Relative Position of this Article and Indenture. The rights and options granted to Company in this Article, except the option granted to Company pursuant to Section 10.2 to prepay less than all of the Loan payments, shall be and remain prior and superior to the Indenture and may be exercised whether or not Company is otherwise in default hereunder; provided that such default will not result in onfulfillment of any condition to the exercise of any such right or option.

Section 10.6. Concurrent Discharge of First Mortgage Bonds. Prior to the Release Date, in the event any of the 2003 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Term of Agreement. This Agreement shall remain in full force and effect from the date hereof to and including the later of October 1, 2033, or until such earlier or later time as all of the 2003 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture), whichever shall be later; provided, however, that this Agreement may be cancelled and terminated prior to said date if Company shall prepay all of the Loan pursuant to Article X hereof; and provided further, however, that all obligations of Company under Article V and Section 8.1 hereof (a) to pay fees and expenses of Trustee, the Tender Agent, the Bond Registrar and any Paying Agent and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2003 Series A Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by Company as to all matters affecting the tax-exempt status of interest on the 2003 Series A Bonds shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2003 Series A Bonds and shall survive the termination of this Agreement and all obligations of Company contained herein relating to indemnification of Issuer, Trustee, Bond Registrar, Authenticating Agent, Tender Agent and any Paying Agent shall survive the termination of this Agreement.

Section 11.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Issuer, at the Louisville Metro Hall, 527 West Jefferson Street, Louisville, Kentucky 40202, Attention: Mayor;

If to Company, at its corporate headquarters, 220 West Main Street, Louisville, Kentucky 40202, Attention: Treasurer, and

If to Trustee, at 60 Wall Street, 27 th Floor, Mailstop NYC 60-2715, New York, New York 10005, Attention: Corporate Trust Administration.

If to Paying Agent, Remarketing Agents, Auction Agent, Market Agent or Tender Agent, at such addresses for notices as are set forth in the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by either Issuer or Company to the other shall also be given to Trustee. Issuer, Company and Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon Issuer, Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 hereof.

Section 11.4. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5. Amounts Remaining in Bond Fund, Rebate Fund, Prior 1993B Bond Fund and Prior 1993C Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the 2003 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, shall belong to and be paid to Company by Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied and disbursed strictly and only in accordance with the provisions of Section 6.06 of the Indenture. Following the payment and discharge of the Refunded 1993 Bonds on their redemption date and the making of provision for payment of the Refunded 1993 Bonds not presented for payment any remaining moneys in the Prior 1993B Bond Fund and Prior 1993C Bond Fund shall belong to and be paid to Company by each Prior Trustee.

Section 11.6. Amendments, Changes and Modifications. Subsequent to the issuance of the 2003 Series A Bonds and prior to ayment in full of all 2003 Series A Bonds (or provision for the payment thereof having been made in accordance with the provisions of the denture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, nodified, altered or terminated, and no provision hereof waived, without the written consent of Trustee, given in accordance with the Indenture.

Section 11.7. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which

shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 11.9. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 11.10. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except with respect to the 1993 Project and the application of the revenues of this Agreement, as hereinabove provided.

Section 11.11. Payments Due on Other Than Business Days. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be on a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided in this Agreement, and if done on such succeeding Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

IN WITNESS WHEREOF, Issuer and Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first written.

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT, KENTUCKY

(SEAL)

By:_____
JERRY E. ABRAMSON
Mayor

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

_____
KATHLEEN J. HERRON
Clerk of Metro Council

_____
JAMES T. CAREY
Assistant County Attorney

LOUISVILLE GAS AND ELECTRIC
COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of _____, 2003, the foregoing instrument was produced to me in said County by Jerry E. Abramson and Kathleen J. Herron, personally known to me and personally known by me to be the Mayor and Clerk of Metro Council, respectively, of the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, and acknowledged before me by them and each of them to be their free act and deed as Mayor and Clerk of Metro Council of such Louisville/Jefferson County Metro Government, and the act and deed of said Louisville/Jefferson County Metro Government as authorized by an Ordinance of the Metro Council of such Louisville/Jefferson County Metro Government.

Witness my hand and seal this _____ day of _____, 2003. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of _____, 2003, the foregoing instrument was produced to me in said County by Daniel K. Arbough and John R. McCall, personally known to me and personally known by me to be the Treasurer and the Secretary, respectively, of LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

Witness my hand and seal this _____ day of _____, 2003. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

This Instrument Prepared by the
Undersigned, Attorney at Law of
Harper, Ferguson & Davis
(Division of Ogden Newell & Welch PLLC)
1700 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202

_____
SPENCER E. HARPER, JR

Exhibit 4(ll)-2

Execution Copy

(2003 Series A - Louisville Metro)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

AMENDMENT NO. 1 TO LOAN AGREEMENT IN CONNECTION WITH POLLUTION CONTROL FACILITIES

* * * * *

Dated as of September 1, 2010

* * * * *

NOTICE: The interest of the Louisville/Jefferson County Metro Government, Kentucky in and to this Amendment No. 1 to Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Indenture of Trust dated as of October 1, 2003.

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THIS AMENDMENT NO. 1 TO LOAN AGREEMENT, dated as of September 1, 2010, but made effective as of the Effective Date (defined herein) (this "Amendment No. 1 to Loan Agreement"), by and between the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, the governmental successor in interest by operation of law to the County of Jefferson, Kentucky, being a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky.

WITNESSETH:

WHEREAS, the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer") is the governmental successor in interest by operation of law to the County of Jefferson, Kentucky and constitutes a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), the Issuer has the power to enter into the transactions contemplated by this Amendment No. 1 to Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, the Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act for the abatement and control of air and water pollution and abatement of solid wastes and to refund bonds which were previously issued for such purposes; and

WHEREAS, on November 20, 2003, the Issuer, at the request of Louisville Gas and Electric Company (the "Company"), issued its Pollution Control Revenue Bonds, 2003 Series A (Louisville Gas and Electric Company Project) (the "Bonds" or "2003 Series A Bonds") in the original principal amount of $128,000,000, and the Issuer loaned the proceeds of the 2003 Series A Bonds to the Company pursuant to the Loan Agreement dated as of October 1, 2003, between the Issuer and the Company (the "Agreement"); and

WHEREAS, to secure the payment of the 2003 Series A Bonds, the Issuer assigned substantially all of its rights, title and interests in and to the Agreement to Deutsche Bank Trust Company Americas, as Trustee (the "Trustee"), pursuant to the Indenture of Trust dated as of October 1, 2003, between the Issuer and the Trustee (the "Indenture"); and

WHEREAS, the Company delivered to the Trustee, as security for the Company's payment obligations under the Agreement, $128,000,000 aggregate principal amount of the Company's first mortgage bonds issued under the Company's Indenture dated November 1, 1949, as amended by indentures supplemental thereto (the "1949 Indenture"); and

WHEREAS, the 1949 Indenture was subsequently terminated, the first mortgage bonds issued under the 1949 Indenture to secure the 2003 Series A Bonds were released and the Company's obligations under the Agreement became unsecured; and

WHEREAS, all of the 2003 Series A Bonds remain outstanding and unpaid; and

WHEREAS, the Company intends to enter into that certain Indenture dated as of October 1, 2010 (the "First Mortgage Indenture"), between the Company and The Bank of New York Mellon (the "First Mortgage Trustee"), pursuant to which the Company shall issue certain first mortgage bonds secured by a lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky; and

WHEREAS, in the event the Company grants a lien on and a security interest in its operating property to secure general debt for borrowed money, which the Company intends to do pursuant to the issuance of the first mortgage bonds pursuant to the First Mortgage Indenture, the Agreement obligates the Company to grant an equal and ratable lien on and security interest in its operating property in favor of the Trustee under the Indenture to secure the 2003 Series A Bonds; and

WHEREAS, the Company intends to issue first mortgage bonds (the "First Mortgage Bonds") to the Trustee under the Indenture, thereby creating in favor of the Trustee for the benefit of the holders of the 2003 Series A Bonds an equal and ratable lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky as security for the payment of the 2003 Series A Bonds; and

WHEREAS, pursuant to Section 13.01 of the Indenture, the consent of the holders of the 2003 Series A Bonds is not required for the Issuer and the Company to enter into an amendment to the Agreement in order to conform the Agreement with changes and modifications to the Indenture made pursuant to Section 12.01 of the Indenture; and

WHEREAS, it is now appropriate and necessary that the Agreement be amended pursuant to Section 13.01 of the Indenture in connection with the issuance of the First Mortgage Bonds to the Trustee under the Indenture as additional collateral and security for the payment of the 2003 Series A Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Issuer on September 23, 2010, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to enter into this Amendment No. 1 to Loan Agreement in order to provide additional collateral and security for the 2003 Series A Bonds; and

WHEREAS, the Issuer and the Trustee have entered into that certain Supplemental Indenture No. 1 to Indenture of Trust (the "Supplemental Indenture No. 1") of even date herewith pursuant to Section 12.01 of the Indenture; and

WHEREAS , all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amendment No. 1 to Loan Agreement have happened, have existed and have been performed as so required in order to make this Amendment No. 1 to Loan Agreement a valid and binding loan agreement for the security of the holders of the 2003 Series A Bonds and for payment of all amounts due under the \greement and this Amendment No. 1 to Loan Agreement in accordance with their respective terms.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER AS FOLLOWS :

ARTICLE I

AMENDMENTS TO THE LOAN AGREEMENT

Section 1.1. Amendment of Table of Contents . Section 7.9 of the Table of Contents of the Agreement is hereby deleted in its entirety.

Section 1.2. Amendment of Section 1.02. Incorporation of Certain Terms by Reference . The following defined terms are hereby added to Section 1.02 of the Agreement and shall have the meanings set forth in Section 1.5 of the Supplemental Indenture No. 1:

"Amendment No. 1 to Loan Agreement"
"Effective Date"
"Supplemental Indenture No. 1"

The following defined terms in Section 1.5 of the Supplemental Indenture No. 1 shall amend, restate and supersede the corresponding defined terms set forth in Section 1.02 of the Agreement:

"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Redemption Demand"
"Supplemental First Mortgage Indenture" in lieu of "Supplemental Indenture"

Section 1.02 of the Agreement is further hereby amended by deleting the definition of "Release Date" and all references to such term in the Agreement.

Section 1.3. Amendment of Section 1.03. Additional Definitions . The following defined terms set forth in Section 1.03 of the Agreement are hereby deleted in their entirety:

"Capitalization"
"Debt"
"Net Tangible Assets"
"Operating Property"

Section 1.4. Amendment of Section 3.2. Agreement as to Ownership of Project . Section 3.2 of the Agreement is hereby amended and restated to read as follows:

> Section 3.2 . Agreement as to Ownership of Project . The Issuer and the Company agree that title to and ownership of the Project shall remain in and be the sole property of the Company in which the Issuer shall have no interest. From and after the Effective Date, the Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2003 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement and the Amendment No. 1 to Loan Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 1.5. Amendment of Section 4.6. First Mortgage Bonds . Section 4.6 of the Agreement is hereby amended and restated to read as follows:

> Section 4.6 . First Mortgage Bonds . The Company covenants and agrees with the Issuer that it will, for the purpose of providing security for the 2003 Series A Bonds, execute and deliver to the Trustee on the Effective Date the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2003 Series A Bonds. The First Mortgage Bonds shall be in full force and effect from and after the Effective Date and shall mature as to principal identically as in the case of the 2003 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental First Mortgage Indenture, shall bear interest identically as in the case of the 2003 Series A Bonds.
>
> Following the Effective Date, upon the occurrence of an event of default under Article IX of this Agreement, as amended by the Amendment No. 1 to Loan Agreement, that has resulted in a default in payment of the principal of, premium,

if any, or interest on the 2003 Series A Bonds as and when the same come due, whether at maturity, redemption, acceleration or otherwise, or a default in payment of the purchase price of any 2003 Series A Bond tendered for purchase, the acceleration of the maturity date of the 2003 Series A Bonds (to the extent not already due and payable) as a consequence of such event of default and the receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable, in accordance with the provisions specified in the Supplemental First Mortgage Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2003 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, the Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2003 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of the Company thereunder terminated and such First Mortgage Bonds shall be surrendered by the Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of the Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Section 1.6. Amendment of Section 6.2. Insurance. Section 6.2 of the Agreement is hereby amended and restated to read as follows:

Section 6.2. Insurance. The Company agrees to insure the 1993 Project at all times in accordance with the provisions of the First Mortgage Indenture.

Section 1.7. Amendment of Section 7.7. Financing Statements. Section 7.7 of the Agreement is hereby amended and restated to read as follows:

Section 7.7. Financing Statements. The Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the respective liens of the Indenture and the First Mortgage Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the First Mortgage Bonds, the Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the respective liens of the Indenture and the First Mortgage Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such liens, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the respective liens of the Indenture and the First Mortgage Indenture, which filings the Company agrees to undertake.

Section 1.8. Deletion of Section 7.9. Negative Pledge. Section 7.9 of the Agreement is hereby deleted in its entirety.

Section 1.9. Amendment of Section 9.1. Events of Default Defined. Section 9.1(c) of the Agreement is hereby amended and restated and subsection (f) is hereby added to Section 9.1, in each case to read as follows:

(c) From and after the Effective Date, all bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(f) The occurrence of an Event of Default under the Indenture.

Section 1.10. Amendment of Section 9.2. Remedies on Default. Section 9.2(c) of the Agreement is hereby amended and restated to read as follows:

(c) The Trustee, on behalf of the Issuer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement and the Amendment No. 1 to Loan Agreement, including, from and after the Effective Date, any remedies available in respect of the First Mortgage Bonds.

Section 1.11. Amendment of Section 10.6. Concurrent Discharge of First Mortgage Bonds. Section 10.6 of the Agreement is hereby amended and restated to read as follows:

Section 10.6. Concurrent Discharge of First Mortgage Bonds. From and after the Effective Date, in the event any of the 2003 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement and the Amendment No. 1 to Loan Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by the Issuer. The Issuer represents, warrants and covenants that:

(a) The Issuer is a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, the Issuer has the power to enter into this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1 and the transactions contemplated hereby and thereby and to carry out its obligations hereunder and thereunder.

(b) To its knowledge, the Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the First Mortgage Bonds or the consummation of the transactions contemplated hereby, and the Issuer has been duly authorized to execute and deliver this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1. The Issuer agrees that it will do or cause to be done in a timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Amendment No. 1 to Loan Agreement.

Section 2.2. Representations, Warranties and Covenants by the Company. The Company represents, warrants and covenants that:

(a) The Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business, and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the First Mortgage Bonds.

(b) The Company has full and complete legal power and authority to execute and deliver this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds.

(c) No event of default, and no event of the type described in clauses (a) through (f) of Section 9.1 of the Agreement, as amended by this Amendment No. 1 to Loan Agreement, has occurred and is continuing, and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture or the First Mortgage Bonds, nor the consummation of the transactions contemplated hereby or by the Indenture and the Supplemental Indenture No. 1, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1. Term of Amendment No. 1 to Loan Agreement. This Amendment No. 1 to Loan Agreement shall remain in full force and effect from the date hereof to and including the later of October 1, 2033, or until such time as all of the 2003 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture and the Supplemental Indenture No. 1 and any amendments thereto), whichever shall be later; provided, however, that the Agreement, as amended, may be cancelled and terminated prior to said date in accordance with the provisions of Section 11.1 of the Agreement.

Section 3.2. Ratification. Except as amended and supplemented by Articles I and II hereof, the Issuer and the Company hereby ratify and reaffirm the terms and provisions of the Agreement and their respective representations, warranties, covenants, agreements and obligations set forth therein.

Section 3.3. Effective Date. This Amendment No. 1 to Loan Agreement has been made and entered into as of the date first written above but shall be effective as of the Effective Date.

Section 3.4. Binding Effect. This Amendment No. 1 to Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 of the Agreement.

Section 3.5. Severability. In the event any provision of this Amendment No. 1 to Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 3.6. Execution in Counterparts. This Amendment No. 1 to Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.7. Applicable Law. This Amendment No. 1 to Loan Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 3.8. Captions. The captions or headings in this Amendment No. 1 to Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Amendment No. 1 to Loan Agreement.

Section 3.9. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Amendment No. 1 to Loan Agreement or breach thereof shall constitute or give rise to a pecuniary liability of the Issuer or a charge upon its general credit or taxing powers.

(signature page immediately follows)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Amendment No. 1 to Loan Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all of the date first written.

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT, KENTUCKY

(SEAL)

By:_____
JERRY E. ABRAMSON
Mayor

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

Mike O'Connell
Jefferson County Attorney

_____
KATHLEEN J. HERRON
Metro Council Clerk

By:_____
JAMES T. CAREY
Assistant County Attorney

LOUISVILLE GAS AND ELECTRIC
COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

Exhibit 4(mm)-1

(Louisville Metro 2005 Series A)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

AMENDED AND RESTATED LOAN AGREEMENT IN CONNECTION WITH POLLUTION CONTROL FACILITIES

* * * * *

Dated as February 1, 2005

Amended and Restated as of September 1, 2008

* * * * *

NOTICE: The interest of the Louisville/Jefferson County Metro Government, Kentucky, in and to this Amended and Restated Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Amended and Restated Indenture of Trust dated as of February 1, 2005, amended and restated as of September 1, 2008

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AMENDED AND RESTATED LOAN AGREEMENT

IN CONNECTION WITH POLLUTION CONTROL FACILITIES

This AMENDED AND RESTATED LOAN AGREEMENT, dated as of February 1, 2005, amended and restated as of September 1, 2008, by and between the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, the governmental successor in interest by operation of law to the County of Jefferson, Kentucky, being a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of Kentucky;

WITNESSETH:

WHEREAS, the Louisville/Jefferson County Metro Government, Kentucky ("Metro Government" or "Issuer"), is the governmental successor in interest by operation of law to the County of Jefferson, Kentucky and constitutes a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), Issuer has the power to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, Issuer came into legal existence on January 6, 2003 by operation of law and voter approval in accordance with laws now codified as Chapter 67C of the Kentucky Revised Statutes and replaced and superceded the prior governments of both the City of Louisville, Kentucky and the County of Jefferson, Kentucky (the "Predecessor County") and pursuant to law has mandatorily assumed all existing contracts and obligations of the past City and Predecessor County and has been endowed with all powers of such prior City and Predecessor County; and

WHEREAS, the Metro Government, as successor to the Predecessor County, is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition, construction, installation and equipping of air pollution control facilities, one of the categories of "pollution control facilities", as defined by the Act ("Pollution Control Facilities") for the abatement and control of air pollution and to refund bonds of the Predecessor County which were previously issued for such purposes; and

WHEREAS, Issuer is further authorized pursuant to the Act to enter into an amended and restated loan agreement, which may include such provisions as Issuer shall deem appropriate and necessary; and

WHEREAS, the Act further provides that title to Pollution Control Facilities shall not be acquired by Issuer in the case of a loan transaction; and

WHEREAS, Louisville Gas and Electric Company, a Kentucky corporation ("Company"), has heretofore, by the issuance of the Refunded 1995 Series A Bonds, hereinafter defined, financed and refinanced all or a portion of the costs of acquisition of certain air pollution control facilities to serve the Mill Creek and Cane Run Generating Stations of Company, which facilities constitute the Project, as hereinafter defined in ARTICLE I (the "Project"), which Project is located within the corporate boundaries of Issuer and consists of certain air pollution control facilities, together with facilities functionally related and subordinate to such facilities in furtherance of the regulations of the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky and the Air Pollution Control District of Jefferson County, Kentucky, and which Project qualifies for financing within the meaning of the Act; and

WHEREAS, the Project has been completed and placed in operation and has contributed and does contribute to the control, containment, reduction and abatement of atmospheric pollution in the Commonwealth of Kentucky; and

WHEREAS, under date of April 13, 2005, the Issuer, at the request of the Company, issued its "Louisville/Jefferson County Metro Government, Kentucky, Pollution Control Revenue Bonds, 2005 Series A (Louisville Gas and Electric Company Project)", dated April 13, 2005, of which $40,000,000 principal amount of such bonds remains outstanding and unpaid (the "2005 Series A Bonds"), such 2005 Series A Bonds having been issued to refund the Refunded 1995 Series A Bonds, hereinafter described, such Refunded 1995 Series A Bonds having been issued to currently refinance certain 1985 Series A Bonds issued in original principal amount of $65,000,000 of which $25,000,000 principal amount thereof has matured and has been paid and discharged (the "Original Bonds") having been issued to finance a portion of the Cost of Construction of the Project, hereinafter described; and

WHEREAS, in respect of the 2005 Series A Bonds, the Issuer entered into a Loan Agreement dated as of February 1, 2005 with the Company and it is now appropriate and necessary that such Loan Agreement, be amended and restated in order to enable the Company to replace the bond insurance with a line of credit, letter of credit, revolving credit agreement, standby credit agreement, guaranty agreement, bond purchase agreement, alternate insurance coverage or guarantees or the direct credit of the Company as deemed proper by the Company; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Metro Council of the Issuer on October 23, 2008, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to amend and restate the Loan Agreement to cancel the current bond insurance on the 2005 Series A Bonds and replace such bond insurance with an alternate credit support or the direct credit of the Company; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amended and Restated Loan Agreement (the "Agreement") have happened, have existed and have been performed as so required in order to make the Agreement a valid and binding instrument, in accordance with its terms; and

NOW, THEREFORE FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER, AS FOLLOWS :

ARTICLE I

DEFINITIONS

Section 1.1. Use of Defined Terms . In addition to the words and terms defined elsewhere in this Agreement or in the Indenture or by reference to another document, the words and terms set forth in Section 1.2 -and Section 1.3 shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.2. Incorporation of Certain Terms by Reference . When and if used in this Agreement, the following terms shall have the meaning set forth in ARTICLE I of the Indenture:

"Act"
"Bond Counsel"
"Bond Fund"
"Business Day"
"Code"
"Company"
"Company Representative"
"Cost of Construction"
"Excess Earnings"
"Governmental Obligations"
"Indenture"
"Interest Payment Date"
"Issuer"
"Issuer Representative"
"Loan"
"Net Proceeds"
"Paying Agent"
"Permitted Investments"
"Plans and Specifications"
"Pollution Control Facilities"
"Project"
"Project Site"
"Purchase Fund"
"Rebate Fund"
"Redemption Date"
"Refunded 1995 Series A Bonds"
"2005 Series A Bonds"
"1995 Series A Indenture"
"Tender Agent"
"Trustee"

Section 1.3. Additional Definitions . In addition to the terms whose definitions are incorporated by reference herein pursuant to Section 1.2 , the following terms shall have the meanings set forth in this Section unless the use or context clearly indicates otherwise:

" Capitalization " means the total of all the following items appearing on, or included in, the balance sheet of the Company:

(1) liabilities for indebtedness, including short-term debt, long-term debt and current maturities of long-term debt; and

(2) common stock, preferred stock, capital surplus, premium on capital stock, capital in excess of par value and retained earnings (however the foregoing may be designated), less to the extent not otherwise deducted, the cost of shares of capital stock of the Company held in its treasury.

Capitalization shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Debt " shall mean any outstanding debt for money borrowed.

" Determination of Taxability " shall have the meaning ascribed to such term in Section 10.3 of this Agreement.

" Net Tangible Assets " means the amount shown as total assets on the balance sheet of the Company, less the following:

(1) intangible assets including, but without limitation, such items as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset on said balance sheet; and

(2) appropriate adjustments, if any, on account of minority interests.

Net Tangible Assets shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Operating Property " means (i) any interest in real property owned by the Company and (ii) any asset owned by the Company that is depreciable in accordance with generally accepted accounting principles.

" Prior Bond Fund " means the "County of Jefferson, Kentucky, Pollution Control Revenue Bond Fund, 1995 Series A (Louisville Gas and Electric Company Project)" created by the 1995 Series A Indenture.

" Prior Trustee " means Liberty National Bank and Trust Company of Kentucky (now known as J.P. Morgan Trust Company, National Association), acting as trustee in respect of the Refunded 1995 Series A Bonds.

In addition to the definitions herein, terms used in this agreement and not defined herein shall have the meanings ascribed to such terms in the Indenture.

The words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement. Unless otherwise noted, all Section and Article references are to sections and articles in this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by Issuer . Issuer represents, warrants and covenants that:

(a) Issuer is a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution nd laws of the Commonwealth of Kentucky and, pursuant to the Act, Issuer, the de jure governmental successor by operation of law to the redecessor County, has the power and duty to issue the 2005 Series A Bonds, to enter into this Agreement and the Indenture and the transactions contemplated hereby and to carry out its obligations hereunder and thereunder. To its knowledge, Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2005 Series A Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2005 Series A Bonds and to execute and deliver this Agreement and the Indenture. Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) Issuer has loaned funds derived from the sale of the 2005 Series A Bonds to Company to provide for the refunding, payment and discharge of the outstanding principal amount of the Refunded 1995 Series A Bonds, to the end that air pollution be abated and controlled in the Commonwealth.

(c) To accomplish the foregoing, Issuer issued $40,000,000 aggregate principal amount of its 2005 Series A Bonds on such terms and conditions as are set forth in the Indenture. The proceeds from the sale of the 2005 Series A Bonds were applied exclusively and in whole to refund, pay and discharge the outstanding principal amount of the Refunded 1995 Series A Bonds on or prior to the 90th day after the date of issuance of the 2005 Series A Bonds.

(d) Issuer will cooperate with Company and take all actions necessary for Company to comply with Section 2.2(n) , (r) and (u) hereof and take other actions reasonably requested by Company in furtherance of this Agreement.

Section 2.2. Representations, Warranties and Covenants by Company . Company represents, warrants and covenants that:

(a) Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the 2005 Series A Bonds.

(b) Company has full and complete legal power and authority to execute and deliver this Agreement and has by proper corporate action duly authorized the execution and delivery of this Agreement.

(c) The Project currently refinanced by application of the proceeds of the Refunded 1995 Series A Bonds was designed and constructed to collect, contain, reduce and abate air pollution at the Project Site. The Project was and is necessary for the public health and welfare, and has been designed for no material purpose except to control and abate atmospheric pollutants and contaminants at the Project

Site. The Project constitutes air pollution control facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, and the Act.

(d) All of the proceeds of the 2005 Series A Bonds, exclusive of accrued interest, if any, were used on or prior to the 90th day after the date of issuance of the 2005 Series A Bonds exclusively and only to redeem, pay and discharge the principal of the Refunded 1995 Series A Bonds, which currently refunded the Original Bonds, not less than substantially all of the net proceeds of the Original Bonds (i.e., at least 90% of the net proceeds thereof, including investment income thereon) were used to finance the Cost of Construction of air pollution control facilities, together with facilities functionally related and subordinate to such facilities, and all of such air pollution control facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section 167 of the Code.

(e) The Project, as designed, has been previously certified by the Department for Natural Resources and Environmental Protection of Kentucky (now the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky) and the Air Pollution Control District of Jefferson County, Kentucky, the agencies exercising jurisdiction in the premises, to be in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants.

(f) The Project is of the type authorized and permitted by the Act, and the Cost of Construction of the Project was not less than $40,000,000.

(g) No event of default, and no event of the type described in clauses (a) through (d) of Section 9.1 hereof, has occurred and is continuing and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under this Agreement or the transactions contemplated hereby or thereby. Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby or by the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of Company under the terms of any instrument or agreement.

(h) Company intends to continue to operate or cause the Project to be operated as air pollution control facilities and facilities functionally related and subordinate to such facilities until all of the 2005 Series A Bonds are paid and discharged.

(i) No portion of the proceeds of 2005 Series A Bonds were invested at a yield in excess of the yield on the 2005 Series A Bonds except (i) during any permitted temporary period provided by the Code, (ii) proceeds of a reasonably required reserve or replacement fund and (ii) as part of a minor portion of the proceeds of the 2005 Series A Bonds, not in excess of the lesser of 5% of the proceeds of the 2005 Series A Bonds or $100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Section 148 of the Code and applicable tax regulations.

(j) No portion of the proceeds from the sale of the 2005 Series A Bonds were deposited to the account of any reasonably required reserve or replacement fund or used to pay (i) any costs of issuance of the 2005 Series A Bonds or (ii) any redemption premium or accrued interest on the Refunded 1995 Series A Bonds, but such proceeds were applied and used solely and exclusively to refund, pay and discharge the outstanding principal amount of the Refunded 1995 Series A Bonds on or prior to the 90th day after the issuance of the 2005 Series A Bonds.

(k) Company provided any additional moneys, including investment proceeds of the 2005 Series A Bonds, required for the payment and discharge of the Refunded 1995 Series A Bonds, payment of redemption premium, if any, and accrued interest in respect thereto and payment of all underwriting discount and costs of issuance of the 2005 Series A Bonds. Any investment proceeds of the 2005 Series A Bonds were used exclusively to pay interest or redemption premium due, if any, on the Refunded 1995 Series A Bonds on the Redemption Date.

(l) Company will cause no investment of 2005 Series A Bond proceeds to be made and will make no other use of or omit to take any action with respect to the proceeds of the 2005 Series A Bonds or any funds reasonably expected to be used to pay the 2005 Series A Bonds which will cause the 2005 Series A Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or would otherwise result in the loss or impairment of the exclusion of the interest on such 2005 Series A Bonds from gross income for federal income tax purposes.

(m) The average maturity of the 2005 Series A Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the date of issuance of the 2005 Series A Bonds) of the Pollution Control Facilities refinanced by the proceeds of the 2005 Series A Bonds.

(n) Company provided all information requested by the Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 filed by Issuer with respect to the 2005 Series A Bonds and the air pollution control facilities constituting the Project, and such information was true and correct in all material respects.

(o) Within the meaning of Section 149 of the Code, no portion of the payment of the principal or interest on the 2005 Series A Bonds or the Refunded 1995 Series A Bonds was or shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(p) All of the proceeds of the Refunded 1995 Series A Bonds have been fully expended and the Project has been completed and placed in service. All of the actual Cost of Construction of the Project represents amounts paid or incurred which were chargeable to the capital

account of the Project or would be so chargeable either with a proper election by the Company or but for a proper election by the Company to deduct such amounts. Substantially all (i.e. at least 90%) of the net allocable proceeds of the sale of the Original Bonds (including investment income therefrom), were used to finance Cost of Construction of the Project as described above, pay costs and expenses of issuing the Original Bonds, within applicable Code limits, and pay interest and carrying charges on the Original Bonds during the period of construction of the Project and prior to its in-service date.

(q) All of the depreciable properties which were taken into account in determining the qualifying costs of the Project constitute properties either (i) used for the control, containment, reduction and abatement of atmospheric pollutants and contaminants or (ii) facilities which are functionally related and subordinate to such facilities constituting the Project. All of such functionally related and subordinate facilities are of a size and character commensurate with the character and size of the air pollution control facilities constituting the Project.

(r) The Company will cause the Issuer to comply in all respects with the requirements of Section 148 of the Code in respect of the rebate of Excess Earnings with respect to the 2005 Series A Bonds to the United States of America.

(s) None of the proceeds of the 2005 Series A Bonds or the Original Bonds were applied to provide any: (i) working capital, (ii) office space (other than office space located on the premises of the Project where not more than a de minimis amount of the functions to be performed are not directly related to the day-to-day operations of the Project), (iii) airplane, (iv) skybox or other private luxury box, (v) health club facility, (vi) facility primarily used for gambling or (vii) store, the principal business of which is the sale of alcoholic beverages for consumption off premises.

(t) Less than twenty-five percent (25%) of the net proceeds of the Original Bonds were used directly or indirectly to acquire land or any interest therein and no portion of such land, if acquired, was or is to be used for farming purposes. No portion of the proceeds of the Original Bonds was used to acquire existing property or any interest therein with respect to which the Company was not the first user for federal income tax purposes.

(u) Upon the date of issuance of the 2005 Series A Bonds, the Company caused the Issuer to comply with the public approval requirements of Section 147 of the Code and at or following the issuance of the 2005 Series A Bonds the Company caused the Issuer to comply with the information reporting requirements of Section 149 of the Code by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

(v) All of the documents, instruments and written information furnished by Company on behalf of Company to Issuer or Trustee in connection with the issuance of the Bonds were true and correct in all material respects as of the date of delivery thereof and did not, as of the date of delivery thereof, omit or fail to state any material facts necessary to be stated therein to make the information provided not misleading.

(w) The Refunded 1995 Series A Bonds were issued on April 18, 1995.

(x) No construction, reconstruction or acquisition of the Project was commenced prior to the taking of official action by the Predecessor County with respect thereto except for preparation of plans and specifications and other preliminary engineering work.

(y) Acquisition, construction and installation of the Project has been accomplished and the Project is being utilized substantially in accordance with the purposes of the Project and in conformity with all applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, which permits, variances and orders have not been withdrawn or otherwise suspended, and consistently with the Act.

(z) The Company has used, is currently using and presently intends to use or operate the Project in a manner consistent with the purposes of the Project and the Act until the date on which the 2005 Series A Bonds have been fully paid and knows of no reason why the Project will not be so operated

(aa) The proceeds derived from the sale of the 2005 Series A Bonds (other than any accrued interest thereon) were used exclusively and solely to refund the principal of the Refunded 1995 Series A Bonds. The principal amount of the 2005 Series A Bonds does not exceed the principal amount of the Refunded 1995 Series A Bonds. The redemption of the outstanding principal amount of the Refunded 1995 Series A Bonds with such proceeds of the 2005 Series A Bonds occurred not later than 90 days after the date of issuance of the 2005 Series A Bonds. Any earnings derived from the investment of such proceeds of the 2005 Series A Bonds were fully needed and used on such redemption date to pay a portion of the interest accrued and payable on the Refunded 1995 Series A Bonds on such date.

(bb) It is not anticipated, as of the date hereof, that there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2005 Series A Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

(cc) On the date of issuance and delivery of the Original Bonds, the Company reasonably expected that at least 85% of the proceeds of the Original Bonds would be used to carry out the governmental purposes of such issue within the 3-year period beginning on the date such issue was issued, which was accomplished and none of the proceeds of such issue, if any, was invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

(dd) Company will use its best efforts to maintain at least two ratings on the 2005 Series A Bonds.

(ee) Company covenants to perform and observe all provisions of the Indenture required to be performed or observed by it.

Company need not comply with the covenants or representations in this Section if and to the extent that Issuer and Company receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2005 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE III

COMPLETION AND OWNERSHIP OF PROJECT

Section 3.1. Completion and Equipping of Project. Company represents that (a) it has previously caused the Project to be constructed as herein provided on the Project Site in accordance with the Plans and Specifications and (b) the Project was completed as previously evidenced by the filing of a completion certificate by the Company with the Prior Trustee in respect of the Refunded 1995 Series A Bonds.

Section 3.2. Agreement as to Ownership of Project. Issuer and Company agree that title to and ownership of the Project shall remain in and be the sole property of Company in which Issuer shall have no interest. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2005 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.3. Use of Project. Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to ARTICLE IX of this Agreement or ARTICLE IX of the Indenture, to interfere with Company's ownership of the Project or to prevent Company from having possession, custody, use and enjoyment of the Project.

ARTICLE IV

ISSUANCE OF 2005 SERIES A BONDS; APPLICATION OF PROCEEDS

Section 4.1. Agreement to Issue 2005 Series A Bonds; Application of 2005 Series A Bond Proceeds. In order to provide funds to make the Loan, Issuer has issued, sold and delivered the 2005 Series A Bonds to the initial purchasers thereof and deposited the proceeds thereof with Trustee into the Prior Bond Fund held by the Prior Trustee, for the benefit of and payment of the Refunded 1995 Series A Bonds, an amount not less than all of such proceeds, being the principal amount of the 2005 Series A Bonds.

Section 4.2. Payment and Discharge of Refunded 1995 Series A Bonds. Company covenants and agrees with Issuer that upon the date of issuance of the 2005 Series A Bonds, it gave irrevocable instructions to the Prior Trustee to call and redeem the Refunded 1995 Series A Bonds in accordance with their terms and simultaneously deposited into the Prior Bond Fund cash or direct United States obligations ("Governmental Obligations") sufficient on the date of issuance of the 2005 Series A Bonds, to fully defease and discharge the Refunded 1995 Series A Bonds on such date in accordance with ARTICLE VIII of the 1995 Series A Indenture, without reference to any interest earnings to be accrued during the period from the date of issuance of the 2005 Series A Bonds to the redemption date of the Refunded 1995 Series A Bonds. Such matters were confirmed by issuance of an appropriate written certificate of the Prior Trustee confirming defeasance and full discharge of the Refunded 1995 Series A Bonds upon the date of issuance of the 2005 Series A Bonds. Such irrevocable instructions, deposit of sufficient cash and Governmental Obligations and issuance by the Prior Trustee of a certificate of defeasance and discharge were a condition precedent to the issuance of the 2005 Series A Bonds.

Section 4.3. Investment of Bond Fund and Rebate Fund Moneys. Any moneys held as a part of the Bond Fund or the Rebate Fund, if applicable, shall be invested or reinvested by Trustee, at the written request of and as specifically directed by Company, in one or more of the Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of Trustee. All moneys invested shall be deemed at all times a part of the fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2005 Series A Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax or other charge in respect of any investments, reinvestments or any liquidation of investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

Section 4.4. Special Arbitrage Certifications.

(a) Company covenants and agrees that it, will not take, authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results or would result in interest paid on any of the 2005 Series A Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) or adversely affects the validity of the 2005 Series A Bonds.

(b) Company warrants, represents and certifies to Issuer that the proceeds of the 2005 Series A Bonds will not be used in any manner that would cause the 2005 Series A Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 and other applicable sections of the Code. To the best knowledge and belief of Company, there are no facts, estimates or circumstances that would materially change the foregoing conclusion.

(c) Company hereby covenants that it will at all times comply and cause Issuer to comply with the provisions of Section 148 and other applicable sections of the Code and will restrict the use of the proceeds of the 2005 Series A Bonds, in such manner and to such extent, if any, as may be necessary, and remit Excess Earnings with respect to all of the 2005 Series A Bonds, if any, to the United States of America pursuant to Section 148(f)(2) of the Code and carry out such actions so that the 2005 Series A Bonds will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code. An officer or officers of Issuer having responsibility with respect to the issuance of the 2005 Series A Bonds is or are hereby authorized and directed to give an appropriate certificate of Issuer, for inclusion in the transcript of proceedings for the 2005 Series A Bonds, setting forth the reasonable expectations of Issuer regarding the amount and use of the proceeds of the 2005 Series A Bonds and the facts, estimates and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2005 Series A Bonds pursuant to said Section 148 of the Code. Company shall provide the Issuer, and Issuer's certificate may be expressly based on, a certificate of Company setting forth the facts, estimates and circumstances and reasonable expectations of Company on the date of delivery of and payment for the 2005 Series A Bonds regarding the amount and use of the proceeds of the 2005 Series A Bonds and related matters. In the event any such representation of Company relied upon by the Issuer is untrue or inaccurate and Issuer thereby suffers costs or damages, Company shall indemnify Issuer for any such costs or damages.

(d) Consistent with the foregoing, Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2005 Series A Bonds, that no use will be made of the proceeds of the sale of the 2005 Series A Bonds which would cause the 2005 Series A Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and that Company and Issuer will, after issuance of the 2005 Series A Bonds, comply with the provisions of the Code at all times, including after the 2005 Series A Bonds are discharged, to the extent Excess Earnings with respect to the 2005 Series A Bonds are required to be rebated to the United States of America pursuant to Section 148(f)(2) of the Code. Pursuant to such covenant, Issuer and Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Section 148 of the Code.

(e) Company warrants, represents and certifies to Issuer that the proceeds of the Refunded 1995 Series A Bonds were applied and invested in compliance with the current requirements of Section 149(g) of the Code and that consequently the 2005 Series A Bonds will not be "hedge bonds" under such Section 149(g) of the Code.

(f) Company hereby covenants and agrees that it will at all times comply with the provisions of Section 148, including Section 148 (f) of the Code and with Section 6.06 of the Indenture. Specifically, Company shall carry out, do and perform all acts stipulated to be performed by Company pursuant to such Section 6.06 of the Indenture. Company shall further undertake to assure and cause rebate payments to be calculated and made to the United States of America in accordance with Section 148(f)(2) of the Code from moneys on deposit in the Rebate Fund from time to time after the end of each Computation Period, as defined in the Indenture, and following discharge of the 2005 Series A Bonds. Company also covenants to take all necessary acts and steps as required to cause Issuer to comply with the provisions of Section 7.03 of the Indenture.

Section 4.5. Opinion of Bond Counsel. Company need not comply with the covenants or representations in Section 4.4 if and to the extent that Issuer and Company (with a copy to Trustee) receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2005 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE V

PROVISIONS FOR PAYMENT

Section 5.1. Loan Payments and Other Amounts Payable.

(a) Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2005 Series A Bonds or any other date that any payment of interest, premium, if any, purchase price or principal is required to be made in respect of the 2005 Series A Bonds at the times specified in accordance with the more specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2005 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the 2005 Series A Bonds as provided in the Indenture; provided that such payments by Company to enable the Tender Agent to pay the purchase price of Bonds shall be made within the times required by Section 3.05 of the Indenture.

It is understood and agreed that all payments payable by Company under this subsection (a) of Section 5.1 are assigned by the Issuer to the Trustee, the Paying Agent and the Tender Agent, as applicable, for the benefit of the Bondholders. Company assents to such assignment. Issuer hereby directs Company and Company hereby agrees to pay to Trustee and/or Paying Agent or Tender Agent, as appropriate, at the Principal Office of the Trustee and/or Paying Agent or Tender Agent, as appropriate, all payments payable by Company pursuant to this subsection.

(b) Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2005 Series A Bonds and incurred upon the request of Company.

(c) Company will also pay the agreed upon fees and expenses of Trustee (including those referred to in Section 10.02 of the Indenture), the Bond Registrar, the Market Agent, the Auction Agent, the Tender Agent and the Paying Agent, as may be applicable, under the Indenture and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Market Agent, the Auction

Agent and the Tender Agent, as applicable from time to time, under the Indenture, such amounts to be paid directly to Trustee, the Bond Registrar, the Market Agent, the Auction Agent, the Paying Agent and Tender Agent for their respective own accounts as and when such amounts become due and payable.

The Company further agrees to hold harmless the Trustee, Bond Registrar and Paying Agent against any loss, liability or expense, including reasonable attorneys' fees and expenses, incurred by it without negligence or bad faith on its part in connection with the issuance of the 2005 Series A Bonds or the acceptance or administration of the trusts under the Indenture, including the costs of defending itself against any claim or liability in connection therewith.

(d) The Company covenants, for the benefit of the Bondholders, to pay or cause to be paid, to the Tender Agent for deposit in the Purchase Fund, such amounts as shall be necessary to enable the Tender Agent to pay the purchase price of 2005 Series A Bonds delivered to it for purchase, all as more particularly described in Sections 3.03 and 3.05 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price of 2005 Series A Bonds delivered to it for purchase, as provided in the Indenture.

(e) In the event Company should fail to make any of the payments required in this Section 5.1 , the item or installment so in default shall continue as an obligation of Company until the amount in default shall have been fully paid, and Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due to the date of payment.

Section 5.2. Payments Assigned . As set forth in Section 5.1 hereof, it is understood and agreed that this Agreement and all payments made by Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) and (c) or pursuant to Section 8.2 hereof) are assigned by Issuer to Trustee. Company assents to such assignment and hereby agrees that, as to Trustee, Paying Agent, Market Agent, Auction Agent and Tender Agent, as applicable from time to time, its obligation to make such payments shall be absolute, irrevocable and unconditional and shall not be subject to cancellation, termination or abatement or to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by any party, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing by any party. Except as provided above, Issuer hereby directs Company and Company hereby agrees to pay directly to Trustee, Paying Agent, Market Agent, Auction Agent, Bond Registrar, Tender Agent and Issuer, as appropriate, all said payments payable by Company pursuant to Section 5.1 of this Agreement.

Section 5.3. Taxes and Other Governmental Charges . Company agrees to pay during the term of this Agreement, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied or charged against or with respect to the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating Company to pay taxes on any interest or principal on the 2005 Series A Bonds disbursed to Bondholders.

Company may, at its expense and in its own name, in good faith contest any such taxes, assessments and other governmental charges and, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments or charges shall be paid forthwith. Issuer will cooperate fully with Company in any such contest. In the event Company shall fail to pay any of the foregoing items required by this Section to be paid by Company, Issuer or Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by Issuer or Trustee shall become an additional obligation of Company to the one making the advancement, which amounts, together with interest thereon Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on ninety-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; provided , however , that no such advancement shall operate to relieve the Company from any default hereunder. Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4. Obligations of Company Unconditional . The obligation of Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.06 of the Indenture shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the 2005 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, Company (i) will not suspend or discontinue any payments pursuant to this Agreement and (ii) except as provided in ARTICLE X hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of title to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of Issuer or Trustee to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release Issuer from the performance of any of the agreements on its part herein contained; and in the event Issuer should fail to perform any such agreement on its part, Company may institute such action against Issuer as Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of Company contained in the preceding sentence. Company may, however, at its own cost and expense and in its own name or in the name of Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy and use of the Project, and in such event Issuer hereby agrees to cooperate fully with Company.

Section 5.5. Rebate Fund. Company agrees to make all payments to the Trustee and rebate all amounts to the United States of America as are required of it under Section 6.06 of the Indenture. The obligation of Company to make such payments shall remain in effect and be binding upon Company notwithstanding the release and discharge of the Indenture.

Section 5.6. Redemption of the 2005 Series A Bonds in Advance of Scheduled Maturity. Under the terms of the Indenture, the 2005 Series A Bonds are and will be subject to redemption prior to their scheduled maturity. The Issuer agrees that it shall direct the Trustee to redeem and call 2005 Series A Bonds at the written direction of the Company.

Section 5.7. Cancellation of 2005 Series A Bonds. The cancellation by the Bond Registrar of any 2005 Series A Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2005 Series A Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan repayment equal to the principal amount of the 2005 Series A Bond or Bonds so cancelled.

ARTICLE VI

MAINTENANCE; DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS; INSURANCE

Section 6.1. Maintenance. So long as any 2005 Series A Bonds are Outstanding, as that term is defined in the Indenture, Company will maintain, preserve and keep the Project, or cause the Project to be maintained, preserved and kept, in good repair, working order and condition and will from time to time make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as air pollution control and abatement facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, the Code and the Act; provided, however, that Company will have no obligation to maintain, preserve, keep, repair, replace or renew any element or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to Company because of damage or destruction by a cause not within the control of Company, or condemnation of all or substantially all of the Project or the generating facilities to which the element or unit of the Project is an adjunct, or obsolescence (including economic obsolescence) or change in government standards and regulations, or the termination by Company of the operation of the generating facilities to which the element or unit of the Project is an adjunct, and (b) with respect to which Company has furnished to Issuer and Trustee a certificate executed by Company Representative certifying that the maintenance, preservation, keeping, repair, replacement or renewal of such element or unit of the Project is being discontinued for one of the foregoing reasons, which shall be stated therein, and that the discontinuance of such element or unit will not adversely affect the exclusion of interest on any of the 2005 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of this Agreement as part of the Project; provided, however, that Company shall take no actions which will change or alter the basic nature of the Project as air pollution control facilities under Section 103 (b)(4)(F) of the Internal Revenue Code of 1954, as amended, and the Act.

If, prior to full payment of all 2005 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer or the Company receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.1(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2005 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2005 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2005 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2005 Series A Bonds are otherwise subject to optional redemption.

Section 6.2. Insurance. The Company agrees to insure, or self-insure, the Project at all times reasonably in accordance with investor-owned public utility industry general practices and standards.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1. No Warranty of Condition or Suitability by Issuer. Issuer makes no warranty, either express or implied, as to the Project or that it will be suitable for Company's purposes or needs.

Section 7.2. Company to Maintain its Corporate Existence; Conditions under Which Exceptions Permitted. Company agrees that during the term of this Agreement it will maintain its corporate existence and good standing, will continue to be a corporation organized under the laws of the Commonwealth of Kentucky or qualified and admitted to do business in the Commonwealth of Kentucky, and will neither dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge, (i) shall be a corporation or other business organization organized and existing under the laws of the United States or one of the States of the United States of America or the District of Columbia, (ii) shall be qualified and admitted to do business in the Commonwealth of Kentucky, (iii) shall assume in writing all of the obligations and covenants of Company herein and (iv) shall deliver a copy of such assumption to the Issuer and Trustee.

Section 7.3. Financial Statements. Company agrees to furnish Trustee (within 120 days after the close of each fiscal year) with an audited balance sheet and statements of income, retained earnings and changes in cash flows showing the financial condition of Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of Company and its consolidated ıbsidiary or subsidiaries, if any, for such fiscal year, accompanied by an opinion of its regular independent certified public accountants that ıch statements fairly represent the financial condition of Company in accordance with generally accepted accounting principles. The information so provided to Trustee shall be kept in its files and is not required to be distributed to any Registered Holder or other person. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 7.4. Further Assurances and Corrective Instruments. Issuer and Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5. Issuer Representative. Whenever under the provisions of this Agreement the approval of Issuer is required or Issuer is required to take some action at the request of Company, such approval shall be made or such action shall be taken by Issuer Representative and Company or Trustee shall be authorized to act on any such approval or action, and Issuer shall have no redress against Company or Trustee as a result of any such action taken.

Section 7.6. Company Representative. Whenever under the provisions of this Agreement the approval of Company is required or Company is required to take some action at the request of Issuer, such approval shall be made or such action shall be taken by Company Representative and Issuer or Trustee shall be authorized to act on any such approval or action and Company shall have no redress against Issuer or Trustee as a result of any such action taken.

Section 7.7. Financing Statements. Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the lien of the Indenture. Issuer shall cooperate fully with Company in taking any such action. Concurrently with the execution and delivery of the 2005 Series A Bonds, Company caused to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such lien, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture, which filings the Company agrees to undertake.

Section 7.8. Company's Performance Under Indenture. The Company agrees, for the benefit of Bondholders to do and perform all acts and things contemplated in the Indenture to be done and performed by it.

Section 7.9. Negative Pledge.

(a) The Company agrees that so long as any 2005 Series A Bonds remain outstanding, the Company will not issue, assume or guarantee any Debt secured by any mortgage, security interest, pledge or lien (herein referred to as a "mortgage") of or upon any Operating Property of the Company, whether owned at the date of the Indenture or thereafter acquired, and will not permit to exist any Debt secured by a mortgage on any Operating Property, without in any such case effectively securing the 2005 Series A Bonds equally and ratably with such Debt; provided, however, that the foregoing restriction shall not apply to Debt secured by any of the following:

(i) mortgages on any property existing at the time of acquisition thereof;

(ii) mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with the Company, or at the time of a sale, lease or other disposition of the properties of such corporation or a division thereof as an entirety or substantially as an entirety to the Company, provided that such mortgage as a result of such merger, consolidation, sale, lease or other disposition is not extended to property owned by the Company immediately prior thereto;

(iii) mortgages on property to secure all or part of the cost of acquiring, substantially repairing or altering, constructing, developing or substantially improving such property, or to secure indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided such mortgages are created or assumed contemporaneously with, or within 18 months after, such acquisition or completion of substantial repair or alteration, construction, development or substantial improvement or within six months thereafter pursuant to a commitment for financing arranged with a lender or investor within such 18 month period;

(iv) mortgages in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any state thereof, or for the benefit of holders of securities issued by any such entity, to secure any Debt incurred for the purpose of financing all or any part of the purchase price or the cost of substantially repairing or altering, constructing, developing or substantially improving the property subject to such mortgages; or

(v) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any mortgage referred to in the foregoing clauses (1) to (4), inclusive; provided, however, that the principal amount of indebtedness secured thereby and not otherwise authorized by said clauses (1) to (4), inclusive, shall not exceed the principal amount of

indebtedness, plus any premium or fee payable in connection with any such extension, renewal or replacement, so secured at the time of such extension, renewal or replacement.

(b) Notwithstanding the provisions of Section 7.9(a) and so long as any 2005 Series A Bonds remain outstanding, the Company may issue, assume or guarantee Debt, or permit to exist Debt, secured by mortgages which would otherwise be subject to the restrictions of this Section up to an aggregate principal amount that, together with the principal amount of all other Debt of the Company secured by mortgages (other than mortgages permitted by Section 7.9(a) that would otherwise be subject to the foregoing restrictions) does not at the time exceed the greater of 10% of Net Tangible Assets or 10% of Capitalization.

(c) Notwithstanding the provisions of Section 7.9(a) and Section 7.9(b), the Company will not issue, assume, guarantee or permit to exist any debt of the Company secured by a mortgage, the creditor of which controls, is controlled by, or is under common control with, the Company.

(d) If at any time the Company shall issue, assume or guarantee any Debt secured by any mortgage and if Section 7.9(a) requires that the 2005 Series A Bonds be secured equally and ratably with such Debt, the Company will promptly execute, at its expense, any instruments necessary to so equally and ratably secure such 2005 Series A Bonds.

ARTICLE VIII

ASSIGNMENT; INDEMNIFICATION; REDEMPTION

Section 8.1. Assignment. This Agreement may be assigned by Company without the necessity of obtaining the consent of either Issuer or Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve Company from primary liability for any of its obligations hereunder, and in the event of any such assignment Company shall remain primarily liable for payments of the amounts specified in Section 5.1 hereof and for performance and observance of the other covenants or agreements on its part herein provided to be performed and observed to the same extent as though no assignment had been made;

(b) The assignee shall assume the obligations of Company hereunder to the extent of the interest assigned;

(c) Company shall, within thirty days after the delivery thereof, furnish or cause to be furnished to Issuer and to Trustee a true and complete copy of each such assignment and assumption of obligation; and

(d) prior to such assignment, the Company shall have obtained an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the 2005 Series A Bonds from gross income for Federal income tax purposes under Section 103 (a) of the Code.

Section 8.2. Release and Indemnification Covenants. Company releases Issuer from and covenants and agrees that Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless against, any expense or liability incurred by Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof. If any such claim is asserted, Issuer agrees to give prompt notice to the Company and Company will assume the defense thereof, with full power to litigate, compromise or to settle the same in its sole discretion, it being understood that Issuer will not settle or consent to the settlement of the same without the consent of Company.

Section 8.3. Assignment of Interest in Agreement by Issuer. Any assignment by Issuer to Trustee pursuant to the Indenture or this Agreement of any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 8.4. Redemption of 2005 Series A Bonds. Upon the agreement of Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2005 Series A Bonds subject to redemption, Issuer, at the request of Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the 2005 Series A Bonds outstanding, as may be specified by Company, on the redemption date specified by the Company.

Section 8.5. Reference to 2005 Series A Bonds Ineffective after 2005 Series A Bonds Paid. Upon payment in full of the 2005 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.4 hereof and payment of all fees and charges of the Trustee (including reasonable attorney's fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2005 Series A Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2005 Series A Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default Defined. The following shall be "events of default" under this Agreement and the term "events of default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsections (a) and (d) of Section 5.1 hereof which results in failure to pay principal of, premium or interest on or the purchase price of the 2005 Series A Bonds, and such failure shall cause an event of default under the Indenture.

(b) Failure by Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, is given to Company by Issuer or Trustee, unless Issuer and Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Issuer and Trustee will not unreasonably withhold their consent to an extension of such time if such failure is capable of being cured and corrective action is instituted by Company within the applicable period and is being diligently pursued.

(c) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Company, or of a substantial part of the property or assets of Company, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company or (iii) the winding-up or liquidation of Company; and such proceeding or petition shall continue undismissed or unstayed for 90 days or an order or decree approving or ordering any of the foregoing shall be entered.

(d) Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (d) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing.

(e) The occurrence of an Event of Default under the Indenture.

The provisions of Section 9.1(b) are subject to the following limitations: If by reason of force majeure Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of Company contained in Section 2.2(k) and (l) , Section 4.2 , Section 4.4 , Section 7.2 or ARTICLE V hereof and the general covenant and obligation of Company to take all necessary actions for the continued exclusion of interest on the 2005 Series A Bonds from gross income for federal and Kentucky income taxes, Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean any cause or event not reasonably within the control of Company, including without limitation the following: acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies, including terrorists; orders of any kind of the government of the United States or of the Commonwealth of Kentucky or any of their departments, agencies or officials, or any civil or military authority; evacuations and quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines or pipes; or partial or entire failure of utility services. Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Company, and Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Company unfavorable to Company.

Section 9.2. Remedies on Default . Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, the Trustee, on behalf of the Issuer, may take any one or more of the following remedial steps:

(a) By written notice to Company, the Trustee, on behalf of the Issuer, may declare an amount equal to the principal and accrued interest on the 2005 Series A Bonds then Outstanding, as defined in the Indenture, to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

(b) The Trustee, on behalf of the Issuer, may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of Company.

(c) The Trustee, on behalf of the Issuer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Company under this Agreement.

In case there shall be pending a proceeding of the nature described in Section 9.1(c) or (d) above, Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of Trustee allowed in such judicial proceedings relative to Company, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any custodian (including, without limitation a receiver, trustee or liquidator) of Company appointed connection with such proceedings is hereby authorized to make such payments to Trustee, and to pay to Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Any amounts collected pursuant to action taken under this Section (other than the compensation and expenses referred to in the

immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2005 Series A Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of Trustee and any paying agents accrued and to accrue through final payment of the 2005 Series A Bonds, and all other liabilities of Company accrued and to accrue hereunder or under the Indenture through final payment of the 2005 Series A Bonds have been paid, such amounts so collected shall be paid to Company.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given Issuer hereunder shall also extend to Trustee, and Trustee and the holders of the 2005 Series A Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 9.4. Agreement to Pay Reasonable Attorneys' Fees and Expenses. In the event Company should default under any of the provisions of this Agreement and Issuer and/or Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of Company herein contained, Company agrees that it will on demand therefor pay to Issuer and/or Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by Issuer and/or Trustee.

Section 9.5. Waiver of Events of Default. If, after the acceleration of the maturity of the outstanding 2005 Series A Bonds by Trustee pursuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2005 Series A Bonds and the principal of, and premium, if any, on any and all 2005 Series A Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2005 Series A Bond, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2005 Series A Bonds which shall have become due by said declaration, shall have been remedied, and such event of default under the Indenture shall be deemed waived by Trustee in accordance with Section 9.11 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then Company's default hereunder shall be deemed to have been waived by Issuer and no further action or consent by Trustee or Issuer shall be required. In the event any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

PREPAYMENT OF LOAN

Section 10.1. Options to Prepay Loan. Company shall have, and is hereby granted, options to prepay the Loan in whole and to cancel or terminate this Agreement on any Business Day at any time Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by Company to Trustee of such election, as follows:

(a) If in the judgment of Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2005 Series A Bonds upon Company with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem, property, income or other taxes not imposed on the date of this Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) If the Project or a portion thereof or other property of Company in connection with which the Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use;

(d) In the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of either of the Mill Creek and Cane Run Generating Stations of the Company shall have occurred which, in the judgment of the Company, render the continued operation of either of the Mill Creek or Cane Run Generating Stations or any generating unit at either such station uneconomical; or changes in circumstances, after the issuance of the 2005 Series A Bonds including but not limited to changes in clean air or other air pollution control requirements, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) In the event this Agreement shall become void or unenforceable or impossible of performance by reason of any changes in the constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action, whether state or federal, or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) A final order or decree of any court or administrative body after the issuance of the 2005 Series A Bonds shall require the

Company to cease a substantial part of its operations at the Mill Creek and Cane Run Generating Stations to such extent that the Company will be prevented from carrying on its normal operations at such location for a period of six months.

In the case of prepayment pursuant to this Section (or if any 2005 Series A Bonds be redeemed in whole or in part pursuant to Section 6.1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with Trustee and available for such purpose, to redeem all 2005 Series A Bonds then outstanding (or, in the case any 2005 Series A Bonds are redeemed in part pursuant to Section 6.1 hereof, such portion of the 2005 Series A Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2005 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2005 Series A Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the events mentioned in (a) through (f) above, Company is required to give written notice to Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2. Additional Option to Prepay Loan. Company shall have, and is hereby granted, further options, to the extent that the 2005 Series A Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with Trustee moneys sufficient to pay, together with other funds deposited with Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2005 Series A Bonds then outstanding under the Indenture and, upon depositing with Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2005 Series A Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder, to cancel or terminate the term of this Agreement.

Section 10.3. Obligations to Prepay Loan. Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, prior to the required full payment of the 2005 Series A Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and Company shall take all actions required to mandatorily redeem the 2005 Series A Bonds at the cost of the Company upon the terms specified in this Agreement and in ARTICLE IV of the Indenture following the occurrence of a Determination of Taxability, including, but not limited to, prepaying appropriate amounts due on the 2005 Series A Bonds in order to effect such redemption. The 2005 Series A Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this Section, a "Determination of Taxability" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2005 Series A Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2005 Series A Bonds, the interest on the 2005 Series A Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2005 Series A Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2005 Series A Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any 2005 Series A Bond in the computation of minimum or indirect taxes. All of the 2005 Series A Bonds shall be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2005 Series A Bonds of one or more series or one or more maturities would have the result that interest payable on the remaining 2005 Series A Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the 2005 Series A Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described in this Section, the Company shall give notice thereof to the Trustee and the Issuer.

In the case of the mandatory obligation of Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as specified in this Section hereof and to provide to Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2005 Series A Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2005 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any paying agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2005 Series A Bonds.

Section 10.4. Notice of Prepayment; Redemption Procedures. It is understood and agreed by the parties hereto that in order to exercise an option granted in, or to consummate a mandatory prepayment required by, this Article, Company shall give written notice to Issuer and Trustee which notice shall (i) contain the agreement of Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2005 Series A Bonds equal to the amount of the prepayment, including, in the case of a repayment under Section 10.2 hereof, any applicable redemption premium in respect of such 2005 Series A Bonds, and any other amounts required under this Agreement and (ii) specify the prepayment date (which must be a Business Day and which shall also be the redemption date), which date shall not be less than 30 days (45 days if the 2005 Series A Bonds are bearing interest at the Semi-annual, Annual or Long Term Rate or in all cases such shorter period as may be acceptable to the Trustee) nor more than 90 days from the date the notice is mailed by Company to Issuer and Trustee.

Section 10.5. Relative Position of this Article and Indenture. The rights and options granted to Company in this Article, except the option granted to Company pursuant to Section 10.2 to prepay less than all of the Loan payments, shall be and remain prior and superior to the Indenture and may be exercised whether or not Company is otherwise in default hereunder; provided that such default will not result in nonfulfillment of any condition to the exercise of any such right or option.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Term of Agreement. This Agreement shall remain in full force and effect from the date hereof to and including the later of February 1, 2035, or until such earlier or later time as all of the 2005 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture), whichever shall be later; provided, however, that this Agreement may be cancelled and terminated prior to said date if Company shall prepay all of the Loan pursuant to ARTICLE X hereof; and provided further, however, that all obligations of Company under ARTICLE V and Section 8.1 hereof (a) to pay the agreed fees and expenses of Trustee, the Tender Agent, the Bond Registrar and any Paying Agent and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2005 Series A Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by Company as to all matters affecting the tax-exempt status of interest on the 2005 Series A Bonds shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2005 Series A Bonds and shall survive the termination of this Agreement and all obligations of Company contained herein relating to indemnification of Issuer, Trustee, Bond Registrar, Authenticating Agent, Tender Agent and any Paying Agent shall survive the termination of this Agreement.

Section 11.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Issuer, at 527 West Jefferson Street, Louisville, Kentucky 40202, Attention: Mayor;

If to Company, at its corporate headquarters, 220 West Main Street, Louisville, Kentucky 40202, Attention: Treasurer, and

If to Trustee, at 25 Deforest Avenue, 2 nd Floor, Summit, New Jersey 07901, Attention: Trust and Securities Services (Municipal Unit).

If to Paying Agent, Remarketing Agent, Auction Agent, Market Agent or Tender Agent, at such addresses for notices as are set forth in the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by either Issuer or Company to the other shall also be given to Trustee. Issuer, Company and Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon Issuer, Company and their respective successors and assigns, subject, however, to the limitations contained in Section 7.2, Section 8.1 and Section 8.3 hereof.

Section 11.4. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5. Amounts Remaining in Bond Fund, Rebate Fund and Prior Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the 2005 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, shall belong to and be paid to Company by Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied and disbursed strictly and only in accordance with the provisions of Section 6.06 of the Indenture. Following the payment and discharge of the Refunded 1995 Series A Bonds on their redemption date and the making of provision for payment of the Refunded 1995 Series A Bonds not presented for payment, any remaining moneys in the Prior Bond Fund shall belong to and be paid to Company by the Prior Trustee.

Section 11.6. Amendments, Changes and Modifications. Subsequent to the issuance of the 2005 Series A Bonds and prior to payment in full of all 2005 Series A Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated, and no provision hereof waived, without the written consent of Trustee, given in accordance with the Indenture.

Section 11.7. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 11.9. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 11.10. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement, as hereinabove provided.

Section 11.11. Payments Due on Other Than Business Days. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be on a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided in this Agreement, and if done on such succeeding Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

(remainder of this page left blank intentionally)

IN WITNESS WHEREOF , Issuer and Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of February 1, 2005, amended and restated as of September 1, 2008.

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT, KENTUCKY

(SEAL)

By:_____
JERRY E. ABRAMSON
Mayor

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

Mike O'Connell
Jefferson County Attorney

_____
KATHLEEN J. HERRON
Metro Council Clerk

By:_____
JAMES T. CAREY
Assistant County Attorney

LOUISVILLE GAS AND ELECTRIC
COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

TTEST:

_____
JOHN R. McCALL
Secretary

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of November, 2008, the foregoing instrument was produced to me in said County by Jerry E. Abramson and Kathleen J. Herron, personally known to me and personally known by me to be the Mayor and Clerk of Metro Council, respectively, of the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, and acknowledged before me by them and each of them to be their free act and deed as Mayor and Clerk of Metro Council of such County, and the act and deed of said Louisville/Jefferson County Metro Government, Kentucky as authorized by an Ordinance of the Metro Council of such Louisville/Jefferson County Metro Government, Kentucky.

Witness my hand and seal this _____ day of November, 2008. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of November, 2008, the foregoing instrument was produced to me in said County by Daniel K. Arbough and John R. McCall, personally known to me and personally known by me to be the Treasurer and the Secretary, respectively, of LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

Witness my hand and seal this _____ day of November, 2008. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

This Instrument Prepared by the
Undersigned, Attorney at Law of
STOLL KEENON OGDEN PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202

_____
SPENCER E. HARPER, JR

Exhibit 4(mm)-2

Execution Copy

(2005 Series A - Louisville Metro)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

AMENDMENT NO. 1 TO AMENDED AND RESTATED LOAN AGREEMENT IN CONNECTION WITH POLLUTION CONTROL FACILITIES

* * * * *

Dated as of September 1, 2010

* * * * *

NOTICE: The interest of the Louisville/Jefferson County Metro Government, Kentucky in and to this Amendment No. 1 to Amended and Restated Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Amended and Restated Indenture of Trust dated as of September 1, 2008.

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THIS AMENDMENT NO. 1 TO AMENDED AND RESTATED LOAN AGREEMENT, dated as of September 1, 2010, but made effective as of the Effective Date (defined herein) (this "Amendment No. 1 to Loan Agreement"), by and between the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, the governmental successor in interest by operation of law to the County of Jefferson, Kentucky, being a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky.

WITNESSETH:

WHEREAS, the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer") is the governmental successor in interest by operation of law to the County of Jefferson, Kentucky and constitutes a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), the Issuer has the power to enter into the transactions contemplated by this Amendment No. 1 to Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, the Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act for the abatement and control of air pollution and to refund bonds which were previously issued for such purposes; and

WHEREAS, on April 13, 2005, the Issuer, at the request of Louisville Gas and Electric Company (the "Company"), issued its Pollution Control Revenue Bonds, 2005 Series A (Louisville Gas and Electric Company Project) (the "Bonds" or "2005 Series A Bonds") in the original principal amount of $40,000,000, and the Issuer loaned the proceeds of the 2005 Series A Bonds to the Company pursuant to the Loan Agreement dated as of February 1, 2005, between the Issuer and the Company (the "Original Agreement"); and

WHEREAS, to secure the payment of the 2005 Series A Bonds, the Issuer assigned substantially all of its rights, title and interests in and to the Original Agreement to Deutsche Bank Trust Company Americas, as Trustee (the "Trustee"), pursuant to the Indenture of Trust dated as of February 1, 2005, between the Issuer and the Trustee (the "Original Indenture"); and

WHEREAS, the Company delivered to the Trustee, as security for the Company's payment obligations under the Agreement, $40,000,000 aggregate principal amount of the Company's first mortgage bonds issued under the Company's Indenture dated November 1, 1949, as amended by indentures supplemental thereto (the "1949 Indenture"); and

WHEREAS, the 1949 Indenture was subsequently terminated, the first mortgage bonds issued under the 1949 Indenture to secure the 2005 Series A Bonds were released and the Company's obligations under the Indenture became secured by bond insurance only; and

WHEREAS, the Issuer and the Trustee entered into an Amended and Restated Indenture of Trust dated as of September 1, 2008 (the "Indenture"), which amended and restated the Original Indenture, and the Issuer and the Company entered into an Amended and Restated Loan Agreement dated as of September 1, 2008 (the "Agreement"), which amended and restated the Original Agreement, pursuant to which the Company eliminated the bond insurance securing the 2005 Series A Bonds; and

WHEREAS, all of the 2005 Series A Bonds remain outstanding and unpaid; and

WHEREAS, the Company intends to enter into that certain Indenture dated as of October 1, 2010 (the "First Mortgage Indenture") between the Company and The Bank of New York Mellon (the "First Mortgage Trustee"), pursuant to which the Company shall issue certain first mortgage bonds secured by a lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky; and

WHEREAS, in the event the Company grants a lien on and a security interest in its operating property to secure general debt for borrowed money, which the Company intends to do pursuant to the issuance of the first mortgage bonds pursuant to the First Mortgage Indenture, the Agreement obligates the Company to grant an equal and ratable lien on and security interest in its operating property in favor of the Trustee under the Indenture to secure the 2005 Series A Bonds; and

WHEREAS, the Company intends to issue first mortgage bonds (the "First Mortgage Bonds") to the Trustee under the Indenture, thereby creating in favor of the Trustee for the benefit of the holders of the 2005 Series A Bonds an equal and ratable lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky as security for the payment of the 2005 Series A Bonds; and

WHEREAS, pursuant to Section 13.01 of the Indenture, the consent of the holders of the 2005 Series A Bonds is not required for the Issuer and the Company to enter into an amendment to the Agreement in order to conform the Agreement with changes and modifications to the Indenture made pursuant to Section 12.01 of the Indenture; and

WHEREAS, it is now appropriate and necessary that the Agreement be amended pursuant to Section 13.01 of the Indenture in connection with the issuance of the First Mortgage Bonds to the Trustee under the Indenture as additional collateral and security for the payment of the 2005 Series A Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Issuer on September 23, 2010, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to enter into this Amendment No. 1 to Loan Agreement in order to provide additional collateral and security for the 2005 Series A Bonds; and

WHEREAS , the Issuer and the Trustee have entered into that certain Supplemental Indenture No. 1 to Indenture of Trust (the "Supplemental Indenture No. 1") of even date herewith pursuant to Section 12.01 of the Indenture; and

WHEREAS , all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the equirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amendment No. 1 to Loan Agreement have happened, have existed and have been performed as so required in order to make this Amendment No. 1 to Loan Agreement a valid and binding loan agreement for the security of the holders of the 2005 Series A Bonds and for payment of all amounts due under the Agreement and this Amendment No. 1 to Loan Agreement in accordance with their respective terms.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER AS FOLLOWS :

ARTICLE I

AMENDMENTS TO THE LOAN AGREEMENT

Section 1.1. Amendment of Table of Contents . The title to Article IV of the Table of Contents of the Agreement is hereby amended and restated, and Sections 4.6 and 10.6 are added to the Table of Contents:

ARTICLE IV ISSUANCE OF 2005 SERIES A BONDS; APPLICATION OF PROCEEDS; COMPANY TO ISSUE FIRST MORTGAGE BONDS

Section 4.6. First Mortgage Bonds

Section 10.6. Concurrent Discharge of First Mortgage Bonds

The Table of Contents is further amended by deleting Section 7.9 in its entirety.

Section 1.2. Amendment of Section 1.2. Incorporation of Certain Terms by Reference . The following defined terms are hereby added to Section 1.2 of the Agreement and shall have the meanings set forth in Section 1.5 of the Supplemental Indenture No. 1:

"Amendment No. 1 to Loan Agreement"
"Effective Date"
"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Redemption Demand"
"Supplemental First Mortgage Indenture"
"Supplemental Indenture No. 1"

Section 1.3. Amendment of Section 1.3. Additional Definitions . The following defined terms set forth in Section 1.3 of the Agreement are hereby deleted in their entirety:

"Capitalization"
"Debt"
"Net Tangible Assets"
"Operating Property"

Section 1.4. Amendment of Section 3.2. Agreement as to Ownership of Project . Section 3.2 of the Agreement is hereby amended and restated to read as follows:

> Section 3.2 . Agreement as to Ownership of Project . The Issuer and the Company agree that title to and ownership of the Project shall remain in and be the sole property of the Company in which the Issuer shall have no interest. From and after the Effective Date, the Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2005 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement and the Amendment No. 1 to Loan Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 1.5. Addition of Section 4.6. First Mortgage Bonds . The Agreement is hereby amended by the addition of Section 4.6 thereto to read as follows:

> Section 4.6 . First Mortgage Bonds . The Company covenants and agrees with the Issuer that it will, for the purpose of providing security for the 2005 Series A Bonds, execute and deliver to the Trustee on the Effective Date the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2005 Series A Bonds. The First Mortgage Bonds shall be in full force and effect from and after the Effective Date and shall mature as to principal identically

as in the case of the 2005 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental First Mortgage Indenture, shall bear interest identically as in the case of the 2005 Series A Bonds.

Following the Effective Date, upon the occurrence of an event of default under Article IX of this Agreement, as amended by the Amendment No. 1 to Loan Agreement, that has resulted in a default in payment of the principal of, premium, if any, or interest on the 2005 Series A Bonds as and when the same come due, whether at maturity, redemption, acceleration or otherwise, or a default in payment of the purchase price of any 2005 Series A Bond tendered for purchase, the acceleration of the maturity date of the 2005 Series A Bonds (to the extent not already due and payable) as a consequence of such event of default and the receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable, in accordance with the provisions specified in the Supplemental First Mortgage Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2005 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, the Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2005 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of the Company thereunder terminated and such First Mortgage Bonds shall be surrendered by the Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of the Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Section 1.6. Amendment of Section 6.1. Maintenance. The third paragraph of Section 6.1 of the Agreement is hereby amended and restated to read as follows:

If, prior to full payment of all 2005 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Company or the First Mortgage Trustee receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.l(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2005 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2005 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2005 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2005 Series A Bonds are otherwise subject to optional redemption.

Section 1.7. Amendment of Section 6.2. Insurance. Section 6.2 of the Agreement is hereby amended and restated to read as follows:

Section 6.2. Insurance. The Company agrees to insure the Project at all times in accordance with the provisions of the First Mortgage Indenture.

Section 1.8. Amendment of Section 7.7. Financing Statements. Section 7.7 of the Agreement is hereby amended and restated to read as follows:

Section 7.7. Financing Statements. The Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the respective liens of the Indenture and the First Mortgage Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the First Mortgage Bonds, the Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the respective liens of the Indenture and the First Mortgage Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such liens, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the respective liens of the Indenture and the First Mortgage Indenture, which filings the Company agrees to undertake.

Section 1.9. Deletion of Section 7.9. Negative Pledge. Section 7.9 of the Agreement is hereby deleted in its entirety.

Section 1.10. Amendment of Section 8.5. References to 2005 Series A Bonds Ineffective after 2005 Series A Bonds Paid. Section 8.5 of the Agreement is hereby amended and restated to read as follows:

Section 8.5. Reference to 2005 Series A Bonds Ineffective after 2005 Series A Bonds Paid. Upon payment in full of the 2005 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.4 hereof and payment of all fees and charges of the Trustee (including reasonable attorneys fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2005 Series A Bonds, the First Mortgage

Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2005 Series A Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1 .

Section 1.11. Amendment of Section 9.1. Events of Default Defined . Section 9.1 of the Agreement is hereby amended by the addition of subsection (f) thereto to read as follows:

(f) From and after the Effective Date, all bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

Section 1.12. Amendment of Section 9.2. Remedies on Default . Section 9.2(c) of the Agreement is hereby amended and restated to read as follows:

(c) The Trustee, on behalf of the Issuer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement and the Amendment No. 1 to Loan Agreement, including, from and after the Effective Date, any remedies available in respect of the First Mortgage Bonds.

Section 1.13. Addition of Section 10.6. Concurrent Discharge of First Mortgage Bonds . The Agreement is hereby amended by the addition of Section 10.6 thereto to read as follows:

Section 10.6 . Concurrent Discharge of First Mortgage Bonds . From and after the Effective Date, in the event any of the 2005 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement and the Amendment No. 1 to Loan Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.18 of the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by the Issuer . The Issuer represents, warrants and covenants that:

(a) The Issuer is a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, the Issuer has the power to enter into this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1 and the transactions contemplated hereby and thereby and to carry out its obligations hereunder and thereunder.

(b) To its knowledge, the Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the First Mortgage Bonds or the consummation of the transactions contemplated hereby, and the Issuer has been duly authorized to execute and deliver this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1. The Issuer agrees that it will do or cause to be done in a timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Amendment No. 1 to Loan Agreement.

Section 2.2. Representations, Warranties and Covenants by the Company . The Company represents, warrants and covenants that:

(a) The Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business, and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the First Mortgage Bonds.

(b) The Company has full and complete legal power and authority to execute and deliver this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds.

(c) No event of default, and no event of the type described in clauses (a) through (f) of Section 9.1 of the Agreement, as amended by this Amendment No. 1 to Loan Agreement, has occurred and is continuing, and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture or the First Mortgage Bonds, nor the consummation of the transactions contemplated hereby or by the Indenture and the Supplemental Indenture No. 1, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to

which the Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1. Term of Amendment No. 1 to Loan Agreement. This Amendment No. 1 to Loan Agreement shall remain in full force and effect from the date hereof to and including the later of February 1, 2035, or until such time as all of the 2005 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture and the Supplemental Indenture No. 1 and any amendments thereto), whichever shall be later; provided, however, that the Agreement, as amended, may be cancelled and terminated prior to said date in accordance with the provisions of Section 11.1 of the Agreement.

Section 3.2. Ratification. Except as amended and supplemented by Articles I and II hereof, the Issuer and the Company hereby ratify and reaffirm the terms and provisions of the Agreement and their respective representations, warranties, covenants, agreements and obligations set forth therein.

Section 3.3. Effective Date. This Amendment No. 1 to Loan Agreement has been made and entered into as of the date first written above but shall be effective as of the Effective Date.

Section 3.4. Binding Effect. This Amendment No. 1 to Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 of the Agreement.

Section 3.5. Severability. In the event any provision of this Amendment No. 1 to Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 3.6. Execution in Counterparts. This Amendment No. 1 to Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.7. Applicable Law. This Amendment No. 1 to Loan Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 3.8. Captions. The captions or headings in this Amendment No. 1 to Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Amendment No. 1 to Loan Agreement.

Section 3.9. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Amendment No. 1 to Loan Agreement or breach thereof shall constitute or give rise to a pecuniary liability of the Issuer or a charge upon its general credit or taxing powers.

(signature page immediately follows)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Amendment No. 1 to Loan Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all of the date first written.

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT, KENTUCKY

(SEAL)

By:_____
JERRY E. ABRAMSON
Mayor

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

Mike O'Connell
Jefferson County Attorney

_____
KATHLEEN J. HERRON
Metro Council Clerk

By:_____
JAMES T. CAREY
Assistant County Attorney

LOUISVILLE GAS AND ELECTRIC
COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

Exhibit 4(nn)-1

(Louisville Metro 2007 Series A)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

AMENDED AND RESTATED LOAN AGREEMENT
IN CONNECTION WITH ENVIRONMENTAL FACILITIES

* * * * *

Dated as March 1, 2007

Amended and Restated as of September 1, 2008

* * * * *

NOTICE: The interest of the Louisville/Jefferson County Metro Government, Kentucky, in and to this Amended and Restated Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Amended and Restated Indenture of Trust dated as of March 1, 2007, amended and restated as of September 1, 2008

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AMENDED AND RESTATED LOAN AGREEMENT
IN CONNECTION WITH ENVIRONMENTAL FACILITIES

This AMENDED AND RESTATED LOAN AGREEMENT, dated as of March 1, 2007, amended and restated as of September 1, 2008, by and between the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, the governmental successor in interest by operation of law to the County of Jefferson, Kentucky, being a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of Kentucky;

WITNESSETH:

WHEREAS, the Louisville/Jefferson County Metro Government, Kentucky ("Metro Government" or "Issuer") is the governmental successor in interest by operation of law to the County of Jefferson, Kentucky and constitutes a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes ("Act"), Issuer has the power to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, Issuer came into legal existence on January 6, 2003 by operation of law and voter approval in accordance with laws now codified as Chapter 67C of the Kentucky Revised Statutes and replaced and superceded the prior governments of both the City of Louisville, Kentucky and the County of Jefferson, Kentucky (the "Predecessor County") and pursuant to law has mandatorily assumed all existing contracts and obligations of the past City and Predecessor County and has been endowed with all powers of such prior City and Predecessor County; and

WHEREAS, the Metro Government, as successor to the Predecessor County, is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition of air pollution control facilities, one of the categories of "pollution control facilities", as defined by the Act for the abatement and control of air pollution and to refund bonds of the Predecessor County which were previously issued for such purposes; and

WHEREAS, Issuer is further authorized pursuant to the Act to enter into an amended and restated loan agreement, which may include such provisions as Issuer shall deem appropriate and necessary; and

WHEREAS, the Act further provides that title to Environmental Facilities shall not be acquired by Issuer in the case of a loan transaction; and

WHEREAS, Louisville Gas and Electric Company, a Kentucky corporation (the "Company"), has heretofore, by the issuance of the Refunded 1992 Series A Bonds, hereinafter defined, financed and refinanced all or a portion of the qualified costs of acquisition, construction, installation and equipping of certain air pollution control facilities to serve the Mill Creek and Cane Run Generating Stations of Company, which facilities constitute the Project, as hereinafter defined in the Indenture and as described in Exhibit A hereto (the "Project"), which Project is located within the corporate boundaries of Issuer and consists of certain air pollution control facilities, together with facilities functionally related and subordinate to such facilities in furtherance of the regulations of the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky and the Air Pollution Control District of Jefferson County, Kentucky, and which Project qualifies for financing and refinancing within the meaning of the Act; and

WHEREAS, the Project has been completed and placed in operation and has contributed and does contribute to the control, containment, reduction and abatement of atmospheric pollution in the Commonwealth of Kentucky; and

WHEREAS, under date of April 26, 2007, the Issuer, at the request of the Company, issued its "Louisville/Jefferson County Metro Government, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project)", dated April 26, 2007, of which $31,000,000 principal amount of such bonds remains outstanding and unpaid (the "2007 Series A Bonds"), such 2007 Series A Bonds having been issued to refund the Refunded 1992 Series A Bonds, hereinafter described, such Refunded 1992 Series A Bonds having been issued to currently refinance certain 1975 Series A Bonds issued in original principal amount of $35,000,000 of which $4,000,000 principal amount thereof has matured and has been paid and discharged (the "Original Bonds") having been issued to finance a portion of the Cost of Construction of the Project, hereinafter described; and

WHEREAS, in respect of the 2007 Series A Bonds, the Issuer entered into a Loan Agreement dated as of March 1, 2007 with the Company and it is now appropriate and necessary that such Loan Agreement, be amended and restated in order to enable the Company to replace the bond insurance with a line of credit, letter of credit, revolving credit agreement, standby credit agreement, guaranty agreement, bond purchase agreement, alternate insurance coverage or guarantees or the direct credit of the Company as deemed proper by the Company; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Metro Council of the Issuer on October 23, 2008, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to amend and restate the Loan Agreement to cancel the current bond insurance on the 2007 Series A Bonds and replace such bond insurance with an alternate credit support or the direct credit of the Company; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amended and Restated Loan Agreement (the "Agreement") have happened, have existed and have been performed as so required in order to make the Agreement a valid and binding instrument, in accordance with its terms; and

NOW, THEREFORE FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER, AS FOLLOWS :

ARTICLE I

DEFINITIONS

Section 1.1. Use of Defined Terms . In addition to the words and terms defined elsewhere in this Agreement or in the Indenture or by reference to another document, the words and terms set forth in Section 1.2 and Section 1.3 shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.2. Incorporation of Certain Terms by Reference . When and if used in this Agreement, the following terms shall have the meaning set forth in ARTICLE I of the Indenture:

"Act"
"Authorized Denomination"
"Bond Counsel"
"Bond Fund"
"Bond Year"
"Business Day"
"Code"
"Company"
"Company Bonds"
"Company Representative"
"Cost of Construction"
"Cumulative Excess Earnings"
"Environmental Facilities"
"Excess Earnings"
"Governmental Obligations"
"Indenture"
"Initial Broker-Dealers"
"Interest Payment Date"
"Issuer"
"Issuer Representative"
"Loan"
"Net Proceeds"
"No Auction Rate"
"Paying Agent"
"Permitted Investments"
"Plans and Specifications"
"Pollution Control Facilities"
"Prevailing Rating"
"Project"
"Project Site"
"Purchase Date"
"Purchase Fund"
"Rating Service"
"Rebate Fund"
"Redemption Date"
"Refunded 1992 Series A Bonds"
"1992 Series A Indenture"
"2007 Series A Bonds"
"Tender Agent"
"Trustee"

Section 1.3. Additional Definitions . In addition to the terms whose definitions are incorporated by reference herein pursuant to Section 1.2 , the following terms shall have the meanings set forth in this Section unless the use or context clearly indicates otherwise:

" Capitalization " means the total of all the following items appearing on, or included in, the balance sheet of the Company:

(1) liabilities for indebtedness, including short-term debt, long-term debt and current maturities of long-term debt; and

(2) common stock, preferred stock, capital surplus, premium on capital stock, capital in excess of par value and retained earnings (however the foregoing may be designated), less to the extent not otherwise deducted, the cost of shares of capital stock of the Company held in its treasury.

Capitalization shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Debt " shall mean any outstanding debt for money borrowed.

" Determination of Taxability " shall have the meaning ascribed to such term in Section 10.3 of this Agreement.

" Net Tangible Assets " means the amount shown as total assets on the balance sheet of the Company, less the following:

(1) intangible assets including, but without limitation, such items as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset on said balance sheet; and

(2) appropriate adjustments, if any, on account of minority interests.

Net Tangible Assets shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Operating Property " means (i) any interest in real property owned by the Company and (ii) any asset owned by the Company that is depreciable in accordance with generally accepted accounting principles.

" Prior Bond Fund " means the "County of Jefferson, Kentucky, Pollution Control Revenue Bond Fund, 1992 Series A (Louisville Gas and Electric Company Project) " created by the 1992 Series A Indenture.

" Prior Trustee " means Security Pacific National Trust Company (New York) (now known as U.S. Bank National Association), acting as trustee in respect of the Refunded 1992 Series A Bonds.

In addition to the definitions herein, terms used in this agreement and not defined herein shall have the meanings ascribed to such terms in the Indenture.

The words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement. Unless otherwise noted, all Section and Article references are to sections and articles in this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by Issuer . Issuer represents, warrants and covenants that:

(a) Issuer is a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, Issuer, the de jure governmental successor by operation of law to the Predecessor County, has the power and duty to issue the 2007 Series A Bonds, to enter into this Agreement and the Indenture and the transactions contemplated hereby and to carry out its obligations hereunder and thereunder. To its knowledge, Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2007 Series A Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2007 Series A Bonds and to execute and deliver this Agreement and the Indenture. Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) Issuer has loaned funds derived from the sale of the 2007 Series A Bonds to Company to provide for the refunding, payment and discharge of the outstanding principal amount of the Refunded 1992 Series A Bonds, to assist the Company to restructure its debt structure and to the end that air pollution be abated and controlled at the Project Site in the Commonwealth.

(c) To accomplish the foregoing, Issuer issued $31,000,000 aggregate principal amount of its 2007 Series A Bonds on such terms and conditions as are set forth in the Indenture. The proceeds from the sale of the 2007 Series A Bonds were applied exclusively and in whole, together with other funds made available by the Company, to refund, pay and discharge the outstanding principal amount of the Refunded 1992 Series A Bonds on or prior to the 90th day after the date of issuance of the 2007 Series A Bonds.

(d) Issuer will cooperate with Company and take all actions necessary for Company to comply with Section 2.2(n) , (aa) and (bb) hereof and take other actions reasonably requested by Company in furtherance of this Agreement.

(e) The Project Site is located within the boundaries of Issuer.

(f) Ordinance No. 49, Series 2007 of the Metro Council of the Issuer adopted on second reading on March 22, 2007 has been in continuous effect since the date of adoption thereof.

Section 2.2. Representations, Warranties and Covenants by Company. Company represents, warrants and covenants that:

(a) Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the 2007 Series A Bonds.

(b) Company has full and complete legal power and authority to execute and deliver this Agreement and has by proper corporate action duly authorized the execution and delivery of this Agreement.

(c) The Project currently refinanced by application of the proceeds of the Refunded 1992 Series A Bonds and Company funds was designed and constructed to collect, contain, reduce and abate air pollution at the Project Site. The Project was and is necessary for the public health and welfare, and has been designed for no material purpose except to control and abate atmospheric pollutants and contaminants at the Project Site. The Project constitutes air pollution control facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, and the Act.

(d) All of the proceeds of the 2007 Series A Bonds, exclusive of accrued interest, if any, were used on or prior to the 90th day after the date of issuance of the 2007 Series A Bonds exclusively and only to redeem, pay and discharge the principal of the Refunded 1992 Series A Bonds, which currently refunded the Original Bonds, not less than substantially all of the net proceeds of the Original Bonds (i.e., at least 90% of the net proceeds thereof, including investment income thereon) were used to finance the Cost of Construction of air pollution control facilities, together with facilities functionally related and subordinate to such facilities, and all of such air pollution control facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section 167 of the Code. Company provided any additional moneys required to pay and discharge the Refunded 1992 Series A Bonds within 90 days following the date of issuance of the 2007 Series A Bonds.

(e) The Project, as designed, has been previously certified by the Department for Natural Resources and Environmental Protection of Kentucky (now the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky) and the Air Pollution Control District of Jefferson County, Kentucky, the agencies exercising jurisdiction in the premises, to be in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants.

(f) The Company will not use or cause to be used any of the funds provided by the Issuer hereunder (including the earnings on any of such funds) in such a manner as to, or take or omit to take any action with respect to the use of such funds which would, impair the exclusion of the interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes. The Project is of the type authorized and permitted by the Act, and the Cost of Construction of the Project was not less than $31,000,000.

(g) No event of default, and no event of the type described in clauses (a) through (d) of Section 9.1 hereof, has occurred and is continuing and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under this Agreement or the transactions contemplated hereby. Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby or by the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of Company under the terms of any instrument or agreement.

(h) Company intends to continue to operate or cause the Project to be operated as Environmental Facilities until all of the 2007 Series A Bonds are paid and discharged.

(i) No portion of the proceeds of 2007 Series A Bonds were invested at a yield in excess of the yield on the 2007 Series A Bonds except (i) during any permitted temporary period provided by the Code, (ii) proceeds of a reasonably required reserve or replacement fund and (iii) as part of a minor portion of the proceeds of the 2007 Series A Bonds, not in excess of the lesser of 5% of the proceeds of the 2007 Series A Bonds or $100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Section 148 of the Code and applicable tax regulations.

(j) No portion of the proceeds from the sale of the 2007 Series A Bonds were deposited to the account of any reasonably required reserve or replacement fund or used to pay (i) any costs of issuance of the 2007 Series A Bonds or (ii) any redemption premium or accrued interest on the Refunded 1992 Series A Bonds, but such proceeds were applied and used solely and exclusively to refund, pay and discharge the outstanding principal amount of the Refunded 1992 Series A Bonds on or prior to the 90th day after the issuance of the 2007 Series A Bonds.

(k) Company provided any additional moneys, including investment proceeds of the 2007 Series A Bonds, required for the payment and discharge of the Refunded 1992 Series A Bonds, payment of redemption premium, if any, and accrued interest in respect thereto and payment of all underwriting discount and costs of issuance of the 2007 Series A Bonds. Any investment proceeds of the 2007 Series A Bonds were used exclusively to pay interest or redemption premium due, if any, on the Refunded 1992 Series A Bonds on the Redemption Date.

(l) Company will cause no investment of 2007 Series A Bond proceeds to be made and will make no other use of or omit to take any

action with respect to the proceeds of the 2007 Series A Bonds or any funds reasonably expected to be used to pay the 2007 Series A Bonds which will cause the 2007 Series A Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or would otherwise result in the loss or impairment of the exclusion of the interest on such 2007 Series A Bonds from gross income for federal income tax purposes.

(m) The average maturity of the 2007 Series A Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the date of issuance of the 2007 Series A Bonds) of the Environmental Facilities refinanced by the proceeds of the 2007 Series A Bonds.

(n) Company provided all information requested by the Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 filed by Issuer with respect to the 2007 Series A Bonds and the Environmental Facilities constituting the Project, and such information was true and correct in all material respects.

(o) Within the meaning of Section 149 of the Code, no portion of the payment of the principal or interest on the 2007 Series A Bonds or the Refunded 1992 Series A Bonds was or shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(p) All of the proceeds of the Refunded 1992 Series A Bonds have been fully expended and the Project has been completed and placed in service. All of the actual Cost of Construction of the Project represents amounts paid or incurred which were chargeable to the capital account of the Project or would be so chargeable either with a proper election by the Company or but for a proper election by the Company to deduct such amounts. Substantially all (i.e. at least 90%) of the net proceeds of the sale of the Original Bonds (including investment income therefrom), were used to finance Cost of Construction of the Project as described above, pay costs and expenses of issuing the Original Bonds, within Code limits, and pay interest and carrying charges on the Original Bonds during the period of construction of the Project and prior to its in-service date.

(q) All of the depreciable properties which were taken into account in determining the qualifying costs of the Project constitute properties either (i) used for the control, containment, reduction and abatement of atmospheric pollutants and contaminants or (ii) facilities which are functionally related and subordinate to such facilities constituting the Project. All of such functionally related and subordinate facilities are of a size and character commensurate with the character and size of the air pollution control facilities constituting the Project.

(r) Within the meaning of Section 147(e) of the Code, no portion of the proceeds of the 2007 Series A Bonds were used and none of the proceeds of the Original Bonds were used to provide any airplane, skybox or other private luxury box, any health club facility, any facilities used primarily for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off the premises.

(s) None of the proceeds of the 2007 Series A Bonds were applied to payment of costs of the issuance of the 2007 Series A Bonds.

(t) Less than twenty-five percent (25%) of the net proceeds of the Original Bonds were used directly or indirectly to acquire land or any interest therein and no portion of such land, if acquired, was or is to be used for farming purposes. No portion of the proceeds of the Original Bonds was used to acquire existing property or any interest therein with respect to which the Company was not the first user for federal income tax purposes.

(u) The Refunded 1992 Series A Bonds were issued on September 17, 1992.

(v) No construction, reconstruction or acquisition of the Project was commenced prior to the taking of official action by the Predecessor County with respect thereto except for preparation of plans and specifications and other preliminary engineering work.

(w) Acquisition, construction and installation of the Project has been accomplished and the Project is being utilized substantially in accordance with the purposes of the Project and in conformity with all applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, which permits, variances and orders have not been withdrawn or otherwise suspended, and consistently with the Act.

(x) The Company has used, is currently using and presently intends to use or operate the Project in a manner consistent with the purposes of the Project and the Act until the date on which the 2007 Series A Bonds have been fully paid and knows of no reason why the Project will not be so operated

(y) The proceeds derived from the sale of the 2007 Series A Bonds (other than any accrued interest thereon) were used exclusively and solely to refund the principal of the Refunded 1992 Series A Bonds. The principal amount of the 2007 Series A Bonds does not exceed the principal amount of the Refunded 1992 Series A Bonds. The redemption of the outstanding principal amount of the Refunded 1992 Series A Bonds with such proceeds of the 2007 Series A Bonds occurred not later than 90 days after the date of issuance of the 2007 Series A Bonds. Any earnings derived from the investment of such proceeds of the 2007 Series A Bonds were fully needed and used on such redemption date to pay a portion of the interest accrued and payable on the Refunded 1992 Series A Bonds on such date.

(z) Company reasonably expects that (i) all of the spendable proceeds of the 2007 Series A Bonds will be used for the governmental purpose of the issue within three years from date of issuance of such 2007 Series A Bonds and (ii) none of the proceeds of such 2007 Series A Bonds will be invested in nonpurpose obligations having a substantially guaranteed yield for three years or more.

(aa) The Company will cause the Issuer to comply in all respects with the requirements of Section 148 of the Code in respect of the rebate of Excess Earnings with respect to the 2007 Series A Bonds to the United States of America.

(bb) Upon the date of issuance of the 2007 Series A Bonds, the Company caused the Issuer to comply with the public approval requirements of Section 147 of the Code and at or following the issuance of the 2007 Series A Bonds the Company caused the Issuer to comply with the information reporting requirements of Section 149 of the Code by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

(cc) All of the documents, instruments and written information furnished by Company on behalf of Company to Issuer or Trustee in connection with the issuance of the 2007 Series B Bonds were true and correct in all material respects as of the date of delivery thereof and did not, as of the date of delivery thereof, omit or fail to state any material facts necessary to be stated therein to make the information provided not misleading.

(dd) It is not anticipated, as of the date hereof, that there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2007 Series A Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

(ee) On the date of issuance and delivery of the Original Bonds, the Company reasonably expected that all of the proceeds of the Original Bonds would be used to carry out the governmental purposes of such issue within the 3-year period beginning on the date such issue was issued and none of the proceeds of such issue, if any, was invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

(ff) Company covenants to perform and observe all provisions of the Indenture required to be performed or observed by it.

(gg) Except for (i) $35,200,000 Louisville/Jefferson County Metro Government, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series B (Louisville Gas and Electric Company Project) (the "Louisville Metro 2007 Series B Bonds"), the entire proceeds of which separately currently refunded a separate series of bonds of the County of Jefferson, Kentucky and (ii) $60,000,000 County of Trimble, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project) (the "Trimble County 2007 Series A Bonds"), the entire proceeds of which separately currently refunded a separate series of bonds of the County of Trimble, Kentucky (such (i) Louisville Metro 2007 Series B Bonds, (ii) Trimble County 2007 Series A Bonds and (iii) the Bonds, defined hereby collectively as the "2007 Bonds"), there are no other obligations heretofore issued or to be issued by or on behalf of any state, territory or possession of the United States, or any political subdivision of any of the foregoing, or of the District of Columbia, which (i) were sold less than 15 days prior to or after the date of sale of the Bonds; (ii) were sold pursuant to the same plan of financing with the Bonds; and (iii) are reasonably expected to be paid from substantially the same source of funds as the Bonds, determined without regard to guarantees from parties unrelated to the obligor as is applicable to the 2007 Bonds. Accordingly, the Company acknowledges and agrees that, pursuant to Treasury Regulation 1.150-1(c), the 2007 Bonds will automatically be treated as a single issue of bonds and, to the extent required by law, elects pursuant to Treasury Regulation 1.150-1(c) that, for purposes of computation of the maturity of the 2007 Bonds, such 2007 Bonds shall be treated as a single issue of bonds.

Company need not comply with the covenants or representations in this Section if and to the extent that Issuer and Company receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE III

COMPLETION AND OWNERSHIP OF PROJECT

Section 3.1. Completion and Equipping of Project. Company represents that it has previously caused the Project to be constructed, completed and placed in service as herein provided on the Project Site in accordance with the Plans and Specifications as previously evidenced by the filing of a completion certificate by the Company with the Prior Trustee in respect of the Refunded 1992 Series A Bonds.

Section 3.2. Agreement as to Ownership of Project. Issuer and Company agree that title to and ownership of the Project shall remain in and be the sole property of Company in which Issuer shall have no interest. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2007 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.3. Use of Project. Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to ARTICLE IX of this Agreement or ARTICLE IX of the Indenture, to interfere with Company's ownership of the Project or to prevent Company from having possession, custody, use and enjoyment of the Project.

ARTICLE IV

ISSUANCE OF 2007 SERIES A BONDS; APPLICATION OF PROCEEDS

Section 4.1. Agreement to Issue 2007 Series A Bonds; Application of 2007 Series A Bond Proceeds. In order to provide funds to make the Loan, Issuer has issued, sold and delivered the 2007 Series A Bonds to the initial purchasers thereof and deposited the proceeds thereof with Trustee into the Prior Bond Fund held by the Prior Trustee, for the benefit of and payment of the Refunded 1992 Series A Bonds, an amount not less than all of such proceeds, being the principal amount of the 2007 Series A Bonds.

Section 4.2. Payment and Discharge of Refunded 1992 Series A Bonds. Company covenants and agrees with the Issuer, upon the date of issuance of the 2007 Series A Bonds, it gave irrevocable instructions to the Prior Trustee to call and redeem the Refunded 1992 Series A Bonds in accordance with their terms and simultaneously deposited into the Prior Bond Fund cash or direct United States obligations ("Governmental Obligations") sufficient on the date of issuance of the 2007 Series A Bonds, to fully defease and discharge the Refunded 1992 Series A Bonds on such date in accordance with ARTICLE VIII of the 1992 Series A Indenture, without reference to any interest earnings to be accrued during the period from the date of issuance of the 2007 Series A Bonds to the redemption date of the Refunded 1992 Series A Bonds. Such matters were confirmed by issuance of an appropriate written certificate of the Prior Trustee confirming defeasance and full discharge of the Refunded 1992 Series A Bonds upon the date of issuance of the 2007 Series A Bonds. Such irrevocable instructions, deposit of sufficient cash and Governmental Obligations and issuance by the Prior Trustee of a certificate of defeasance and discharge were a condition precedent to the issuance of the 2007 Series A Bonds.

Section 4.3. Investment of Bond Fund and Rebate Fund Moneys. Subject to the provisions of Section 148 of the Code, any moneys held as a part of the Bond Fund or the Rebate Fund, shall be invested or reinvested by Trustee, at the written request of and as specifically directed by Company, in one or more of the Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of Trustee. All moneys invested shall be deemed at all times a part of the fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2007 Series A Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax or other charge in respect of any investments, reinvestments or any liquidation of investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

Section 4.4. Special Arbitrage Certifications.

(a) Company covenants and agrees that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results or would result in interest paid on any of the 2007 Series A Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) or adversely affects the validity of the 2007 Series A Bonds.

(b) Company warrants, represents and certifies to Issuer that the proceeds of the 2007 Series A Bonds will not be used in any manner that would cause the 2007 Series A Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 and other applicable sections of the Code. To the best knowledge and belief of Company, there are no facts, estimates or circumstances that would materially change the foregoing conclusion.

(c) Company hereby covenants that it will at all times comply and cause Issuer to comply with the provisions of Section 148 and other applicable sections of the Code and will restrict the use of the proceeds of the 2007 Series A Bonds, in such manner and to such extent, if any, as may be necessary, and remit Excess Earnings with respect to all of the 2007 Series A Bonds, if any, to the United States of America pursuant to Section 148(f)(2) of the Code and carry out such actions so that the 2007 Series A Bonds will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code. An officer or officers of Issuer having responsibility with respect to the issuance of the 2007 Series A Bonds is or are hereby authorized and directed to give an appropriate certificate of Issuer, for inclusion in the transcript of proceedings for the 2007 Series A Bonds, setting forth the reasonable expectations of Issuer regarding the amount and use of the proceeds of the 2007 Series A Bonds and the facts, estimates and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2007 Series A Bonds pursuant to said Section 148 of the Code. Company shall provide the Issuer, and Issuer's certificate may be expressly based on, a certificate of Company setting forth the facts, estimates and circumstances and reasonable expectations of Company on the date of delivery of and payment for the 2007 Series A Bonds regarding the amount and use of the proceeds of the 2007 Series A Bonds and related matters. In the event any such representation of Company relied upon by the Issuer is untrue or inaccurate and Issuer thereby suffers costs or damages, Company shall indemnify Issuer for any such costs or damages.

(d) Consistent with the foregoing, Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2007 Series A Bonds, that no use will be made of the proceeds of the sale of the 2007 Series A Bonds which would cause the 2007 Series A Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and that Company and Issuer will, after issuance of the 2007 Series A Bonds, comply with the provisions of the Code at all times, including after the 2007 Series A Bonds are discharged, to the extent Excess Earnings with respect to the 2007 Series A Bonds are required to be rebated to the United States of America pursuant to Section 148(f)(2) of the Code. Pursuant to such covenant, Issuer and Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Section 148 of the Code.

(e) Company warrants, represents and certifies to Issuer that the proceeds of the Refunded 1992 Series A Bonds were applied and invested in compliance with the current requirements of Section 149(g) of the Code and that consequently the 2007 Series A Bonds will not be "hedge bonds" under such Section 149(g) of the Code.

(f) Company hereby covenants and agrees that it will at all times comply with the provisions of Section 148, including Section 148 (f) of the Code and with Section 6.06 of the Indenture. Specifically, Company shall carry out, do and perform all acts stipulated to be performed by Company pursuant to such Section 6.06 of the Indenture. Company shall further undertake to assure and cause rebate payments to be calculated and made to the United States of America in accordance with Section 148(f)(2) of the Code from moneys on deposit in the Rebate

Fund from time to time after the end of each Computation Period, as defined in the Indenture, and following discharge of the 2007 Series A Bonds. Company also covenants to take all necessary acts and steps as required to cause Issuer to comply with the provisions of Sections 7.02 and 7.03 of the Indenture.

Section 4.5. Opinion of Bond Counsel. Company need not comply with the covenants or representations in Section 4.4 if and to the extent that Issuer and Company (with a copy to Trustee) receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE V

PROVISIONS FOR PAYMENT

Section 5.1. Loan Payments and Other Amounts Payable.

(a) Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2007 Series A Bonds or any other date that any payment of interest, premium, if any, purchase price or principal is required to be made in respect of the 2007 Series A Bonds at the times specified in accordance with the more specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2007 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the 2007 Series A Bonds as provided in the Indenture; provided that such payments by Company to enable the Tender Agent to pay the purchase price of Bonds shall be made within the times required by Section 3.05 of the Indenture. It is understood and agreed that all payments payable by Company under this subsection (a) of Section 5.1 are assigned by the Issuer to the Trustee, the Paying Agent and the Tender Agent, as applicable, for the benefit of the Bondholders. Company assents to such assignment. Issuer hereby directs Company and Company hereby agrees to pay to Trustee and/or Paying Agent or Tender Agent, as appropriate, at the Principal Office of the Trustee and/or Paying Agent or Tender Agent, as appropriate, all payments payable by Company pursuant to this subsection.

(b) Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2007 Series A Bonds and incurred upon the request of Company.

(c) Company will also pay the agreed upon fees and expenses of Trustee (including those referred to in Section 10.02 of the Indenture), the Bond Registrar, the Tender Agent and the Paying Agent under the Indenture and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Initial Broker-Dealers, the Auction Agent and the Tender Agent, as applicable from time to time, under the Indenture, such amounts to be paid directly to Trustee, the Bond Registrar, the Paying Agent, the Tender Agent, the Initial Broker-Dealers and the Auction Agent for their respective own accounts as and when such amounts become due and payable.

(d) The Company further agrees to hold harmless the Trustee, Bond Registrar and Paying Agent against any loss, liability or expense, including reasonable attorneys' fees and expenses, incurred by it without negligence or bad faith on its part in connection with the issuance of the 2007 Series A Bonds or the acceptance or administration of the trusts under the Indenture, including the costs of defending itself against any claim or liability in connection therewith.

(e) The Company covenants, for the benefit of the Bondholders, if applicable, to pay or cause to be paid, to the Tender Agent for deposit in the Purchase Fund, such amounts as shall be necessary to enable the Tender Agent to pay the purchase price of 2007 Series A Bonds delivered to it for purchase, all as more particularly described in Sections 3.03 and 3.05 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price of 2007 Series A Bonds delivered to it for purchase, as provided in the Indenture.

(f) In the event Company should fail to make any of the payments required in this Section 5.1, the item or installment so in default shall continue as an obligation of Company until the amount in default shall have been fully paid, and Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due to the date of payment.

Section 5.2. Payments Assigned. As set forth in Section 5.1 hereof, it is understood and agreed that this Agreement and all payments made by Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) and (c) or pursuant to Section 8.2 hereof) are assigned by Issuer to Trustee. Company assents to such assignment and hereby agrees that, as to Trustee, Paying Agent, Initial Broker-Dealers, Auction Agent and Tender Agent, as applicable from time to time, its obligation to make such payments shall be absolute, irrevocable and unconditional and shall not be subject to cancellation, termination or abatement or to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by any party, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing by any party. Except as provided above, Issuer hereby directs Company and Company hereby agrees to pay directly to Trustee, Paying Agent, Initial Broker-Dealers, Auction Agent, Bond Registrar, Tender Agent and Issuer, as appropriate, all said payments payable by Company pursuant to Section 5.1 of this Agreement.

Section 5.3. Taxes and Other Governmental Charges. Company agrees to pay during the term of this Agreement, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied or charged against or with respect to the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating Company to pay taxes on any interest or principal on the

2007 Series A Bonds disbursed to Bondholders.

Company may, at its expense and in its own name, in good faith contest any such taxes, assessments and other governmental charges and, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments or charges shall be paid forthwith. Issuer will cooperate fully with Company in any such contest. In the event Company shall fail to pay any of the foregoing items required by this Section to be paid by Company, Issuer or Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by Issuer or Trustee shall become an additional obligation of Company to the one making the advancement, which amounts, together with interest thereon Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on ninety-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; provided, however, that no such advancement shall operate to relieve the Company from any default hereunder. Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4. Obligations of Company Unconditional. The obligation of Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.06 of the Indenture shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the 2007 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, Company (i) will not suspend or discontinue any payments pursuant to this Agreement and (ii) except as provided in ARTICLE X hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of title to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of Issuer or Trustee to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release Issuer from the performance of any of the agreements on its part herein contained; and in the event Issuer should fail to perform any such agreement on its part, Company may institute such action against Issuer as Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of Company contained in the preceding sentence. Company may, however, at its own cost and expense and in its own name or in the name of Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy and use of the Project, and in such event Issuer hereby agrees to cooperate fully with Company.

Section 5.5. Rebate Fund. Company agrees to make all payments to the Trustee and rebate all amounts to the United States of America as are required of it under Section 6.06 of the Indenture. The obligation of Company to make such payments shall remain in effect and be binding upon Company notwithstanding the release and discharge of the Indenture.

Section 5.6. Redemption of the 2007 Series A Bonds in Advance of Scheduled Maturity. Under the terms of the Indenture, the 2007 Series A Bonds are and will be subject to redemption prior to their scheduled maturity. The Issuer agrees that it shall direct the Trustee to redeem and call 2007 Series A Bonds at the written direction of the Company.

Section 5.7. Cancellation of 2007 Series A Bonds. The cancellation by the Bond Registrar of any 2007 Series A Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2007 Series A Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan repayment equal to the principal amount of the 2007 Series A Bond or Bonds so cancelled.

ARTICLE VI

MAINTENANCE; DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS; INSURANCE

Section 6.1. Maintenance. So long as any 2007 Series A Bonds are Outstanding, as that term is defined in the Indenture, Company will maintain, preserve and keep the Project, or cause the Project to be maintained, preserved and kept, in good repair, working order and condition and will from time to time make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as Environmental Facilities; provided, however, that Company will have no obligation to maintain, preserve, keep, repair, replace or renew any element or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to Company because of damage or destruction by a cause not within the control of Company, or condemnation of all or substantially all of the Project or the generating facilities to which the element or unit of the Project is an adjunct, or obsolescence (including economic obsolescence) or change in government standards and regulations, or the termination by Company of the operation of the generating facilities to which the element or unit of the Project is an adjunct, and (b) with respect to which Company has furnished to Issuer and Trustee a certificate executed by Company Representative certifying that the maintenance, preservation, keeping, repair, replacement or renewal of such element or unit of the Project is being discontinued for one of the foregoing reasons, which shall be stated therein, and that the discontinuance of such element or unit will not adversely affect the exclusion of interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling,

substitutions, modifications and improvements shall be included under the terms of this Agreement as part of the Project; provided, however, that Company shall take no actions which will change or alter the basic nature of the Project as Environmental Facilities.

If, prior to full payment of all 2007 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer or the Company receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.1(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2007 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2007 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2007 Series A Bonds are otherwise subject to optional redemption.

Section 6.2. Insurance. The Company agrees to insure, or self-insure, the Project at all times reasonably in accordance with investor-owned public utility industry general practices and standards.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1. No Warranty of Condition or Suitability by Issuer. Issuer makes no warranty, either express or implied, as to the Project or that it will be suitable for Company's purposes or needs.

Section 7.2. Company to Maintain its Corporate Existence; Conditions under Which Exceptions Permitted. Company agrees that during the term of this Agreement it will maintain its corporate existence and good standing, will continue to be a corporation organized under the laws of the Commonwealth of Kentucky or qualified and admitted to do business in the Commonwealth of Kentucky, and will neither dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge, (i) shall be a corporation or other business organization organized and existing under the laws of the United States or one of the States of the United States of America or the District of Columbia, (ii) shall be qualified and admitted to do business in the Commonwealth of Kentucky, (iii) shall assume in writing all of the obligations and covenants of Company herein and (iv) shall deliver a copy of such assumption to the Issuer and Trustee.

Section 7.3. Financial Statements. Company agrees to furnish Trustee (within 120 days after the close of each fiscal year) with an audited balance sheet and statements of income, retained earnings and changes in cash flows showing the financial condition of Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of Company and its consolidated subsidiary or subsidiaries, if any, for such fiscal year, accompanied by an opinion of its regular independent certified public accountants that such statements fairly represent the financial condition of Company in accordance with generally accepted accounting principles. The information so provided to Trustee shall be kept in its files and is not required to be distributed to any Registered Holder or other person. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 7.4. Further Assurances and Corrective Instruments. Issuer and Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5. Issuer Representative. Whenever under the provisions of this Agreement the approval of Issuer is required or Issuer is required to take some action at the request of Company, such approval shall be made or such action shall be taken by Issuer Representative and Company or Trustee shall be authorized to act on any such approval or action, and Issuer shall have no redress against Company or Trustee as a result of any such action taken.

Section 7.6. Company Representative. Whenever under the provisions of this Agreement the approval of Company is required or Company is required to take some action at the request of Issuer, such approval shall be made or such action shall be taken by Company Representative and Issuer or Trustee shall be authorized to act on any such approval or action and Company shall have no redress against Issuer or Trustee as a result of any such action taken.

Section 7.7. Financing Statements. Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the lien of the Indenture. Issuer shall cooperate fully with Company in taking any such action. Concurrently with the execution and delivery of the 2007 Series A Bonds, Company caused to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such lien, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture, which filings the Company agrees to undertake.

Section 7.8. Company's Performance Under Indenture. The Company agrees, for the benefit of Bondholders to do and perform

all acts and things contemplated in the Indenture to be done and performed by it.

Section 7.9. Negative Pledge.

(a) The Company agrees that so long as any 2007 Series A Bonds remain outstanding, the Company will not issue, assume or guarantee any Debt secured by any mortgage, security interest, pledge or lien (herein referred to as a "mortgage") of or upon any Operating Property of the Company, whether owned at the date of the Indenture or thereafter acquired, and will not permit to exist any Debt secured by a mortgage on any Operating Property, without in any such case effectively securing the 2007 Series A Bonds equally and ratably with such Debt; provided, however, that the foregoing restriction shall not apply to Debt secured by any of the following:

(i) mortgages on any property existing at the time of acquisition thereof;

(ii) mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with the Company, or at the time of a sale, lease or other disposition of the properties of such corporation or a division thereof as an entirety or substantially as an entirety to the Company, provided that such mortgage as a result of such merger, consolidation, sale, lease or other disposition is not extended to property owned by the Company immediately prior thereto;

(iii) mortgages on property to secure all or part of the cost of acquiring, substantially repairing or altering, constructing, developing or substantially improving such property, or to secure indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided such mortgages are created or assumed contemporaneously with, or within 18 months after, such acquisition or completion of substantial repair or alteration, construction, development or substantial improvement or within six months thereafter pursuant to a commitment for financing arranged with a lender or investor within such 18 month period;

(iv) mortgages in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any state thereof, or for the benefit of holders of securities issued by any such entity, to secure any Debt incurred for the purpose of financing all or any part of the purchase price or the cost of substantially repairing or altering, constructing, developing or substantially improving the property subject to such mortgages; or

(v) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any mortgage referred to in the foregoing clauses (1) to (4), inclusive; provided, however, that the principal amount of indebtedness secured thereby and not otherwise authorized by said clauses (1) to (4), inclusive, shall not exceed the principal amount of indebtedness, plus any premium or fee payable in connection with any such extension, renewal or replacement, so secured at the time of such extension, renewal or replacement.

(b) Notwithstanding the provisions of Section 7.9(a) and so long as any 2007 Series A Bonds remain outstanding, the Company may issue, assume or guarantee Debt, or permit to exist Debt, secured by mortgages which would otherwise be subject to the restrictions of this Section up to an aggregate principal amount that, together with the principal amount of all other Debt of the Company secured by mortgages (other than mortgages permitted by Section 7.9(a) that would otherwise be subject to the foregoing restrictions) does not at the time exceed the greater of 10% of Net Tangible Assets or 10% of Capitalization.

(c) Notwithstanding the provisions of Section 7.9(a) and Section 7.9(b), the Company will not issue, assume, guarantee or permit to exist any debt of the Company secured by a mortgage, the creditor of which controls, is controlled by, or is under common control with, the Company.

(d) If at any time the Company shall issue, assume or guarantee any Debt secured by any mortgage and if Section 7.9(a) requires that the 2007 Series A Bonds be secured equally and ratably with such Debt, the Company will promptly execute, at its expense, any instruments necessary to so equally and ratably secure such 2007 Series A Bonds.

ARTICLE VIII

ASSIGNMENT; INDEMNIFICATION; REDEMPTION

Section 8.1. Assignment. This Agreement may be assigned by Company without the necessity of obtaining the consent of either Issuer or Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve Company from primary liability for any of its obligations hereunder, and in the event of any such assignment Company shall remain primarily liable for payments of the amounts specified in Section 5.1 hereof and for performance and observance of the other covenants or agreements on its part herein provided to be performed and observed to the same extent as though no assignment had been made;

(b) The assignee shall assume the obligations of Company hereunder to the extent of the interest assigned;

(c) Company shall, within thirty days after the delivery thereof, furnish or cause to be furnished to Issuer and to Trustee a true and complete copy of each such assignment and assumption of obligation; and

(d) prior to such assignment, the Company shall have obtained an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the 2007 Series A Bonds from gross income for Federal income tax purposes under Section 103

(a) of the Code.

Section 8.2. Release and Indemnification Covenants. Company releases Issuer from and covenants and agrees that Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless against, any expense or liability incurred by Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof. If any such claim is asserted, Issuer agrees to give prompt notice to the Company and Company will assume the defense thereof, with full power to litigate, compromise or to settle the same in its sole discretion, it being understood that Issuer will not settle or consent to the settlement of the same without the consent of Company.

Section 8.3. Assignment of Interest in Agreement by Issuer. Any assignment by Issuer to Trustee pursuant to the Indenture or this Agreement of any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 8.4. Redemption of 2007 Series A Bonds. Upon the agreement of Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2007 Series A Bonds subject to redemption, Issuer, at the request of Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the 2007 Series A Bonds outstanding, as may be specified by Company, on the redemption date specified by the Company.

Section 8.5. Reference to 2007 Series A Bonds Ineffective after 2007 Series A Bonds Paid. Upon payment in full of the 2007 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.4 hereof and payment of all fees and charges of the Trustee (including reasonable attorney's fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2007 Series A Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2007 Series A Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default Defined. The following shall be "events of default" under this Agreement and the term "events of default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsections (a) and (e) of Section 5.1 hereof which results in failure to pay principal of, premium or interest on or the purchase price of the 2007 Series A Bonds, and such failure shall cause an event of default under the Indenture.

(b) Failure by Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, is given to Company by Issuer or Trustee, unless Issuer and Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Issuer and Trustee will not unreasonably withhold their consent to an extension of such time if such failure is capable of being cured and corrective action is instituted by Company within the applicable period and is being diligently pursued.

(c) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Company, or of a substantial part of the property or assets of Company, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company or (iii) the winding-up or liquidation of Company; and such proceeding or petition shall continue undismissed or unstayed for 90 days or an order or decree approving or ordering any of the foregoing shall be entered.

(d) Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (d) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing.

(e) The occurrence of an Event of Default under the Indenture.

The provisions of Section 9.1(b) are subject to the following limitations: If by reason of force majeure Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of Company contained in Section 2.2(k) and (l), Section 4.2, Section 4.4 or Section 7.2 or ARTICLE V hereof and the general covenant and obligation of Company to take all necessary actions for the continued exclusion of interest on the 2007 Series A Bonds from gross income for federal and Kentucky income taxes, Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean any cause or event not reasonably within the control of Company, including without limitation the following: acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies, including terrorists; orders of any kind of the government of the United States or of the Commonwealth of Kentucky or any of their departments, agencies or officials, or any civil or military authority; evacuations and

quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines or pipes; or partial or entire failure of utility services. Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Company, and Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Company unfavorable to Company.

Section 9.2. Remedies on Default. Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, the Trustee, on behalf of the Issuer, may take any one or more of the following remedial steps:

(a) By written notice to Company, the Trustee, on behalf of the Issuer, may declare an amount equal to the principal and accrued interest on the 2007 Series A Bonds then Outstanding, as defined in the Indenture, to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

(b) The Trustee, on behalf of the Issuer, may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of Company.

(c) The Trustee, on behalf of the Issuer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Company under this Agreement.

In case there shall be pending a proceeding of the nature described in Section 9.1(c) or (d) above, Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of Trustee allowed in such judicial proceedings relative to Company, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any custodian (including, without limitation a receiver, trustee or liquidator) of Company appointed in connection with such proceedings is hereby authorized to make such payments to Trustee, and to pay to Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Any amounts collected pursuant to action taken under this Section (other than the compensation and expenses referred to in the immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2007 Series A Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of Trustee and any paying agents accrued and to accrue through final payment of the 2007 Series A Bonds, and all other liabilities of Company accrued and to accrue hereunder or under the Indenture through final payment of the 2007 Series A Bonds have been paid, such amounts so collected shall be paid to Company.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given Issuer hereunder shall also extend to Trustee, and Trustee and the holders of the 2007 Series A Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 9.4. Agreement to Pay Reasonable Attorneys' Fees and Expenses. In the event Company should default under any of the provisions of this Agreement and Issuer and/or Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of Company herein contained, Company agrees that it will on demand therefor pay to Issuer and/or Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by Issuer and/or Trustee.

Section 9.5. Waiver of Events of Default. If, after the acceleration of the maturity of the outstanding 2007 Series A Bonds by Trustee pursuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2007 Series A Bonds and the principal of, and premium, if any, on any and all 2007 Series A Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2007 Series A Bond, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2007 Series A Bonds which shall have become due by said declaration, shall have been remedied, and such event of default under the Indenture shall be deemed waived by Trustee in accordance with Section 9.11 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then Company's default hereunder shall be deemed to have been waived by Issuer and no further action or consent by Trustee or Issuer shall be required. In the event any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

PREPAYMENT OF LOAN

Section 10.1. Options to Prepay Loan. Company shall have, and is hereby granted, options to prepay the Loan in whole and to cancel or terminate this Agreement on any Business Day at any time Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by Company to Trustee of such election, as follows:

(a) If in the judgment of Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2007 Series A Bonds upon Company with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem, property, income or other taxes not imposed on the date of this Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) If the Project or a portion thereof or other property of Company in connection with which the Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use;

(d) In the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of either of the Mill Creek and Cane Run Generating Stations of the Company shall have occurred which, in the judgment of the Company, render the continued operation of either of the Mill Creek or Cane Run Generating Stations or any generating unit at either station uneconomical; or changes in circumstances, after the issuance of the 2007 Series A Bonds including but not limited to changes in clean air or other air pollution control requirements, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) In the event this Agreement shall become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action, whether state or federal, or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) A final order or decree of any court or administrative body after the issuance of the 2007 Series A Bonds shall require the Company to cease a substantial part of its operations at the Mill Creek and Cane Run Generating Stations to such extent that the Company will be prevented from carrying on its normal operations at such location for a period of six months.

In the case of prepayment pursuant to this Section (or if any 2007 Series A Bonds be redeemed in whole or in part pursuant to Section 6.1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with Trustee and available for such purpose, to redeem all 2007 Series A Bonds then outstanding (or, in the case any 2007 Series A Bonds are redeemed in part pursuant to Section 6.1 hereof, such portion of the 2007 Series A Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2007 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2007 Series A Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the events mentioned in (a) through (f) above, Company is required to give written notice to Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2. Additional Option to Prepay Loan. Company shall have, and is hereby granted, further options, to the extent that the 2007 Series A Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with Trustee moneys sufficient to pay, together with other funds deposited with Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2007 Series A Bonds then outstanding under the Indenture and, upon depositing with Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2007 Series A Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder, to cancel or terminate the term of this Agreement.

Section 10.3. Obligations to Prepay Loan. Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, prior to the required full payment of the 2007 Series A Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and Company shall take all actions required to mandatorily redeem the 2007 Series A Bonds at the cost of the Company upon the terms specified in this Agreement and in ARTICLE IV of the Indenture following the occurrence of a Determination of Taxability, including, but not limited to, prepaying appropriate amounts due on the 2007 Series A Bonds in order to effect such redemption. The 2007 Series A Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this Section, a "Determination of Taxability" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2007 Series A Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of

competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2007 Series A Bonds, the interest on the 2007 Series A Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2007 Series A Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2007 Series A Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any 2007 Series A Bond in the computation of minimum or indirect taxes. All of the 2007 Series A Bonds shall be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2007 Series A Bonds of one or more series or one or more maturities would have the result that interest payable on the remaining 2007 Series A Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the 2007 Series A Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described in this Section, the Company shall give notice thereof to the Trustee and the Issuer.

In the case of the mandatory obligation of Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as specified in this Section hereof and to provide to Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2007 Series A Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2007 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any paying agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2007 Series A Bonds.

Section 10.4. Notice of Prepayment; Redemption Procedures. It is understood and agreed by the parties hereto that in order to exercise an option granted in, or to consummate a mandatory prepayment required by, this Article, Company shall give written notice to Issuer and Trustee which notice shall (i) contain the agreement of Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2007 Series A Bonds equal to the amount of the prepayment, including, in the case of a prepayment under Section 10.2 hereof, any applicable redemption premium in respect of such 2007 Series A Bonds, and any other amounts required under this Agreement and (ii) specify the prepayment date (which must be a Business Day and which shall also be the redemption date), which date shall not be less than 30 days (45 days if the 2007 Series A Bonds are bearing interest at the Semi-annual, Annual or Long Term Rate or in all cases such shorter period as may be acceptable to the Trustee) nor more than 90 days from the date the notice is mailed by Company to Issuer and Trustee.

Section 10.5. Relative Position of this Article and Indenture. The rights and options granted to Company in this Article, except the option granted to Company pursuant to Section 10.2 to prepay less than all of the Loan payments, shall be and remain prior and superior to the Indenture and may be exercised whether or not Company is otherwise in default hereunder; provided that such default will not result in nonfulfillment of any condition to the exercise of any such right or option.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Term of Agreement. This Agreement shall remain in full force and effect from the date hereof to and including the later of June 1, 2033, or until such earlier or later time as all of the 2007 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture), whichever shall be later; provided, however, that this Agreement may be cancelled and terminated prior to said date if Company shall prepay all of the Loan pursuant to ARTICLE X hereof; and provided further, however, that all obligations of Company under ARTICLE V and Section 8.1 hereof (a) to pay the agreed fees and expenses of Trustee, the Tender Agent, the Bond Registrar and any Paying Agent and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2007 Series A Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by Company as to all matters affecting the tax-exempt status of interest on the 2007 Series A Bonds shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2007 Series A Bonds and shall survive the termination of this Agreement and all obligations of Company contained herein relating to indemnification of Issuer, Trustee, Bond Registrar, Authenticating Agent, Tender Agent and any Paying Agent shall survive the termination of this Agreement.

Section 11.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Issuer, at 527 West Jefferson Street, Louisville, Kentucky 40202, Attention: Mayor;

If to Company, at its corporate headquarters, 220 West Main Street, Louisville, Kentucky 40202, Attention: Treasurer, and

If to Trustee, at 25 DeForest Avenue, 2 nd Floor, Summit, NJ 07901, Attention: Trust and Securities Services (Municipal Unit).

If to Paying Agent, Remarketing Agents, Auction Agent, Initial Broker-Dealers or Tender Agent, at such addresses for notices as are set forth in the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by either Issuer or Company to the other shall also be given to Trustee. Issuer, Company and Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.3. Binding Effect; Bond Counsel Opinions. This Agreement shall inure to the benefit of and shall be binding upon Issuer, Company and their respective successors and assigns, subject, however, to the limitations contained in Section 7.2, Section 8.1 and Section 8.3 hereof.

Section 11.4. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5. Amounts Remaining in Bond Fund and Rebate Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the 2007 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, shall belong to and be paid to Company by Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied and disbursed strictly and only in accordance with the provisions of Section 6.06 of the Indenture. Following the payment and discharge of the Refunded 1992 Series A Bonds on their redemption date and the making of provision for payment of the Refunded 1992 Series A Bonds not presented for payment, any remaining moneys in the Prior Bond Fund shall belong to and be paid to Company by the Prior Trustee.

Section 11.6. Amendments, Changes and Modifications. Subsequent to the issuance of the 2007 Series A Bonds and prior to payment in full of all 2007 Series A Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated, and no provision hereof waived, without the written consent of Trustee, given in accordance with the Indenture.

Section 11.7. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 11.9. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 11.10. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement, as hereinabove provided.

Section 11.11. Payments Due on Other Than Business Days. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be on a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided in this Agreement, and if done on such succeeding Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

(remainder of page left blank intentionally)

IN WITNESS WHEREOF, Issuer and Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of March 1, 2007, amended and restated as of September 1, 2008.

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT, KENTUCKY

(SEAL)

By:_____
JERRY E. ABRAMSON
Mayor

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

Mike O'Connell
Jefferson County Attorney

_____
KATHLEEN J. HERRON
Metro Council Clerk

By:_____
JAMES T. CAREY
Assistant County Attorney

LOUISVILLE GAS AND ELECTRIC
COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ITTEST:

_____
JOHN R. McCALL
Secretary

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of November, 2008, the foregoing instrument was produced to me in said County by Jerry E. Abramson and Kathleen J. Herron, personally known to me and personally known by me to be the Mayor and Metro Council Clerk, respectively, of the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, and acknowledged before me by them and each of them to be their free act and deed as Mayor and Metro Council Clerk of such Louisville/Jefferson County Metro Government, and the act and deed of said Louisville/Jefferson County Metro Government as authorized by an Ordinance of the Metro Council of such Louisville/Jefferson County Metro Government.

Witness my hand and seal this _____ day of November, 2008. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of November, 2008, the foregoing instrument was produced to me in said County by Daniel K. Arbough and John R. McCall, personally known to me and personally known by me to be the Treasurer and the Secretary, respectively, of LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

Witness my hand and seal this _____ day of November, 2008. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

This Instrument Prepared by the
Undersigned, Attorney at Law of
STOLL KEENON OGDEN PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202

_____
SPENCER E. HARPER, JR

Exhibit 4(nn)-2

Execution Copy

(2007 Series A - Louisville Metro)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

AMENDMENT NO. 1 TO AMENDED AND RESTATED LOAN AGREEMENT IN CONNECTION WITH ENVIRONMENTAL FACILITIES

* * * * *

Dated as of September 1, 2010

* * * * *

NOTICE: The interest of the Louisville/Jefferson County Metro Government, Kentucky in and to this Amendment No. 1 to Amended and Restated Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Amended and Restated Indenture of Trust dated as of September 1, 2008.

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THIS AMENDMENT NO. 1 TO AMENDED AND RESTATED LOAN AGREEMENT, dated as of September 1, 2010, but made effective as of the Effective Date (defined herein) (this "Amendment No. 1 to Loan Agreement"), by and between the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, the governmental successor in interest by operation of law to the County of Jefferson, Kentucky, being a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky.

WITNESSETH:

WHEREAS, the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer") is the governmental successor in interest by operation of law to the County of Jefferson, Kentucky and constitutes a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), the Issuer has the power to enter into the transactions contemplated by this Amendment No. 1 to Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, the Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act for the abatement and control of air pollution and to refund bonds which were previously issued for such purposes; and

WHEREAS, on April 26, 2007, the Issuer, at the request of Louisville Gas and Electric Company (the "Company"), issued its Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project) (the "Bonds" or "2007 Series A Bonds") in the original principal amount of $31,000,000, and the Issuer loaned the proceeds of the 2007 Series A Bonds to the Company pursuant to the Loan Agreement dated as of March 1, 2007, between the Issuer and the Company (the "Original Agreement"); and

WHEREAS, to secure the payment of the 2007 Series A Bonds, the Issuer assigned substantially all of its rights, title and interests in and to the Original Agreement to Deutsche Bank Trust Company Americas, as Trustee (the "Trustee"), pursuant to the Indenture of Trust dated as of March 1, 2007, between the Issuer and the Trustee (the "Original Indenture"); and

WHEREAS, the Issuer and the Trustee entered into an Amended and Restated Indenture of Trust dated as of September 1, 2008 (the "Indenture"), which amended and restated the Original Indenture, and the Issuer and the Company entered into an Amended and Restated Loan Agreement dated as of September 1, 2008 (the "Agreement"), which amended and restated the Original Agreement, pursuant to which the Company eliminated the bond insurance securing the 2007 Series A Bonds; and

WHEREAS, all of the 2007 Series A Bonds remain outstanding and unpaid; and

WHEREAS, the Company intends to enter into that certain Indenture dated as of October 1, 2010, (the "First Mortgage Indenture") between the Company and The Bank of New York Mellon (the "First Mortgage Trustee"), pursuant to which the Company shall issue certain first mortgage bonds secured by a lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky; and

WHEREAS, in the event the Company grants a lien on and a security interest in its operating property to secure general debt for borrowed money, which the Company intends to do pursuant to the issuance of the first mortgage bonds pursuant to the First Mortgage Indenture, the Agreement obligates the Company to grant an equal and ratable lien on and security interest in its operating property in favor of the Trustee under the Indenture to secure the 2007 Series A Bonds; and

WHEREAS, the Company intends to issue first mortgage bonds (the "First Mortgage Bonds") to the Trustee under the Indenture, thereby creating in favor of the Trustee for the benefit of the holders of the 2007 Series A Bonds an equal and ratable lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky as security for the payment of the 2007 Series A Bonds; and

WHEREAS, pursuant to Section 13.01 of the Indenture, the consent of the holders of the 2007 Series A Bonds is not required for the Issuer and the Company to enter into an amendment to the Agreement in order to conform the Agreement with changes and modifications to the Indenture made pursuant to Section 12.01 of the Indenture; and

WHEREAS, it is now appropriate and necessary that the Agreement be amended pursuant to Section 13.01 of the Indenture in connection with the issuance of the First Mortgage Bonds to the Trustee under the Indenture as additional collateral and security for the payment of the 2007 Series A Bonds ; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Issuer on September 23, 2010, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to enter into this Amendment No. 1 to Loan Agreement in order to provide additional collateral and security for the 2007 Series A Bonds; and

WHEREAS, the Issuer and the Trustee have entered into that certain Supplemental Indenture No. 1 to Indenture of Trust (the "Supplemental Indenture No. 1") of even date herewith pursuant to Section 12.01 of the Indenture; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amendment No. 1 to Loan Agreement have happened, have existed and have been performed as so required in order to make this Amendment No. 1 to Loan Agreement a

valid and binding loan agreement for the security of the holders of the 2007 Series A Bonds and for payment of all amounts due under the Agreement and this Amendment No. 1 to Loan Agreement in accordance with their respective terms.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND GREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER AS FOLLOWS :

ARTICLE I

AMENDMENTS TO THE LOAN AGREEMENT

Section 1.1. Amendment of Table of Contents . The title to Article IV of the Table of Contents of the Agreement is hereby amended and restated and Sections 4.6 and 10.6 are added to the Table of Contents:

ARTICLE IV ISSUANCE OF 2007 SERIES A BONDS; APPLICATION OF PROCEEDS; COMPANY TO ISSUE FIRST MORTGAGE BONDS

Section 4.6. First Mortgage Bonds

Section 10.6. Concurrent Discharge of First Mortgage Bonds

The Table of Contents is further amended by deleting Section 7.9 in its entirety.

Section 1.2. Amendment of Section 1.2. Incorporation of Certain Terms by Reference . The following defined terms are hereby added to Section 1.2 of the Agreement and shall have the meanings set forth in Section 1.5 of the Supplemental Indenture No. 1:

"Amendment No. 1 to Loan Agreement"
"Effective Date"
"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Redemption Demand"
"Supplemental First Mortgage Indenture"
"Supplemental Indenture No. 1"

Section 1.3. Amendment of Section 1.3. Additional Definitions . The following defined terms set forth in Section 1.3 of the greement are hereby deleted in their entirety:

"Capitalization"
"Debt"
"Net Tangible Assets"
"Operating Property"

Section 1.4. Amendment of Section 3.2. Agreement as to Ownership of Project . Section 3.2 of the Agreement is hereby amended and restated to read as follows:

Section 3.2 . Agreement as to Ownership of Project . The Issuer and the Company agree that title to and ownership of the Project shall remain in and be the sole property of the Company in which the Issuer shall have no interest. From and after the Effective Date, the Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2007 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement and the Amendment No. 1 to Loan Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 1.5. Addition of Section 4.6. First Mortgage Bonds . The Agreement is hereby amended by the addition of Section 4.6 thereto to read as follows:

Section 4.6 . First Mortgage Bonds . The Company covenants and agrees with the Issuer that it will, for the purpose of providing security for the 2007 Series A Bonds, execute and deliver to the Trustee on the Effective Date the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2007 Series A Bonds. The First Mortgage Bonds shall be in full force and effect from and after the Effective Date and shall mature as to principal identically as in the case of the 2007 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental First Mortgage Indenture, shall bear interest identically as in the case of the 2007 Series A Bonds.

Following the Effective Date, upon the occurrence of an event of default under ARTICLE IX of this Agreement, as amended by the Amendment No. 1 to Loan Agreement, that has resulted in a default in payment of the principal of, premium, if any, or interest on the 2007 Series A Bonds as and when the same come due, whether at maturity, redemption, acceleration

or otherwise, or a default in payment of the purchase price of any 2007 Series A Bond tendered for purchase, the acceleration of the maturity date of the 2007 Series A Bonds (to the extent not already due and payable) as a consequence of such event of default and the receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable, in accordance with the provisions specified in the Supplemental First Mortgage Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2007 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, the Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of ARTICLE VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2007 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of the Company thereunder terminated and such First Mortgage Bonds shall be surrendered by the Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of the Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Section 1.6. Amendment of Section 6.1. Maintenance. The third paragraph of Section 6.1 of the Agreement is hereby amended and restated to read as follows:

If, prior to full payment of all 2007 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Company or the First Mortgage Trustee receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.l(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2007 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2007 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2007 Series A Bonds are otherwise subject to optional redemption.

Section 1.7. Amendment of Section 6.2. Insurance. Section 6.2 of the Agreement is hereby amended and restated to read as follows:

Section 6.2. Insurance. The Company agrees to insure the Project at all times in accordance with the provisions of the First Mortgage Indenture.

Section 1.8. Amendment of Section 7.7. Financing Statements. Section 7.7 of the Agreement is hereby amended and restated to read as follows:

Section 7.7. Financing Statements. The Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the respective liens of the Indenture and the First Mortgage Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the First Mortgage Bonds, the Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the respective liens of the Indenture and the First Mortgage Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such liens, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the respective liens of the Indenture and the First Mortgage Indenture, which filings the Company agrees to undertake.

Section 1.9. Deletion of Section 7.9. Negative Pledge. Section 7.9 of the Agreement is hereby deleted in its entirety.

Section 1.10. Amendment of Section 8.5. References to 2007 Series A Bonds Ineffective after 2007 Series A Bonds Paid. Section 8.5 of the Agreement is hereby amended and restated to read as follows:

Section 8.5. Reference to 2007 Series A Bonds Ineffective after 2007 Series A Bonds Paid. Upon payment in full of the 2007 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.4 hereof and payment of all fees and charges of the Trustee (including reasonable attorneys fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2007 Series A Bonds, the First Mortgage Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2007 Series A Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

Section 1.11. Amendment of Section 9.1. Events of Default Defined. Section 9.1 of the Agreement is hereby amended by the addition of subsection (f) thereto to read as follows:

(f) From and after the Effective Date, all bonds outstanding under the First Mortgage Indenture shall, if not

already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee

Section 1.12. Amendment of Section 9.2. Remedies on Default. Section 9.2(c) of the Agreement is hereby amended and restated to read as follows:

(c) The Trustee, on behalf of the Issuer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement and the Amendment No. 1 to Loan Agreement, including, from and after the Effective Date, any remedies available in respect of the First Mortgage Bonds.

Section 1.13. Addition of Section 10.6. Concurrent Discharge of First Mortgage Bonds. The Agreement is hereby amended by the addition of Section 10.6 thereto to read as follows:

Section 10.6. Concurrent Discharge of First Mortgage Bonds. From and after the Effective Date, in the event any of the 2007 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement and the Amendment No. 1 to Loan Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.15 of the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by the Issuer. The Issuer represents, warrants and covenants that:

(a) The Issuer is a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, the Issuer has the power to enter into this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1 and the transactions contemplated hereby and thereby and to carry out its obligations hereunder and thereunder.

(b) To its knowledge, the Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the First Mortgage Bonds or the consummation of the transactions contemplated hereby, and the Issuer has been duly authorized to execute and deliver this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1. The Issuer agrees that it will do or cause to be done in a timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Amendment No. 1 to Loan Agreement.

Section 2.2. Representations, Warranties and Covenants by the Company. The Company represents, warrants and covenants that:

(a) The Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business, and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the First Mortgage Bonds.

(b) The Company has full and complete legal power and authority to execute and deliver this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds.

(c) No event of default, and no event of the type described in clauses (a) through (f) of Section 9.1 of the Agreement, as amended by this Amendment No. 1 to Loan Agreement, has occurred and is continuing, and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture or the First Mortgage Bonds, nor the consummation of the transactions contemplated hereby or by the Indenture and the Supplemental Indenture No. 1, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1. Term of Amendment No. 1 to Loan Agreement. This Amendment No. 1 to Loan Agreement shall remain in full force and effect from the date hereof to and including the later of June 1, 2033, or until such time as all of the 2007 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture and the Supplemental Indenture No. 1 and any amendments thereto), whichever shall be later; provided, however, that the Agreement, as amended, may be cancelled and terminated prior to said date in accordance with the provisions of Section 11.1 of the Agreement.

Section 3.2. Ratification. Except as amended and supplemented by Articles I and II hereof, the Issuer and the Company hereby ratify and reaffirm the terms and provisions of the Agreement and their respective representations, warranties, covenants, agreements and obligations set forth therein.

Section 3.3. Effective Date. This Amendment No. 1 to Loan Agreement has been made and entered into as of the date first written above but shall be effective as of the Effective Date.

Section 3.4. Binding Effect. This Amendment No. 1 to Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 of the Agreement.

Section 3.5. Severability. In the event any provision of this Amendment No. 1 to Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 3.6. Execution in Counterparts. This Amendment No. 1 to Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.7. Applicable Law. This Amendment No. 1 to Loan Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 3.8. Captions. The captions or headings in this Amendment No. 1 to Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Amendment No. 1 to Loan Agreement.

Section 3.9. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Amendment No. 1 to Loan Agreement or breach thereof shall constitute or give rise to a pecuniary liability of the Issuer or a charge upon its general credit or taxing powers.

(signature page immediately follows)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Amendment No. 1 to Loan Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all of the date first written.

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT, KENTUCKY

(SEAL)

By:_____
JERRY E. ABRAMSON
Mayor

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

Mike O'Connell
Jefferson County Attorney

_____
KATHLEEN J. HERRON
Metro Council Clerk

By:_____
JAMES T. CAREY
Assistant County Attorney

LOUISVILLE GAS AND ELECTRIC
COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

Exhibit 4(oo)

Execution Copy

(Louisville Metro 2007 Series B)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

AMENDED AND RESTATED LOAN AGREEMENT IN CONNECTION WITH ENVIRONMENTAL FACILITIES

* * * * *

Dated as November 1, 2010

* * * * *

NOTICE: The interest of the Louisville/Jefferson County Metro Government, Kentucky, in and to this Amended and Restated Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Amended and Restated Indenture of Trust dated as of November 1, 2010.

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AMENDED AND RESTATED LOAN AGREEMENT

IN CONNECTION WITH ENVIRONMENTAL FACILITIES

This AMENDED AND RESTATED LOAN AGREEMENT, dated as of November 1, 2010, by and between the LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, the governmental successor in interest by operation of law to the County of Jefferson, Kentucky, being a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of Kentucky;

WITNESSETH:

WHEREAS, the Louisville/Jefferson County Metro Government, Kentucky ("Metro Government" or "Issuer") is the governmental successor in interest by operation of law to the County of Jefferson, Kentucky and constitutes a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes ("Act"), Issuer has the power to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, Issuer came into legal existence on January 6, 2003 by operation of law and voter approval in accordance with laws now codified as Chapter 67C of the Kentucky Revised Statutes and replaced and superseded the prior governments of both the City of Louisville, Kentucky and the County of Jefferson, Kentucky (the "Predecessor County") and pursuant to law has mandatorily assumed all existing contracts and obligations of the past City and Predecessor County and has been endowed with all powers of such prior City and Predecessor County; and

WHEREAS, the Metro Government, as successor to the Predecessor County, is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition of air and water pollution control facilities and solid waste disposal facilities, one of the categories of "pollution control facilities", as defined by the Act for the abatement and control of air and water pollution and the disposal and abatement of solid waste, and to refund bonds of the Predecessor County which were previously issued for such purposes; and

WHEREAS, Issuer is further authorized pursuant to the Act to enter into an amended and restated loan agreement, which may include such provisions as Issuer shall deem appropriate and necessary; and

WHEREAS, the Act further provides that title to Environmental Facilities shall not be acquired by Issuer in the case of a loan transaction; and

WHEREAS, Louisville Gas and Electric Company, a Kentucky corporation (the "Company"), has heretofore, by the issuance of the Refunded 1993 Series A Bonds, hereinafter defined, financed and refinanced all or a portion of the qualified costs of acquisition, construction, installation and equipping of certain air and water pollution control facilities and solid waste disposal facilities to serve the Mill Creek and Cane Run Generating Stations of Company, which facilities constitute the Project, as hereinafter defined in the Indenture (the "Project"), which Project is located within the corporate boundaries of Issuer and consists of certain air and water pollution control facilities and solid waste disposal facilities, together with facilities functionally related and subordinate to such facilities in furtherance of the regulations of the Energy and Environmental Cabinet of the Commonwealth of Kentucky and the Air Pollution Control District of Jefferson County, Kentucky, and which Project qualifies for financing and refinancing within the meaning of the Act; and

WHEREAS, the Project has been completed and placed in operation and has contributed and does contribute to the control, containment, reduction and abatement of atmospheric pollution, contamination and water pollution and collection, storage, treatment, processing and final disposal of solid wastes in the Commonwealth of Kentucky; and

WHEREAS, under date of April 26, 2007, the Issuer, at the request of the Company, issued its "Louisville/Jefferson County Metro Government, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series B (Louisville Gas and Electric Company Project)", dated April 26, 2007, of which $35,200,000 principal amount of such bonds remains outstanding and unpaid (the "2007 Series B Bonds"); such 2007 Series B Bonds having been issued to refund the Refunded 1993 Series A Bonds, as defined in the Indenture, such Refunded 1993 Series A Bonds having been issued to currently refinance certain 1976 Series A Bonds issued in original principal amount of $36,000,000 of which $800,000 principal amount thereof has matured and has been paid and discharged (the "Original Bonds") having been issued to finance a portion of the Cost of Construction of the Project, hereinafter described; and

WHEREAS, the 2007 Series B Bonds are secured in part by the Ambac Financial Guaranty Insurance Policy bearing Policy Number 26549BE (the "Bond Insurance Policy") issued by Ambac Assurance Corporation ("Ambac"); and

WHEREAS, in respect of the 2007 Series B Bonds, the Issuer and the Company entered into a Loan Agreement dated as of March 1, 2007, as amended and supplemented pursuant to Amendment No. 1 to Loan Agreement dated as of September 1, 2010, between the Issuer and the Company (collectively, the "Loan Agreement"); and

WHEREAS, pursuant to the Amendment No. 1 to Loan Agreement dated as of September 1, 2010, between the Issuer and the Company, and the corresponding Supplemental Indenture No. 1 to Indenture of Trust dated as of September 1, 2010, between the Issuer and Deutsche Bank Trust Company Americas, as Trustee (the "Trustee") (the "Supplemental Indenture No. 1"), the Company has issued and delivered certain first mortgage bonds to the Trustee as security for the 2007 Series A Bonds; and

WHEREAS , the Company and Ambac now desire to terminate the Bond Insurance Policy upon the terms and conditions set forth in the Release Agreement dated as of December 2, 2010, among Ambac, the Trustee, the Company, the Issuer and LG&E and KU Services Company; and

WHEREAS , pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Metro Council of the Issuer on October 23, 2008, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to amend and restate the Loan Agreement in connection with the termination of the Bond Insurance Policy; and

WHEREAS , all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amended and Restated Loan Agreement (the "Agreement") have happened, have existed and have been performed as so required in order to make the Agreement a valid and binding instrument, in accordance with its terms; and

NOW, THEREFORE FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER, AS FOLLOWS :

ARTICLE I

DEFINITIONS

Section 1.1. Use of Defined Terms . In addition to the words and terms defined elsewhere in this Agreement or in the Indenture or by reference to another document, the words and terms set forth in Section 1.2 and Section 1.3 shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.2. Incorporation of Certain Terms by Reference . When and if used in this Agreement, the following terms shall have the meaning set forth in ARTICLE I of the Indenture:

"Act"
"Amendment No. 1 to Loan Agreement"
"Authorized Denomination"
"Bond Counsel"
"Bond Fund"
"Bond Year"
"Business Day"
"Code"
"Company"
"Company Bonds"
"Company Representative"
"Cost of Construction"
"Cumulative Excess Earnings"
"Effective Date"
"Environmental Facilities"
"Excess Earnings"
"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Governmental Obligations"
"Indenture"
"Interest Payment Date"
"Issuer"
"Issuer Representative"
"Loan"
"Net Proceeds"
"No Auction Rate"
"Paying Agent"
"Permitted Investments"
"Plans and Specifications"
"Pollution Control Facilities"
"Prevailing Rating"
"Project"
"Project Site"
"Purchase Date"
"Purchase Fund"
"Rating Service"
"Rebate Fund"
"Redemption Date"
"Redemption Demand"

"Refunded 1993 Series A Bonds"
"1993 Series A Indenture"
"2007 Series B Bonds"
"Supplemental First Mortgage Indenture"
"Supplemental Indenture No. 1"
"Tender Agent"
"Trustee"

Section 1.3. Additional Definitions. In addition to the terms whose definitions are incorporated by reference herein pursuant to Section 1.2, the following terms shall have the meanings set forth in this Section unless the use or context clearly indicates otherwise:

" Determination of Taxability " shall have the meaning ascribed to such term in Section 10.3 of this Agreement.

" Prior Bond Fund " means the "County of Jefferson, Kentucky, Pollution Control Revenue Bond Fund, 1993 Series A (Louisville Gas and Electric Company Project)" created by the 1993 Series A Indenture.

" Prior Trustee " means BankAmerica National Trust Company (now known as U.S. Bank National Association), acting as trustee in respect of the Refunded 1993 Series A Bonds.

In addition to the definitions herein, terms used in this agreement and not defined herein shall have the meanings ascribed to such terms in the Indenture.

The words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement. Unless otherwise noted, all Section and Article references are to sections and articles in this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by Issuer. Issuer represents, warrants and covenants that:

(a) Issuer is a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, Issuer, the de jure governmental successor by operation of law to the Predecessor County, has the power and duty to issue the 2007 Series B Bonds, to enter into this Agreement and the Indenture and the ansactions contemplated hereby and to carry out its obligations hereunder and thereunder. To its knowledge, Issuer is not in default under or in iolation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2007 Series B Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2007 Series B Bonds and to execute and deliver this Agreement and the Indenture. Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) Issuer has loaned funds derived from the sale of the 2007 Series B Bonds to Company to provide for the refunding, payment and discharge of the outstanding principal amount of the Refunded 1993 Series A Bonds, to assist the Company to restructure its debt structure and to the end that air and water pollution be abated and controlled and solid waste disposed of at the Project Site in the Commonwealth of Kentucky.

(c) To accomplish the foregoing, Issuer issued $35,200,000 aggregate principal amount of its 2007 Series B Bonds on such terms and conditions as are set forth in the Indenture. The proceeds from the sale of the 2007 Series B Bonds were applied exclusively and in whole, together with other funds made available by the Company, to refund, pay and discharge the outstanding principal amount of the Refunded 1993 Series A Bonds on or prior to the 90th day after the date of issuance of the 2007 Series B Bonds.

(d) Issuer will cooperate with Company and take all actions necessary for Company to comply with Section 2.2(n), (aa) and (bb) hereof and take other actions reasonably requested by Company in furtherance of this Agreement.

(e) The Project Site is located within the boundaries of Issuer.

(f) Ordinance No. 50, Series 2007 of the Metro Council of the Issuer adopted on second reading on March 22, 2007 has been in continuous effect since the date of adoption thereof.

(g) Ordinance No. 191, Series 2008 of the Metro Council of the Issuer adopted on second reading on October 23, 2008 has been in continuous effect since the date of adoption thereof.

(h) Ordinance No. 182, Series 2010 of the Metro Council of the Issuer adopted on second reading on September 23, 2010 has been in continuous effect since the date of adoption thereof.

Section 2.2. Representations, Warranties and Covenants by Company. Company represents, warrants and covenants that:

(a) Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material

adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the 2007 Series B Bonds.

(b) Company has full and complete legal power and authority to execute and deliver this Agreement and has by proper corporate action duly authorized the execution and delivery of this Agreement.

(c) The Project currently refinanced by application of the proceeds of the Refunded 1993 Series A Bonds and Company funds was designed and constructed to collect, contain, reduce and abate air and water pollution and dispose of solid waste at the Project Site. The Project was and is necessary for the public health and welfare, and has been designed for no material purpose except to control and abate atmospheric pollutants and contaminants and water pollutants and disposal of solid waste at the Project Site. The Project constitutes air and water pollution control facilities and solid waste disposal facilities under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, and the Act.

(d) All of the proceeds of the 2007 Series B Bonds, exclusive of accrued interest, if any, were used on or prior to the 90th day after the date of issuance of the 2007 Series B Bonds exclusively and only to redeem, pay and discharge the principal of the Refunded 1993 Series A Bonds, which currently refunded the Original Bonds, not less than substantially all of the net proceeds of the Original Bonds (i.e., at least 90% of the net proceeds thereof, including investment income thereon) were used to finance the Cost of Construction of air and water pollution control facilities and solid waste disposal facilities, together with facilities functionally related and subordinate to such facilities, and all of such air and water pollution control facilities and solid waste disposal facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section 167 of the Code. Company provided any additional moneys required to pay and discharge the Refunded 1993 Series A Bonds within 90 days following the date of issuance of the 2007 Series B Bonds.

(e) The Project, as designed, has been previously certified by the Department for Natural Resources and Environmental Protection of Kentucky (now the Energy and Environment Cabinet of the Commonwealth of Kentucky) and the Air Pollution Control District of Jefferson County, Kentucky, the agencies exercising jurisdiction in the premises, to be in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants and water pollution.

(f) The Company will not use or cause to be used any of the funds provided by the Issuer hereunder or under the predecessor Loan Agreement (including the earnings on any of such funds) in such a manner as to, or take or omit to take any action with respect to the use of such funds which would, impair the exclusion of the interest on any of the 2007 Series B Bonds from gross income for federal income tax purposes. The Project is of the type authorized and permitted by the Act, and the Cost of Construction of the Project was not less than $35,200,000.

(g) No event of default, and no event of the type described in clauses (a) through (f) of Section 9.1 hereof, has occurred and is continuing and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under this Agreement or the transactions contemplated hereby. Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby or by the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of Company under the terms of any instrument or agreement.

(h) Company intends to continue to operate or cause the Project to be operated as Environmental Facilities until all of the 2007 Series B Bonds are paid and discharged.

(i) No portion of the proceeds of 2007 Series B Bonds were invested at a yield in excess of the yield on the 2007 Series B Bonds except (i) during any permitted temporary period provided by the Code, (ii) proceeds of a reasonably required reserve or replacement fund and (iii) as part of a minor portion of the proceeds of the 2007 Series B Bonds, not in excess of the lesser of 5% of the proceeds of the 2007 Series B Bonds or $100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Section 148 of the Code and applicable tax regulations.

(j) No portion of the proceeds from the sale of the 2007 Series B Bonds were deposited to the account of any reasonably required reserve or replacement fund or used to pay (i) any costs of issuance of the 2007 Series B Bonds or (ii) any redemption premium or accrued interest on the Refunded 1993 Series A Bonds, but such proceeds were applied and used solely and exclusively to refund, pay and discharge the outstanding principal amount of the Refunded 1993 Series A Bonds on or prior to the 90th day after the issuance of the 2007 Series B Bonds.

(k) Company provided any additional moneys, including investment proceeds of the 2007 Series B Bonds, required for the payment and discharge of the Refunded 1993 Series A Bonds, payment of redemption premium, if any, and accrued interest in respect thereto and payment of all underwriting discount and costs of issuance of the 2007 Series B Bonds. Any investment proceeds of the 2007 Series B Bonds were used exclusively to pay interest or redemption premium due, if any, on the Refunded 1993 Series A Bonds on the Redemption Date.

(l) Company will cause no investment of 2007 Series B Bond proceeds to be made and will make no other use of or omit to take any action with respect to the proceeds of the 2007 Series B Bonds or any funds reasonably expected to be used to pay the 2007 Series B Bonds which will cause the 2007 Series B Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or would otherwise result in the loss or impairment of the exclusion of the interest on such 2007 Series B Bonds from gross income for federal income tax

purposes.

(m) The average maturity of the 2007 Series B Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the date of issuance of the 2007 Series B Bonds) of the Environmental Facilities refinanced by the proceeds of the 2007 Series B Bonds.

(n) Company provided all information requested by the Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 filed by Issuer with respect to the 2007 Series B Bonds and the Environmental Facilities constituting the Project, and such information was true and correct in all material respects.

(o) Within the meaning of Section 149 of the Code, no portion of the payment of the principal or interest on the 2007 Series B Bonds or the Refunded 1993 Series A Bonds was or shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(p) All of the proceeds of the Refunded 1993 Series A Bonds have been fully expended and the Project has been completed and placed in service. All of the actual Cost of Construction of the Project represents amounts paid or incurred which were chargeable to the capital account of the Project or would be so chargeable either with a proper election by the Company or but for a proper election by the Company to deduct such amounts. Substantially all (i.e. at least 90%) of the net proceeds of the sale of the Original Bonds (including investment income therefrom), were used to finance Cost of Construction of the Project as described above, pay costs and expenses of issuing the Original Bonds, within Code limits, and pay interest and carrying charges on the Original Bonds during the period of construction of the Project and prior to its in-service date.

(q) All of the depreciable properties which were taken into account in determining the qualifying costs of the Project constitute properties either (i) used for the control, containment, reduction and abatement of atmospheric pollution, contamination and water pollution and collection, storage, treatment, processing and final disposal of solid wastes or (ii) facilities which are functionally related and subordinate to such facilities constituting the Project. All of such functionally related and subordinate facilities are of a size and character commensurate with the character and size of the air and water pollution control facilities and solid waste disposal facilities constituting the Project.

(r) Within the meaning of Section 147(e) of the Code, no portion of the proceeds of the 2007 Series B Bonds were used and none of the proceeds of the Original Bonds were used to provide any airplane, skybox or other private luxury box, any health club facility, any facilities used primarily for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off the premises.

(s) None of the proceeds of the 2007 Series B Bonds were applied to payment of costs of the issuance of the 2007 Series B Bonds.

(t) Less than twenty-five percent (25%) of the net proceeds of the Original Bonds were used directly or indirectly to acquire land or any interest therein and no portion of such land, if acquired, was or is to be used for farming purposes. No portion of the proceeds of the Original Bonds was used to acquire existing property or any interest therein with respect to which the Company was not the first user for federal income tax purposes.

(u) The Refunded 1993 Series A Bonds were issued on August 31, 1993.

(v) No construction, reconstruction or acquisition of the Project was commenced prior to the taking of official action by the Predecessor County with respect thereto except for preparation of plans and specifications and other preliminary engineering work.

(w) Acquisition, construction and installation of the Project has been accomplished and the Project is being utilized substantially in accordance with the purposes of the Project and in conformity with all applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, which permits, variances and orders have not been withdrawn or otherwise suspended, and are consistent with the Act.

(x) The Company has used, is currently using and presently intends to use or operate the Project in a manner consistent with the purposes of the Project and the Act until the date on which the 2007 Series B Bonds have been fully paid and knows of no reason why the Project will not be so operated

(y) The proceeds derived from the sale of the 2007 Series B Bonds (other than any accrued interest thereon) were used exclusively and solely to refund the principal of the Refunded 1993 Series A Bonds. The principal amount of the 2007 Series B Bonds does not exceed the principal amount of the Refunded 1993 Series A Bonds. The redemption of the outstanding principal amount of the Refunded 1993 Series A Bonds with such proceeds of the 2007 Series B Bonds occurred not later than 90 days after the date of issuance of the 2007 Series B Bonds. Any earnings derived from the investment of such proceeds of the 2007 Series B Bonds were fully needed and used on such redemption date to pay a portion of the interest accrued and payable on the Refunded 1993 Series A Bonds on such date.

(z) On the date of issuance and delivery of the 2007 Series B Bonds, the Company reasonably expected that (i) all of the spendable proceeds of the 2007 Series B Bonds will be used for the governmental purpose of the issue within three years from date of issuance of such 2007 Series B Bonds and (ii) none of the proceeds of such 2007 Series B Bonds will be invested in nonpurpose obligations having a substantially guaranteed yield for three years or more.

(aa) The Company will cause the Issuer to comply in all respects with the requirements of Section 148 of the Code in respect of the rebate of Excess Earnings with respect to the 2007 Series B Bonds to the United States of America.

(bb) Upon the date of issuance of the 2007 Series B Bonds, the Company caused the Issuer to comply with the public approval requirements of Section 147 of the Code and at or following the issuance of the 2007 Series B Bonds the Company caused the Issuer to comply with the information reporting requirements of Section 149 of the Code by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

(cc) All of the documents, instruments and written information furnished by Company on behalf of Company to Issuer or Trustee in connection with the issuance of the Bonds were true and correct in all material respects as of the date of delivery thereof and did not, as of the date of delivery thereof, omit or fail to state any material facts necessary to be stated therein to make the information provided not misleading.

(dd) It is not anticipated, as of the date hereof, that there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2007 Series B Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

(ee) On the date of issuance and delivery of the Original Bonds, the Company reasonably expected that all of the proceeds of the Original Bonds would be used to carry out the governmental purposes of such issue within the 3-year period beginning on the date such issue was issued and none of the proceeds of such issue, if any, was invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

(ff) Company covenants to perform and observe all provisions of the Indenture required to be performed or observed by it.

(gg) Except for (i) $31,000,000 Louisville/Jefferson County Metro Government, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project) (the "Louisville Metro 2007 Series A Bonds"), the entire proceeds of which separately currently refunded a separate series of bonds of the County of Jefferson, Kentucky and (ii) $60,000,000 County of Trimble, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project) (the "Trimble County 2007 Series A Bonds"), the entire proceeds of which separately currently refunded a separate series of bonds of the County of Trimble, Kentucky (such (i) Louisville Metro 2007 Series A Bonds, (ii) Trimble County 2007 Series A Bonds and (iii) the Bonds, defined hereby collectively as the "2007 Bonds"), there are no other obligations heretofore issued or to be issued by or on behalf of any state, territory or possession of the United States, or any political subdivision of any of the foregoing, or of the District of Columbia, which (i) were sold less than 15 days prior to or after the date of sale of the Bonds; (ii) were sold pursuant to the same plan of financing with the Bonds; and (iii) are reasonably expected to be paid from substantially the same source of funds as the Bonds, determined without regard to guarantees from parties unrelated to the obligor as is applicable to the 2007 Bonds. Accordingly, the Company acknowledges and agrees that, pursuant to Treasury Regulation 1.150-1(c), the 2007 Bonds were automatically treated as a single issue of bonds and, to the extent required by law, elected pursuant to Treasury Regulation 1.150-1(c) that, for purposes of computation of the maturity of the 2007 Bonds, such 2007 Bonds shall be treated as a single issue of bonds.

Company need not comply with the covenants or representations in this Section if and to the extent that Issuer and Company receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2007 Series B Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE III

COMPLETION AND OWNERSHIP OF PROJECT

Section 3.1. Completion and Equipping of Project. Company represents that it has previously caused the Project to be constructed, completed and placed in service as herein provided on the Project Site in accordance with the Plans and Specifications as previously evidenced by the filing of a completion certificate by the Company with the Prior Trustee in respect of the Refunded 1993 Series A Bonds.

Section 3.2. Agreement as to Ownership of Project. The Issuer and the Company agree that title to and ownership of the Project shall remain in and be the sole property of the Company in which the Issuer shall have no interest. From and after the Effective Date, the Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2007 Series B Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.3. Use of Project. Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to ARTICLE IX of this Agreement or ARTICLE IX of the Indenture, to interfere with Company's ownership of the Project or to prevent Company from having possession, custody, use and enjoyment of the Project.

ARTICLE IV

ISSUANCE OF 2007 SERIES B BONDS; APPLICATION OF PROCEEDS

Section 4.1. Agreement to Issue 2007 Series B Bonds; Application of 2007 Series B Bond Proceeds. In order to provide funds to make the Loan, Issuer has issued, sold and delivered the 2007 Series B Bonds to the initial purchasers thereof and deposited the proceeds thereof with Trustee, into the Prior Bond Fund held by the Prior Trustee, for the benefit of and payment of the Refunded 1993 Series A Bonds, in an amount not less than all of such proceeds, being the principal amount of the 2007 Series B Bonds.

Section 4.2. Payment and Discharge of Refunded 1993 Series A Bonds. Company covenants and agrees with the Issuer, upon the date of issuance of the 2007 Series B Bonds, it gave irrevocable instructions to the Prior Trustee to call and redeem the Refunded 1993 Series A Bonds in accordance with their terms and simultaneously deposited into the Prior Bond Fund cash or direct United States obligations ("Governmental Obligations") sufficient on the date of issuance of the 2007 Series B Bonds to fully defease and discharge the Refunded 1993 Series A Bonds on such date in accordance with ARTICLE VIII of the 1993 Series A Indenture, without reference to any interest earnings to be accrued during the period from the date of issuance of the 2007 Series B Bonds to the redemption date of the Refunded 1993 Series A Bonds. Such matters were confirmed by issuance of an appropriate written certificate of the Prior Trustee confirming defeasance and full discharge of the Refunded 1993 Series A Bonds upon the date of issuance of the 2007 Series B Bonds. Such irrevocable instructions, deposit of sufficient cash and Governmental Obligations and issuance by the Prior Trustee of a certificate of defeasance and discharge were a condition precedent to the issuance of the 2007 Series B Bonds.

Section 4.3. Investment of Bond Fund and Rebate Fund Moneys. Subject to the provisions of Section 148 of the Code, any moneys held as a part of the Bond Fund or the Rebate Fund shall be invested or reinvested by Trustee, at the written request of and as specifically directed by Company, in one or more of the Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of Trustee. All moneys invested shall be deemed at all times a part of the fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2007 Series B Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax or other charge in respect of any investments, reinvestments or any liquidation of investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

Section 4.4. Special Arbitrage Certifications.

(a) Company covenants and agrees that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results or would result in interest paid on any of the 2007 Series B Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) or adversely affects the validity of the 2007 Series B Bonds.

(b) Company warrants, represents and certifies to Issuer that the proceeds of the 2007 Series B Bonds will not be used in any manner that would cause the 2007 Series B Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 and other applicable sections of the Code. To the best knowledge and belief of Company, there are no facts, estimates or circumstances that would materially change the foregoing conclusion.

(c) Company hereby covenants that it will at all times comply and cause Issuer to comply with the provisions of Section 148 and other applicable sections of the Code and will restrict the use of the proceeds of the 2007 Series B Bonds, in such manner and to such extent, if any, as may be necessary, and remit Excess Earnings with respect to all of the 2007 Series B Bonds, if any, to the United States of America pursuant to Section 148(f)(2) of the Code and carry out such actions so that the 2007 Series B Bonds will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code. An officer or officers of Issuer having responsibility with respect to the issuance of the 2007 Series B Bonds is or are hereby authorized and directed to give an appropriate certificate of Issuer, for inclusion in the transcript of proceedings for the 2007 Series B Bonds, setting forth the reasonable expectations of Issuer regarding the amount and use of the proceeds of the 2007 Series B Bonds and the facts, estimates and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2007 Series B Bonds pursuant to said Section 148 of the Code. Company shall provide the Issuer, and Issuer's certificate may be expressly based on, a certificate of Company setting forth the facts, estimates and circumstances and reasonable expectations of Company on the date of delivery of and payment for the 2007 Series B Bonds regarding the amount and use of the proceeds of the 2007 Series B Bonds and related matters. In the event any such representation of Company relied upon by the Issuer is untrue or inaccurate and Issuer thereby suffers costs or damages, Company shall indemnify Issuer for any such costs or damages.

(d) Consistent with the foregoing, Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2007 Series B Bonds, that no use will be made of the proceeds of the sale of the 2007 Series B Bonds which would cause the 2007 Series B Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and that Company and Issuer will, after issuance of the 2007 Series B Bonds, comply with the provisions of the Code at all times, including after the 2007 Series B Bonds are discharged, to the extent Excess Earnings with respect to the 2007 Series B Bonds are required to be rebated to the United States of America pursuant to Section 148(f)(2) of the Code. Pursuant to such covenant, Issuer and Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Section 148 of the Code.

(e) Company warrants, represents and certifies to Issuer that the proceeds of the Refunded 1993 Series A Bonds were applied and invested in compliance with the current requirements of Section 149(g) of the Code and that consequently the 2007 Series B Bonds will not be "hedge bonds" under such Section 149(g) of the Code.

(f) Company hereby covenants and agrees that it will at all times comply with the provisions of Section 148, including Section 148) of the Code and with Section 6.06 of the Indenture. Specifically, Company shall carry out, do and perform all acts stipulated to be performed by Company pursuant to such Section 6.06 of the Indenture. Company shall further undertake to assure and cause rebate payments to be calculated and made to the United States of America in accordance with Section 148(f)(2) of the Code from moneys on deposit in the Rebate Fund from time to time after the end of each Computation Period, as defined in the Indenture, and following discharge of the 2007 Series B

Bonds. Company also covenants to take all necessary acts and steps as required to cause Issuer to comply with the provisions of Sections 7.02 and 7.03 of the Indenture.

Section 4.5. Opinion of Bond Counsel. Company need not comply with the covenants or representations in Section 4.4 if and to the extent that Issuer and Company (with a copy to Trustee) receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2007 Series B Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Section 4.6. First Mortgage Bonds. The Company, for the purpose of providing security for the 2007 Series B Bonds, has executed and delivered to the Trustee on the Effective Date the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2007 Series B Bonds. The First Mortgage Bonds are in full force and effect from and after the Effective Date and shall mature as to principal identically as in the case of the 2007 Series B Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental First Mortgage Indenture, shall bear interest identically as in the case of the 2007 Series B Bonds.

Following the Effective Date, upon the occurrence of an event of default under ARTICLE IX of this Agreement, that has resulted in a default in payment of the principal of, premium, if any, or interest on the 2007 Series B Bonds as and when the same come due, whether at maturity, redemption, acceleration or otherwise, or a default in payment of the purchase price of any 2007 Series B Bond tendered for purchase, the acceleration of the maturity date of the 2007 Series B Bonds (to the extent not already due and payable) as a consequence of such event of default and the receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable, in accordance with the provisions specified in the Supplemental First Mortgage Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2007 Series B Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, the Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of ARTICLE VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2007 Series B Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of the Company thereunder terminated and such First Mortgage Bonds shall be surrendered by the Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of the Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture

ARTICLE V

PROVISIONS FOR PAYMENT

Section 5.1. Loan Payments and Other Amounts Payable.

(a) Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2007 Series B Bonds or any other date that any payment of interest, premium, if any, purchase price or principal is required to be made in respect of the 2007 Series B Bonds at the times specified in accordance with the more specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2007 Series B Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the 2007 Series B Bonds as provided in the Indenture; provided that such payments by Company to enable the Tender Agent to pay the purchase price of Bonds shall be made within the times required by Section 3.05 of the Indenture. It is understood and agreed that all payments payable by Company under this subsection (a) of Section 5.1 are assigned by the Issuer to the Trustee, the Paying Agent and the Tender Agent, as applicable, for the benefit of the Bondholders. Company assents to such assignment. Issuer hereby directs Company and Company hereby agrees to pay to Trustee and/or Paying Agent or Tender Agent, as appropriate, at the Principal Office of the Trustee and/or Paying Agent or Tender Agent, as appropriate, all payments payable by Company pursuant to this subsection.

(b) Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2007 Series B Bonds and incurred upon the request of Company.

(c) Company will also pay the agreed upon fees and expenses of Trustee (including those referred to in Section 10.02 of the Indenture), the Bond Registrar, the Tender Agent and the Paying Agent under the Indenture and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Initial Broker-Dealers, the Auction Agent and the Tender Agent, as applicable from time to time, under the Indenture, such amounts to be paid directly to Trustee, the Bond Registrar, the Paying Agent, the Tender Agent, the Initial Broker-Dealers and the Auction Agent for their respective own accounts as and when such amounts become due and payable.

(d) The Company further agrees to hold harmless the Trustee, Bond Registrar and Paying Agent against any loss, liability or expense, including reasonable attorneys' fees and expenses, incurred by it without negligence or bad faith on its part in connection with the issuance of the 2007 Series B Bonds or the acceptance or administration of the trusts under the Indenture, including the costs of defending itself against any claim or liability in connection therewith.

(e) The Company covenants, for the benefit of the Bondholders, if applicable, to pay or cause to be paid, to the Tender Agent for deposit in the Purchase Fund, such amounts as shall be necessary to enable the Tender Agent to pay the purchase price of 2007 Series B Bonds delivered to it for purchase, all as more particularly described in Sections 3.03 and 3.05 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price

of 2007 Series B Bonds delivered to it for purchase, as provided in the Indenture.

(f) In the event Company should fail to make any of the payments required in this Section 5.1 , the item or installment so in default shall continue as an obligation of Company until the amount in default shall have been fully paid, and Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due to the date of payment.

Section 5.2. Payments Assigned . As set forth in Section 5.1 hereof, it is understood and agreed that this Agreement and all payments made by Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) and (c) or pursuant to Section 8.2 hereof) are assigned by Issuer to Trustee. Company assents to such assignment and hereby agrees that, as to Trustee, Paying Agent, Initial Broker-Dealers, Auction Agent and Tender Agent, as applicable from time to time, its obligation to make such payments shall be absolute, irrevocable and unconditional and shall not be subject to cancellation, termination or abatement or to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by any party, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing by any party. Except as provided above, Issuer hereby directs Company and Company hereby agrees to pay directly to Trustee, Paying Agent, Initial Broker-Dealers, Auction Agent, Bond Registrar, Tender Agent and Issuer, as appropriate, all said payments payable by Company pursuant to Section 5.1 of this Agreement.

Section 5.3. Taxes and Other Governmental Charges . Company agrees to pay during the term of this Agreement, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied or charged against or with respect to the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating Company to pay taxes on any interest or principal on the 2007 Series B Bonds disbursed to Bondholders.

Company may, at its expense and in its own name, in good faith contest any such taxes, assessments and other governmental charges and, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments or charges shall be paid forthwith. Issuer will cooperate fully with Company in any such contest. In the event Company shall fail to pay any of the foregoing items required by this Section to be paid by Company, Issuer or Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by Issuer or Trustee shall become an additional obligation of Company to the one making the advancement, which amounts, together with interest thereon Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on ninety-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; provided , however , that no such advancement shall operate to relieve the Company from any default hereunder. Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4. Obligations of Company Unconditional . The obligation of Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.06 of the Indenture shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the 2007 Series B Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, Company (i) will not suspend or discontinue any payments pursuant to this Agreement and (ii) except as provided in ARTICLE X hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of title to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of Issuer or Trustee to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release Issuer from the performance of any of the agreements on its part herein contained; and in the event Issuer should fail to perform any such agreement on its part, Company may institute such action against Issuer as Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of Company contained in the preceding sentence. Company may, however, at its own cost and expense and in its own name or in the name of Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy and use of the Project, and in such event Issuer hereby agrees to cooperate fully with Company.

Section 5.5. Rebate Fund . Company agrees to make all payments to the Trustee and rebate all amounts to the United States of America as are required of it under Section 6.06 of the Indenture. The obligation of Company to make such payments shall remain in effect and be binding upon Company notwithstanding the release and discharge of the Indenture.

Section 5.6. Redemption of the 2007 Series B Bonds in Advance of Scheduled Maturity . Under the terms of the Indenture, the 2007 Series B Bonds are and will be subject to redemption prior to their scheduled maturity. The Issuer agrees that it shall direct the Trustee to redeem and call 2007 Series B Bonds at the written direction of the Company.

Section 5.7. Cancellation of 2007 Series B Bonds . The cancellation by the Bond Registrar of any 2007 Series B Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2007 Series B Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan repayment equal to the principal amount of the 2007 Series B Bond or Bonds so cancelled.

ARTICLE VI

MAINTENANCE; DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS; INSURANCE

Section 6.1. Maintenance. So long as any 2007 Series B Bonds are Outstanding, as that term is defined in the Indenture, Company will maintain, preserve and keep the Project, or cause the Project to be maintained, preserved and kept, in good repair, working order and condition and will from time to time make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as Environmental Facilities; provided, however, that Company will have no obligation to maintain, preserve, keep, repair, replace or renew any element or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to Company because of damage or destruction by a cause not within the control of Company, or condemnation of all or substantially all of the Project or the generating facilities to which the element or unit of the Project is an adjunct, or obsolescence (including economic obsolescence) or change in government standards and regulations, or the termination by Company of the operation of the generating facilities to which the element or unit of the Project is an adjunct, and (b) with respect to which Company has furnished to Issuer and Trustee a certificate executed by Company Representative certifying that the maintenance, preservation, keeping, repair, replacement or renewal of such element or unit of the Project is being discontinued for one of the foregoing reasons, which shall be stated therein, and that the discontinuance of such element or unit will not adversely affect the exclusion of interest on any of the 2007 Series B Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of this Agreement as part of the Project; provided, however, that Company shall take no actions which will change or alter the basic nature of the Project as Environmental Facilities.

If, prior to full payment of all 2007 Series B Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Company or the First Mortgage Trustee receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.l(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2007 Series B Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2007 Series B Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2007 Series B Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2007 Series B Bonds are otherwise subject to optional redemption.

Section 6.2. Insurance. The Company agrees to insure, or self-insure, the Project at all times reasonably in accordance with investor-owned public utility industry general practices and standards.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1. No Warranty of Condition or Suitability by Issuer. Issuer makes no warranty, either express or implied, as to the Project or that it will be suitable for Company's purposes or needs.

Section 7.2. Company to Maintain its Corporate Existence; Conditions under Which Exceptions Permitted. Company agrees that during the term of this Agreement it will maintain its corporate existence and good standing, will continue to be a corporation organized under the laws of the Commonwealth of Kentucky or qualified and admitted to do business in the Commonwealth of Kentucky, and will neither dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge, (i) shall be a corporation or other business organization organized and existing under the laws of the United States or one of the States of the United States of America or the District of Columbia, (ii) shall be qualified and admitted to do business in the Commonwealth of Kentucky, (iii) shall assume in writing all of the obligations and covenants of Company herein and (iv) shall deliver a copy of such assumption to the Issuer and Trustee.

Section 7.3. Financial Statements. Company agrees to furnish Trustee (within 120 days after the close of each fiscal year) with an audited balance sheet and statements of income, retained earnings and changes in cash flows showing the financial condition of Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of Company and its consolidated subsidiary or subsidiaries, if any, for such fiscal year, accompanied by an opinion of its regular independent certified public accountants that such statements fairly represent the financial condition of Company in accordance with generally accepted accounting principles. The information so provided to Trustee shall be kept in its files and is not required to be distributed to any Registered Holder or other person. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 7.4. Further Assurances and Corrective Instruments. Issuer and Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5. Issuer Representative. Whenever under the provisions of this Agreement the approval of Issuer is required or Issuer is required to take some action at the request of Company, such approval shall be made or such action shall be taken by Issuer Representative and Company or Trustee shall be authorized to act on any such approval or action, and Issuer shall have no redress against Company or Trustee as a result of any such action taken.

Section 7.6. Company Representative. Whenever under the provisions of this Agreement the approval of Company is required or Company is required to take some action at the request of Issuer, such approval shall be made or such action shall be taken by Company Representative and Issuer or Trustee shall be authorized to act on any such approval or action and Company shall have no redress against Issuer or Trustee as a result of any such action taken.

Section 7.7. Financing Statements. The Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the respective liens of the Indenture and the First Mortgage Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the First Mortgage Bonds, the Company caused to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the respective liens of the Indenture and the First Mortgage Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such liens, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the respective liens of the Indenture and the First Mortgage Indenture, which filings the Company agrees to undertake.

Section 7.8. Company's Performance Under Indenture. The Company agrees, for the benefit of Bondholders to do and perform all acts and things contemplated in the Indenture to be done and performed by it.

ARTICLE VIII

ASSIGNMENT; INDEMNIFICATION; REDEMPTION

Section 8.1. Assignment. This Agreement may be assigned by Company without the necessity of obtaining the consent of either Issuer or Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve Company from primary liability for any of its obligations hereunder, and in the event of any such assignment Company shall remain primarily liable for payments of the amounts specified in Section 5.1 hereof and for performance and observance of the other covenants or agreements on its part herein provided to be performed and observed to the me extent as though no assignment had been made;

(b) The assignee shall assume the obligations of Company hereunder to the extent of the interest assigned;

(c) Company shall, within thirty days after the delivery thereof, furnish or cause to be furnished to Issuer and to Trustee a true and complete copy of each such assignment and assumption of obligation; and

(d) prior to such assignment, the Company shall have obtained an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the 2007 Series B Bonds from gross income for Federal income tax purposes under Section 103 (a) of the Code.

Section 8.2. Release and Indemnification Covenants. Company releases Issuer from and covenants and agrees that Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless against, any expense or liability incurred by Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof. If any such claim is asserted, Issuer agrees to give prompt notice to the Company and Company will assume the defense thereof, with full power to litigate, compromise or to settle the same in its sole discretion, it being understood that Issuer will not settle or consent to the settlement of the same without the consent of Company.

Section 8.3. Assignment of Interest in Agreement by Issuer. Any assignment by Issuer to Trustee pursuant to the Indenture or this Agreement of any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 8.4. Redemption of 2007 Series B Bonds. Upon the agreement of Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2007 Series B Bonds subject to redemption, Issuer, at the request of Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the 2007 Series B Bonds outstanding, as may be specified by Company, on the redemption date specified by the Company.

Section 8.5. Reference to 2007 Series B Bonds Ineffective after 2007 Series B Bonds Paid. Upon payment in full of the 2007 Series B Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.4 hereof and payment of all fees and charges of the Trustee including reasonable attorneys fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2007 Series B Bonds, the First Mortgage Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2007 Series B Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default Defined. The following shall be "events of default" under this Agreement and the term "events of default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsections (a) and (e) of Section 5.1 hereof which results in failure to pay principal of, premium or interest on or the purchase price of the 2007 Series B Bonds, and such failure shall cause an event of default under the Indenture.

(b) Failure by Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, is given to Company by Issuer or Trustee, unless Issuer and Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Issuer and Trustee will not unreasonably withhold their consent to an extension of such time if such failure is capable of being cured and corrective action is instituted by Company within the applicable period and is being diligently pursued.

(c) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Company, or of a substantial part of the property or assets of Company, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company or (iii) the winding-up or liquidation of Company; and such proceeding or petition shall continue undismissed or unstayed for 90 days or an order or decree approving or ordering any of the foregoing shall be entered.

(d) Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (d) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing.

(e) The occurrence of an Event of Default under the Indenture.

(f) From and after the Effective Date, all bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

The provisions of Section 9.1(b) are subject to the following limitations: If by reason of force majeure Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of Company contained in Section 2.2(k) and (l), Section 4.2, Section 4.4 or Section 7.2 or ARTICLE V hereof and the general covenant and obligation of Company to take all necessary actions for the continued exclusion of interest on the 2007 Series B Bonds from gross income for federal and Kentucky income taxes, Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean any cause or event not reasonably within the control of Company, including without limitation the following: acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies, including terrorists; orders of any kind of the government of the United States or of the Commonwealth of Kentucky or any of their departments, agencies or officials, or any civil or military authority; evacuations and quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines or pipes; or partial or entire failure of utility services. Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Company, and Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Company unfavorable to Company.

Section 9.2. Remedies on Default. Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, the Trustee, on behalf of the Issuer, may take any one or more of the following remedial steps:

(a) By written notice to Company, the Trustee, on behalf of the Issuer, may declare an amount equal to the principal and accrued interest on the 2007 Series B Bonds then Outstanding, as defined in the Indenture, to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

(b) The Trustee, on behalf of the Issuer, may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of Company.

(c) The Trustee, on behalf of the Issuer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement, including, from and after the Effective Date, any remedies available in respect of the First Mortgage Bonds.

In case there shall be pending a proceeding of the nature described in Section 9.1(c) or (d) above, Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of Trustee allowed in such judicial proceedings relative to Company, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any custodian (including, without limitation a receiver, trustee or liquidator) of Company appointed in connection with such proceedings is hereby authorized to make such payments to Trustee, and to pay to Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Any amounts collected pursuant to action taken under this Section (other than the compensation and expenses referred to in the immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2007 Series B Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of Trustee and any paying agents accrued and to accrue through final payment of the 2007 Series B Bonds, and all other liabilities of Company accrued and to accrue hereunder or under the Indenture through final payment of the 2007 Series B Bonds have been paid, such amounts so collected shall be paid to Company.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given Issuer hereunder shall also extend to Trustee, and Trustee and the holders of the 2007 Series B Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 9.4. Agreement to Pay Reasonable Attorneys' Fees and Expenses. In the event Company should default under any of the provisions of this Agreement and Issuer and/or Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of Company herein contained, Company agrees that it will on demand therefor pay to Issuer and/or Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by Issuer and/or Trustee.

Section 9.5. Waiver of Events of Default. If, after the acceleration of the maturity of the outstanding 2007 Series B Bonds by Trustee pursuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2007 Series B Bonds and the principal of, and premium, if any, on any and all 2007 Series B Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2007 Series B Bond, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2007 Series B Bonds which shall have become due by said declaration, shall have been remedied, and such event of default under the Indenture shall be deemed waived by Trustee in accordance with Section 9.11 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then Company's default hereunder shall be deemed to have been waived by Issuer and no further action or consent by Trustee or Issuer shall be required. In the event any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

PREPAYMENT OF LOAN

Section 10.1. Options to Prepay Loan. Company shall have, and is hereby granted, options to prepay the Loan in whole and to cancel or terminate this Agreement on any Business Day at any time Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by Company to Trustee of such election, as follows:

(a) If in the judgment of Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2007 Series B Bonds upon Company with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem, property, income or other taxes not imposed on the date of this Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) If the Project or a portion thereof or other property of Company in connection with which the Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use;

(d) In the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor,

equipment, or other properties or things necessary for the efficient operation of either of the Mill Creek and Cane Run Generating Stations of the Company shall have occurred which, in the judgment of the Company, render the continued operation of either of the Mill Creek or Cane Run Generating Stations or any generating unit at either station uneconomical; or changes in circumstances, after the issuance of the 2007 Series B Bonds including but not limited to changes in clean air and water or other air and water pollution control requirements or solid waste disposal requirements, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) In the event this Agreement shall become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action, whether state or federal, or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) A final order or decree of any court or administrative body after the issuance of the 2007 Series B Bonds shall require the Company to cease a substantial part of its operations at the Mill Creek and Cane Run Generating Stations to such extent that the Company will be prevented from carrying on its normal operations at such location for a period of six months.

In the case of prepayment pursuant to this Section (or if any 2007 Series B Bonds be redeemed in whole or in part pursuant to Section 6.1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with Trustee and available for such purpose, to redeem all 2007 Series B Bonds then outstanding (or, in the case any 2007 Series B Bonds are redeemed in part pursuant to Section 6.1 hereof, such portion of the 2007 Series B Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2007 Series B Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2007 Series B Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the events mentioned in (a) through (f) above, Company is required to give written notice to Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2. Additional Option to Prepay Loan. Company shall have, and is hereby granted, further options, to the extent that the 2007 Series B Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with Trustee moneys sufficient to pay, together with other funds deposited with Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2007 Series B Bonds then outstanding under the Indenture and, upon depositing with Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2007 Series B Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder, to cancel or terminate the term of this Agreement.

Section 10.3. Obligations to Prepay Loan. Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, prior to the required full payment of the 2007 Series B Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and Company shall take all actions required to mandatorily redeem the 2007 Series B Bonds at the cost of the Company upon the terms specified in this Agreement and in ARTICLE IV of the Indenture following the occurrence of a Determination of Taxability, including, but not limited to, prepaying appropriate amounts due on the 2007 Series B Bonds in order to effect such redemption. The 2007 Series B Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this Section, a "Determination of Taxability" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2007 Series B Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2007 Series B Bonds, the interest on the 2007 Series B Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2007 Series B Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2007 Series B Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any 2007 Series B Bond in the computation of minimum or indirect taxes. All of the 2007 Series B Bonds shall be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2007 Series B Bonds of one or more series or one or more maturities would have the result that interest payable on the remaining 2007 Series B Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the 2007 Series B Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described in this Section, the Company shall give notice thereof to the Trustee and the Issuer.

In the case of the mandatory obligation of Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as specified in this Section hereof and to provide to Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2007 Series B Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2007 Series B Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any paying agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2007 Series B Bonds.

Section 10.4. Notice of Prepayment; Redemption Procedures. It is understood and agreed by the parties hereto that in order to exercise an option granted in, or to consummate a mandatory prepayment required by, this Article, Company shall give written notice to Issuer and Trustee which notice shall (i) contain the agreement of Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2007 Series B Bonds equal to the amount of the prepayment, including, in the case of a prepayment under Section 10.2 hereof, any applicable redemption premium in respect of such 2007 Series B Bonds, and any other amounts required under this Agreement and (ii) specify the prepayment date (which must be a Business Day and which shall also be the redemption date), which date shall not be less than 30 days (45 days if the 2007 Series B Bonds are bearing interest at the Semi-annual, Annual or Long Term Rate or in all cases such shorter period as may be acceptable to the Trustee) nor more than 90 days from the date the notice is mailed by Company to Issuer and Trustee.

Section 10.5. Relative Position of this Article and Indenture. The rights and options granted to Company in this Article, except the option granted to Company pursuant to Section 10.2 to prepay less than all of the Loan payments, shall be and remain prior and superior to the Indenture and may be exercised whether or not Company is otherwise in default hereunder; provided that such default will not result in nonfulfillment of any condition to the exercise of any such right or option.

Section 10.6. Concurrent Discharge of First Mortgage Bonds. From and after the Effective Date, in the event any of the 2007 Series B Bonds shall be paid and discharged pursuant to any provisions of this Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.15 of the Indenture.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Term of Agreement. This Agreement shall remain in full force and effect from the date hereof to and including the later of June 1, 2033, or until such earlier or later time as all of the 2007 Series B Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture), whichever shall be later; provided, however, that this Agreement may be cancelled and terminated prior to said date if Company shall prepay all of the Loan pursuant to ARTICLE X hereof; and provided further, however, that all obligations of Company under ARTICLE V and Section 8.1 hereof (a) to pay the agreed fees and expenses of Trustee, the Tender Agent, the Bond Registrar and any Paying Agent and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2007 Series B Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by Company as to all matters affecting the tax-exempt status of interest on the 2007 Series B Bonds shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2007 Series B Bonds and shall survive the termination of this Agreement and all obligations of Company contained herein relating to indemnification of Issuer, Trustee, Bond Registrar, Authenticating Agent, Tender Agent and any Paying Agent shall survive the termination of this Agreement.

Section 11.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Issuer, at 527 West Jefferson Street, Louisville, Kentucky 40202, Attention: Mayor;

If to Company, at its corporate headquarters, 220 West Main Street, Louisville, Kentucky 40202, Attention: Treasurer, and

If to Trustee, at 25 DeForest Avenue, 2 nd Floor, Summit, NJ 07901, Attention: Trust and Securities Services (Municipal Unit).

If to Paying Agent, Remarketing Agents, Auction Agent, Initial Broker-Dealers or Tender Agent, at such addresses for notices as are set forth in the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by either Issuer or Company to the other shall also be given to Trustee. Issuer, Company and Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.3. Binding Effect; Bond Counsel Opinions. This Agreement shall inure to the benefit of and shall be binding upon Issuer, Company and their respective successors and assigns, subject, however, to the limitations contained in Section 7.2, Section 8.1 and Section 8.3 hereof.

Section 11.4. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5. Amounts Remaining in Bond Fund and Rebate Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the 2007 Series B Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, shall belong to and be paid to Company by Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied and disbursed strictly and only in accordance with the provisions of Section 6.06 of the Indenture. Following the payment and discharge of the Refunded 1993 Series A Bonds on their redemption date and the making of provision for payment of the Refunded 1993 Series A Bonds not presented for payment, any remaining moneys in the Prior Bond Fund shall belong to and be paid to Company by the Prior Trustee.

Section 11.6. Amendments, Changes and Modifications. Subsequent to the issuance of the 2007 Series B Bonds and prior to payment in full of all 2007 Series B Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated, and no provision hereof waived, without the written consent of Trustee, given in accordance with the Indenture.

Section 11.7. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 11.9. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 11.10. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement, as hereinabove provided.

Section 11.11. Payments Due on Other Than Business Days. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be on a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided in this Agreement, and if done on such succeeding Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

Section 11.12. Amendment, Restatement and Supersession of Loan Agreement. This Amended and Restated Loan Agreement amends, restates and supersedes in its entirety the Loan Agreement dated as of March 1, 2007, as amended and supplemented pursuant to the Amendment No. 1 to Loan Agreement dated as of September 1, 2010, in each case between the Issuer and the Company.

(remainder of page left blank intentionally)

IN WITNESS WHEREOF , Issuer and Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers.

LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT, KENTUCKY

(SEAL)

By:_____
JERRY E. ABRAMSON
Mayor

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

Mike O'Connell
Jefferson County Attorney

_____
KATHLEEN J. HERRON
Metro Council Clerk

By:_____
JAMES T. CAREY
Assistant County Attorney

LOUISVILLE GAS AND ELECTRIC
COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

(2000 Series A-Trimble Co.)

COUNTY OF TRIMBLE, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * *

LOAN AGREEMENT IN CONNECTION WITH
POLLUTION CONTROL FACILITIES

* * * *

Dated as of August 1, 2000

* * * *

NOTICE: The interest of the County of Trimble, Kentucky, in and to this Loan Agreement has been assigned to The Bank of New York, as Trustee under the Indenture of Trust dated as of July 1, 2000.

LOAN AGREEMENT

TABLE OF CONTENTS

(This Table of Contents is for convenience of reference only and is not a part of this Loan Agreement.)

LOAN AGREEMENT IN CONNECTION WITH
POLLUTION CONTROL FACILITIES

This LOAN AGREEMENT, dated as of August 1, 2000, by and between the COUNTY OF TRIMBLE, KENTUCKY, a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of Kentucky;

WITNESSETH:

WHEREAS, the County of Trimble, Kentucky ("Issuer"), is a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), Issuer has the power to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance the acquisition and construction of "pollution control facilities" as defined by the Act ("Pollution Control Facilities") for the abatement and control of air and water pollution and to abate solid waste and to refund bonds which were previously issued for such purposes; and

WHEREAS, Issuer is further authorized pursuant to the Act to enter into a loan agreement, which may include such provisions as Issuer shall deem appropriate to effect the securing of a financing or refinancing undertaken in respect of Pollution Control Facilities, including the pledge of direct securities of a utility company; and

WHEREAS, the Act further provides that title to Pollution Control Facilities shall not be acquired by Issuer in the case of a loan transaction; and

WHEREAS, Louisville Gas and Electric Company, a Kentucky corporation ("Company"), has heretofore by the issuance of the 1990 Series A Bonds, hereinafter defined, financed the costs of construction and acquisition of certain air and water pollution control facilities and facilities functionally related and subordinate to such facilities to complete the financing of Pollution Control Facilities to serve the Trimble County Generating Station of Company, which specified facilities constitute the 1990 Project, as hereinafter defined in Article I (the "1990 Project"), and are an integral component of the comprehensive system of Pollution Control Facilities serving the Trimble County Generating Station of the Company (the "Project") located within the corporate boundaries of Issuer, which 1990 Project consists of certain air and water pollution control facilities and facilities functionally related and subordinate to such facilities in furtherance of the regulations of the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky, and which 1990 Project qualifies for financing within the meaning of the Act; and

WHEREAS, the 1990 Series A Bonds provided financing for all of the Company = s then existing 84.6465% undivided interest in the 1990 Project, which undivided interest has been reduced to a 75% undivided interest because of subsequent events, and the defeasance of $16,665,000 principal amount of the 1990 Series A Bonds; and

WHEREAS, (i) construction of the Project began before September 26, 1985; completion of the Project occurred after September 26, 1985 and original use of the Project commenced with the Company, (ii) a binding contract to incur significant (i.e., 10% of the then reasonably anticipated cost of construction of the Project) expenditures for construction of the Project was entered into before September 26, 1985 and some of such expenditures were incurred on or after September 26, 1985 and (iii) with respect to both (i) and (ii) above, the Project was described in an inducement resolution or other comparable approval adopted by the Fiscal Court of the Issuer before September 26, 1985 (i.e., on February 29, 1980); and

WHEREAS, the 1990 Project has been completed and placed in operation and constitutes an integral part of the Project and the 1990 Project has contributed and does contribute to the control, containment, reduction and abatement of atmospheric pollution and contamination and water pollution in the Commonwealth of Kentucky; and

WHEREAS, under date of November 1, 1990, the Issuer, at the request of the Company, issued its "County of Trimble, Kentucky, 7-5/8% Pollution Control Revenue Bonds, 1990 Series A (Louisville Gas and Electric Company Project)" (the "1990 Series A Bonds), the proceeds of which were loaned to the Company and funded the Cost of Construction of the 1990 Project and in connection with the issuance of the 1990 Series A Bonds, the right was reserved to Issuer, upon direction by Company, to redeem the 1990 Series A Bonds in advance of their maturity; and the 1990 Series A Bonds are by their terms subject to redemption at the option of Issuer on and after November 1, 2000 in whole on any date or in part on any interest payment date, at the price of 102% of the principal amount thereof and accrued interest to the date of redemption, as provided in the hereinafter defined 1990 Series A Indenture; and the redemption and discharge of the 1990 Series A Bonds will result in certain benefits to the general public and the Company and should be carried out forthwith in the public interest by the issuance of the 2000 Series A Bonds, hereinafter defined, and the application of the proceeds of the 2000 Series A Bonds, together with funds to be provided by Company, for the refunding, payment and discharge of the 1990 Series A Bonds on or prior to the 90th day after the date of issuance of the 2000 Series A Bonds; and

WHEREAS, in respect of the 1990 Series A Bonds, Issuer entered into a certain Indenture of Trust dated as of November 1, 1990, with (i) Citizens Fidelity Bank and Trust Company (now Chase Manhattan Trust Company, NA), Louisville, Kentucky, as Trustee, Paying Agent and Bond Registrar (the "Prior Trustee"), and (ii) Security Pacific National Trust Company (New York), New York, New York, as Paying Agent and

Bond Registrar (the A 1990 Series A Indenture"), and it is provided in Article XV of the 1990 Series A Indenture that the 1990 Series A Bonds, or any of them, shall be deemed to have been paid within the meaning of such 1990 Series A Indenture when there shall have been irrevocably deposited with the Prior Trustee, either cash or Government Obligations, as defined in the 1990 Series A Indenture, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal and the applicable redemption premium, if any, on the 1990 Series A Bonds plus interest thereon to the date of payment and discharge thereof (whether at maturity or upon redemption or otherwise), plus sufficient moneys to pay all necessary and proper fees, compensation and expenses of the Prior Trustee; together with irrevocable instructions to call and redeem the 1990 Series A Bonds; and

WHEREAS , pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Fiscal Court of Issuer on July 17, 2000, and in furtherance of the purposes of the Act, Issuer proposes to issue, sell and deliver a series of its bonds in fully registered form which will be designated "County of Trimble, Kentucky, Pollution Control Revenue Bonds, 2000 Series A (Louisville Gas and Electric Company Project)" (the "2000 Series A Bonds"), the proceeds of which will be lent to Company to cause the outstanding principal amount of the 1990 Series A Bonds to be refunded, paid and discharged on or prior to the 90th day after the date of issuance of the 2000 Series A Bonds; and

WHEREAS , the 2000 Series A Bonds are to be issued under and pursuant to and are secured by an Indenture of Trust by and between Issuer and The Bank of New York, New York, New York, as trustee thereunder, dated as of August 1, 2000 (the "Indenture"); and

WHEREAS , the Natural Resources and Environmental Protection Cabinet of Kentucky, having jurisdiction in the premises, has previously certified that the Project, as designed (which includes the facilities constituting the 1990 Project), is in furtherance of the purposes of abating and controlling atmospheric pollutants or contaminants and water pollution; and

WHEREAS , Issuer proposes to lend to Company and Company desires to borrow from Issuer the proceeds from the sale of the 2000 Series A Bonds to cause the outstanding principal amount of the 1990 Series A Bonds to be refunded, paid and discharged on or prior to the 90th day after the date of issuance of the 2000 Series A Bonds;

NOW, THEREFORE FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER, AS FOLLOWS :

ARTICLE I

DEFINITIONS

Section 1.01 . Use of Defined Terms . In addition to the words and terms defined elsewhere in this Agreement or in the Indenture or by reference to another document, the words and terms set forth in Sections 1.02 and 1.03 shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.02 . Incorporation of Certain Terms by Reference . When and if used in this Agreement, the following terms shall have the meaning set forth in Article I of the Indenture:

"Act"
"Agreement"
"Authorized Denomination"
"Bond Counsel"
"Bond Fund"
"Bond Year"
"Business Day"
"Code"
"Company"
"Company Bonds"
"Company Representative"
"Cost of Construction"
"Cross-Over Date"
"Cumulative Excess Earnings"
"Escrow Agent"
"Escrow Agreement"
"Escrow Fund"
"Excess Earnings"
"Failed Cross-Over Date"
"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Government Obligations"
"Indenture"
"Interest Payment Date"
"Issuer"
"Issuer Representative"

"Loan"
"No Auction Rate"
"Net Proceeds"
"Other High-Grade Securities"
"Paying Agent"
"Permitted Investments"
"Plans and Specifications"
"Pollution Control Facilities"
"Prevailing Rating"
"Project"
"1990 Project"
"Project Site"
"Purchase Fund"
"Rating Service"
"Rebate Fund"
"Redemption Date"
"Redemption Demand"
"Release Date"
"1990 Series A Bonds"
"2000 Series A Bonds"
"1990 Series A Indenture"
"Seven-Day > AA = Composite Commercial Paper Rate
"Supplemental Indenture"
"Tender Agent"
"Trustee"

Section 1.03 . Additional Definitions . In addition to the terms whose definitions are incorporated by reference herein pursuant to Section 1.02 , the following terms shall have the meanings set forth in this Section unless the use or context clearly indicates otherwise:

" Determination of Taxability " shall have the meaning ascribed to such term in Section 10.3(a) of this Agreement.

In addition to the definitions herein, terms used in this agreement and not defined herein shall have the meanings ascribed to such terms in the Indenture.

The words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement. Unless otherwise noted, all Section and Article references are to sections and articles in this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1 Representations, Warranties and Covenants by Issuer . Issuer represents, warrants and covenants that:

(a) Issuer is a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, Issuer has the power to issue the 2000 Series A Bonds, to enter into this Agreement and the Indenture and the transactions contemplated hereby and to carry out its obligations hereunder and thereunder. Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2000 Series A Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2000 Series A Bonds and to execute and deliver this Agreement and the Indenture. Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) Issuer agrees to loan funds derived from the sale of the 2000 Series A Bonds to Company to provide for the refunding, payment and discharge of the outstanding principal amount of the1990 Series A Bonds, to the end that air and water pollution be abated and controlled.

(c) To accomplish the foregoing, Issuer agrees to issue $83,335,000 aggregate principal amount of its 2000 Series A Bonds following the execution of this Agreement on such terms and conditions as are set forth in the Indenture. The proceeds from the sale of the 2000 Series A Bonds shall be applied to refund, pay and discharge the outstanding principal amount of the 1990 Series A Bonds on or prior to the 90th day after the date of issuance of the 2000 Series A Bonds.

(d) Issuer will cooperate with Company and take all actions necessary for Company to comply with Section 2.2(o), (s) and (v) hereof and take other actions reasonably requested by Company in furtherance of this Agreement.

Section 2.2 . Representations, Warranties and Covenants by Company . Company represents, warrants and covenants that:

(a) Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to

qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the 2000 Series A Bonds.

(b) Company has full and complete legal power and authority to execute and deliver this Agreement, the Supplemental Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Agreement, the Supplemental Indenture and the First Mortgage Bonds.

(c) The 1990 Project financed or currently refinanced by application of the proceeds of the 1990 Series A Bonds has been designed and constructed to control, contain, reduce and abate air and water pollution at the Project Site. The 1990 Project was and is necessary for the public health and welfare, and is designed for no significant purpose other than the control of air and water pollution and the 1990 Project constitutes air and water pollution control facilities and facilities functionally related and subordinate to such facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, and the Act.

(d) All of the proceeds of the 2000 Series A Bonds shall be used on or prior to the 90th day after the date of issuance of the 2000 Series A Bonds exclusively to redeem, pay and discharge the principal of the 1990 Series A Bonds, not less than substantially all of the proceeds of which 1990 Series A Bonds (i.e., at least 95% of the proceeds, including investment income thereon) were used to finance the Cost of Construction of air and water pollution control facilities and facilities functionally related and subordinate to such facilities, and all of such air and water pollution control facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section 167 of the Code.

(e) The Project, as designed, including the 1990 Project which is an integral component of the Project, has been certified by the Department for Natural Resources and Environmental Protection of Kentucky (now the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky), the agency exercising jurisdiction in the premises, to be in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants and water pollution.

(f) The 1990 Project is of the type authorized and permitted by the Act, and the Cost of Construction of the Project was not less than $83,335,000.

(i) Construction of the Project, as to which the 1990 Project is an integral component, began before September 26, 1985; completion of the Project occurred after September 26, 1985 and original use of the Project commenced with the Company.

(ii) A binding contract to incur significant (i.e., 10% of the then reasonably anticipated cost of construction of the Project) expenditures for construction of the Project was entered into before September 26, 1985 and some of such expenditures were incurred on or after September 26, 1985.

(iii) With respect to both (i) and (ii) above, the Project was described in an inducement resolution or other comparable approval adopted by the Fiscal Court of the Issuer before September 26, 1985 (i.e., on February 29, 1980).

(g) No event of default, and no event of the type described in clauses (a) through (e) of Section 9.1 hereof, has occurred and is continuing and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under this Agreement, the Supplemental Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of this Agreement, Supplemental Indenture, the First Mortgage Bonds, the consummation of the transactions contemplated hereby or by the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of Company under the terms of any instrument or agreement.

(h) Company intends to continue to operate or cause the Project, including the 1990 Project, to be operated as air and water pollution control facilities and facilities functionally related and subordinate to such facilities until all of the 2000 Series A Bonds are paid and discharged.

(i) No portion of the proceeds of the1990 Series A Bonds were invested at a yield in excess of the yield on the 1990 Series A Bonds except (i) during any permitted temporary period provided by the Code, (ii) proceeds of a reasonably required reserve or replacement fund and (iii) as part of a minor portion of the proceeds of the 1990 Series A Bonds, not in excess of the lesser of 5% of the proceeds of the 1990 Series A Bonds or $100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Section 148 of the Code and applicable tax regulations.

(j) No portion of the proceeds from the sale of the 2000 Series A Bonds will be deposited to the account of any reasonably required reserve or replacement fund or used to pay (i) any costs of issuance of the 2000 Series A Bonds or (ii) any redemption premium or accrued interest on the 1990 Series A Bonds, but such proceeds will be applied and used solely to refund, pay and discharge the outstanding principal amount of the 1990 Series A Bonds on or prior to the 90th day after the issuance of the 2000 Series A Bonds.

(k) Company will provide any additional moneys, including investment proceeds of the 2000 Series A Bonds, required for the

payment and discharge of the 1990 Series A Bonds, payment of the redemption premium and accrued interest in respect thereto and payment of all underwriting discount and costs of issuance of the 2000 Series A Bonds. Any investment proceeds of the 2000 Series A Bonds shall be used exclusively to pay interest or redemption premium due on the 1990 Series A Bonds on the Redemption Date.

(l) Company will cause no investment of 2000 Series A Bond proceeds to be made and will make no other use of or omit to take any action with respect to the proceeds of the 2000 Series A Bonds or any funds reasonably expected to be used to pay the 2000 Series A Bonds which will cause the 2000 Series A Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or would otherwise result in the loss or impairment of the exclusion of the interest on such 2000 Series A Bonds from gross income for federal income tax purposes.

(m) The weighted average maturity of the 2000 Series A Bonds does not and the weighted average maturity of each of the 1990 Series A Bonds did not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the date of issuance of the 2000 Series A Bonds) of the Pollution Control Facilities constituting the 1990 Project refinanced by the proceeds of the 2000 Series A Bonds.

(n) Company will provide all information requested by the Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 filed by Issuer with respect to the 2000 Series A Bonds and the air and water pollution control facilities constituting the 1990 Project, and such information will be true and correct in all material respects.

(o) Within the meaning of Section 149 of the Code, no portion of the payment of the principal or interest on the 2000 Series A Bonds or the 1990 Series A Bonds was or shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(p) All of the proceeds of the 1990 Series A Bonds have been expended and the 1990 Project has been completed. All of the actual Cost of Construction of the 1990 Project represents amounts paid or incurred which were chargeable to the capital account of the 1990 Project or would be so chargeable either with a proper election by the Company or but for a proper election by the Company to deduct such amounts. Substantially all (i.e. at least 95%) of the proceeds of the sale of the 1990 Series A Bonds, (including investment income therefrom) were used to finance or refinance Cost of Construction of the1990 Project as described above, pay costs and expenses of issuing the 1990 Series A Bonds, within Code limits, and pay interest and carrying charges on the 1990 Series A Bonds during the period of construction of the 1990 Project and prior to its in-service date.

(q) All of the depreciable properties which were taken into account in determining the qualifying costs of the 1990 Project constitute properties either (i) used for the control, containment, reduction and abatement of atmospheric pollutants and contaminants and water pollution or (ii) facilities which are functionally related and subordinate to such facilities constituting the 1990 Project. All of such functionally related and subordinate facilities are of a size and character commensurate with the character and size of the air and water pollution control facilities constituting the 1990 Project.

(r) The Company will cause the Issuer to comply in all respects with the requirements of Section 148 of the Code in respect of the rebate of Excess Earnings with respect to the 2000 Series A Bonds to the United States of America.

(s) None of the proceeds of the 2000 Series A Bonds will be applied and none of the proceeds of the 1990 Series A Bonds were applied to provide any: (i) working capital, (ii) office space (other than office space located on the premises of the Project where not more than a de minimis amount of the functions to be performed are not directly related to the day-to-day operations of the Project), (iii) airplane, (iv) skybox or other private luxury box, (v) health club facility, (vi) facility primarily used for gambling or (vii) store, the principal business of which is the sale of alcoholic beverages for consumption off premises.

(t) Less than twenty-five percent (25%) of the net proceeds of the 1990 Series A Bonds if any, were used directly or indirectly to acquire land or any interest therein and no portion of such land, if acquired, was or is to be used for farming purposes. No portion of the proceeds of the 1990 Series A Bonds was used to acquire existing property or any interest therein with respect to which the Company was not the first user for federal income tax purposes.

(u) If required by law, within one year prior to the date of issuance of the 2000 Series A Bonds the Company will cause the Issuer to comply with the public approval requirements of Section 147 of the Code and at or following the issuance of the 2000 Series A Bonds the Company will cause the Issuer to comply with the information reporting requirements of Section 149 of the Code by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

(v) All of the documents, instruments and written information furnished by Company on behalf of Company to Issuer or Trustee in connection with the issuance of the Bonds are true and correct in all material respects as of the date of delivery thereof and did not, as of the date of delivery thereof, omit or fail to state any material facts necessary to be stated therein to make the information provided not misleading.

(w) The 1990 Series A Bonds were issued on November 20, 1990.

(x) No construction, reconstruction or acquisition of the Project, of which the 1990 Project is an integral part, was commenced prior to the taking of official action by the Issuer with respect thereto except for preparation of plans and specifications and other preliminary engineering work.

(y) Acquisition, construction and installation of the 1990 Project has been accomplished and the 1990 Project is being utilized substantially in accordance with the purposes of the 1990 Project and in conformity with all applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, which permits, variances and orders have not been withdrawn or otherwise suspended, and consistently with the Act.

(z) The Company has used, is currently using and presently intends to use or operate the 1990 Project in a manner consistent with the purposes of the 1990 Project and the Act until the date on which the 2000 Series A Bonds have been fully paid and knows of no reason why the 1990 Project will not be so operated.

(aa) The proceeds derived from the sale of the 2000 Series A Bonds (other than any accrued interest thereon) will be used exclusively to refund the principal of the 1990 Series A Bonds. The principal amount of the 2000 Series A Bonds does not exceed the principal amount of the 1990 Series A Bonds. The redemption of the outstanding principal amount of the 1990 Series A Bonds with such proceeds of the 2000 Series A Bonds will occur not later than 90 days after the date of issuance of the 2000 Series A Bonds. All earnings derived from the investment of such proceeds of the 2000 Series A Bonds will be fully needed and used on such redemption date to pay a portion of the redemption premium and interest accrued and payable on the 1990 Series A Bonds on such date.

(bb) On the date of issuance and delivery of the 1990 Series A Bonds, the Company reasonably expected that all of the proceeds of the 1990 Series A Bonds would be used to carry out the governmental purposes of such issue within the 3-year period beginning on the date such issue was issued and none of the proceeds of such issue, if any, was invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

(cc) It is not anticipated, as of the date hereof, that there will be created any " replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2000 Series A Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

Company need not comply with the covenants or representations in (c) through (f), inclusive, and (h) through (cc), inclusive, if and to the extent that Issuer and Company receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2000 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE III

COMPLETION AND OWNERSHIP OF PROJECT

Section 3.1 . Completion and Equipping of Project . Company represents that (a) it caused the Project to be constructed as herein provided on the Project Site in accordance with the Plans and Specifications and (b) the Project was completed as previously evidenced by the filing of a completion certificate by the Company with the trustee in respect of the 1990 Series A Bonds.

Section 3.2 . Agreement as to Ownership of Project . The Company owns a 75% undivided interest in the Project. Issuer and Company agree that title to and ownership of that portion of the Project owned by the Company, as to which the 1990 Project is an integral component, shall remain in and be the sole property of Company in which Issuer shall have no interest. The Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.3 . Use of Project . Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to Article IX of this Agreement or Article IX of the Indenture, to interfere with Company's ownership of the Project or to prevent Company from having possession, custody, use and enjoyment of the Project.

ARTICLE IV

ISSUANCE OF 2000 SERIES A BONDS; APPLICATION OF PROCEEDS; COMPANY TO ISSUE FIRST MORTGAGE BONDS

Section 4.1 . Agreement to Issue 2000 Series A Bonds; Application of 2000 Series A Bond Proceeds . In order to provide funds to make the Loan, Issuer will issue, sell and deliver the 2000 Series A Bonds to the initial purchasers thereof and deposit the proceeds thereof with Trustee, as follows:

In the Escrow Fund an amount not less than all of such proceeds.

Section 4.2 . Investment of Bond Fund and Rebate Fund Moneys . Subject to the provisions of Section 148 of the Code, any moneys held as a part of the Bond Fund or the Rebate Fund shall be invested or reinvested by Trustee, at the written request of and as specifically directed by Company, in one or more of the Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of Trustee. All moneys invested shall be deemed at all times a part of the

fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2000 Series A Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax or other charge in respect of any investments, reinvestments or any liquidation of investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

Section 4.3. Special Arbitrage Certifications.

(a) Company covenants and agrees that it, will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results in interest paid on any of the 2000 Series A Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) or adversely affects the validity of the 2000 Series A Bonds.

(b) Company warrants, represents and certifies to Issuer that the proceeds of the 2000 Series A Bonds will not be used in any manner that would cause the 2000 Series A Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 and other applicable sections of the Code. To the best knowledge and belief of Company, there are no facts, estimates or circumstances that would materially change the foregoing conclusion.

(c) Company hereby covenants that it will at all times comply and cause Issuer to comply with the provisions of Section 148 and other applicable sections of the Code and will restrict the use of the proceeds of the 2000 Series A Bonds in such manner and to such extent, if any, as may be necessary, and remit Excess Earnings with respect to all of the 2000 Series A Bonds, if any, to the United States of America pursuant to Section 148(f)(2) of the Code and carry out such actions so that the 2000 Series A Bonds will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code. An officer or officers of Issuer having responsibility with respect to the issuance of the 2000 Series A Bonds is or are hereby authorized and directed to give an appropriate certificate of Issuer, for inclusion in the transcript of proceedings for the 2000 Series A Bonds, setting forth the reasonable expectations of Issuer regarding the amount and use of the proceeds of the 2000 Series A Bonds and the facts, estimates and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2000 Series A Bonds pursuant to said Section 148 of the Code. Company shall provide the Issuer, and Issuer's certificate may be expressly based on, a certificate of Company setting forth the facts, estimates and circumstances and reasonable expectations of Company on the date of delivery of and payment for the 2000 Series A Bonds regarding the amount and use of the proceeds of the 2000 Series A Bonds and related matters. In the event any such representation of Company relied upon by the Issuer is untrue or inaccurate and Issuer thereby suffers costs or damages, Company shall indemnify Issuer for any such costs or damages.

(d) Consistent with the foregoing, Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2000 Series A Bonds that no use will be made of the proceeds of the sale of the 2000 Series A Bonds which would cause the 2000 Series A Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and that Company and Issuer will, after issuance of the 2000 Series A Bonds, comply with the provisions of the Code at all times, including after the 2000 Series A Bonds are discharged, to the extent Excess Earnings with respect to the 2000 Series A Bonds are required to be rebated to the United States of America pursuant to Section 148(f)(2) of the Code. Pursuant to such covenant, Issuer and Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Section 148 of the Code.

(e) Company warrants, represents and certifies to Issuer that the proceeds of the 1990 Series A Bonds were applied and invested in compliance with the current requirements of Section 149(g) of the Code and that consequently the 2000 Series A Bonds will not be "hedge bonds" under such Section 149(g) of the Code.

(f) Company hereby covenants and agrees that it will at all times comply with the provisions of Section 148, including Section 148(f) of the Code and with Section 6.07 of the Indenture. Specifically, Company shall carry out, do and perform all acts stipulated to be performed by Company pursuant to such Section 6.07 of the Indenture. Company shall further undertake to assure and cause rebate payments to be calculated and made to the United States of America in accordance with Section 148(f)(2) of the Code from moneys on deposit in the Rebate Fund from time to time after the end of each Computation Period, as defined in the Indenture, and following discharge of the 2000 Series A Bonds. Company also covenants to take all necessary acts and steps as required to cause Issuer and Trustee to comply with the provisions of Section 7.03 of the Indenture.

Section 4.4. Opinion of Bond Counsel. Company need not comply with the covenants or representations in Section 4.3 if and to the extent that Issuer and Company (with a copy to Trustee) receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2000 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Section 4.5. First Mortgage Bonds. Company covenants and agrees with Issuer that it will, for the purpose of providing security for the 2000 Series A Bonds, execute and deliver on the date of issuance of the 2000 Series A Bonds, the First Mortgage Bonds to Trustee in aggregate principal amount not less than the aggregate principal amount of the 2000 Series A Bonds. The First Mortgage Bonds shall mature as to principal identically as in the case of the 2000 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental Indenture, shall bear interest identically as in the case of the 2000 Series A Bonds.

Prior to the Release Date, in the event of a default under Article IX of this Agreement or in the event of a default in payment of the principal of, premium, if any, or interest on the 2000 Series A Bonds as and when the same come due, whether at maturity, by purchase,

redemption, acceleration or otherwise, and upon receipt by First Mortgage Trustee of a Redemption Demand from Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable in accordance with the provisions specified in the Supplemental Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2000 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2000 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of Company thereunder terminated and such First Mortgage Bonds shall be surrendered by Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Notwithstanding anything in this Agreement to the contrary, from and after the Release Date, the obligation of the Company to make payment with respect to the principal of and premium, if any, and interest on the First Mortgage Bonds shall be deemed satisfied and discharged as provided in the Supplemental Indenture and the First Mortgage Bonds shall cease to secure in any manner the 2000 Series A Bonds. As a result, on the Release Date, the obligations under this Agreement shall become unsecured general obligations of the Company.

The Company shall notify the Issuer and the Trustee in writing promptly upon the occurrence of the Release Date. Upon receiving written notice of the Release Date from the Company, the Trustee shall deliver for cancellation to the First Mortgage Trustee all of the First Mortgage Bonds.

Section 4.6 . Payment and Discharge of 1990 Series A Bonds . Company covenants and agrees with Issuer that it will cause the outstanding principal amount of the 1990 Series A Bonds to be paid and discharged in accordance with Article XV of the 1990 Series A Indenture on or prior to the 90th day after the date of issuance of the 2000 Series A Bonds. Company also covenants and agrees to provide any additional moneys required for the payment and discharge of the 1990 Series A Bonds on the Redemption Date.

Section 4.7 . Cross-Over Date . Company covenants and agrees with Issuer to give written notice to the Trustee of the Cross-Over Date; such notice to be delivered no later than 11:00 A.M., Eastern Time, on the morning of the Cross-Over Date. Company also covenants and agrees with Issuer that, if the 1990 Series A Bonds are not paid and discharged in accordance with Article XV of the 1990 Series A Indenture on or prior to the 90th day after the date of issuance of the 2000 Series A Bonds, it will give immediate written notice thereof to Issuer and Trustee. In connection with this Section 4.7 , the Company hereby notifies the Trustee that the Cross-Over Date shall be August 9, 2000.

ARTICLE V

PROVISIONS FOR PAYMENT

Section 5.1 Loan Payments and Other Amounts Payable . (a) Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2000 Series A Bonds or any other date that any payment of interest, premium, if any, purchase price or principal is required to be made in respect of the 2000 Series A Bonds at the times specified in accordance with the more specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2000 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the 2000 Series A Bonds as provided in the Indenture; provided that such payments by Company to enable the Tender Agent to pay the purchase price of Bonds shall be made within the times required by Section 3.05 of the Indenture.

It is understood and agreed that all payments payable by Company under this subsection (a) of Section 5.1 are assigned by the Issuer to the Trustee, the Paying Agent and the Tender Agent, as applicable, for the benefit of the Bondholders. Company assents to such assignment. Issuer hereby directs Company and Company hereby agrees to pay to Trustee and/or Paying Agent or Tender Agent, as appropriate, at the Principal Office of the Trustee and/or Paying Agent or Tender Agent, as appropriate, all payments payable by Company pursuant to this subsection.

(b) Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2000 Series A Bonds and incurred upon the request of Company.

(c) Company will also pay the agreed upon fees and expenses of Trustee (including those referred to in Section 10.02 of the Indenture), the Bond Registrar, the Tender Agent and the Paying Agent under the Indenture and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Market Agent, the Auction Agent and the Tender Agent under the Indenture, such amounts to be paid directly to Trustee, the Bond Registrar, the Paying Agent and Tender Agent for their respective own accounts as and when such amounts become due and payable.

The Company further agrees to indemnify and hold harmless the Trustee, Bond Registrar and Paying Agent against any loss, liability or expense incurred by it without negligence or bad faith on its part in connection with the issuance of the 2000 Series A Bonds or the acceptance administration of the trusts under the Indenture, including the costs of defending itself against any claim or liability in connection therewith.

(d) The Company covenants, for the benefit of the Bondholders, to pay or cause to be paid, to the Tender Agent for deposit in the Purchase Fund, such amounts as shall be necessary to enable the Tender Agent to pay the purchase price of 2000 Series A Bonds delivered to it

for purchase, all as more particularly described in Sections 3.03 and 3.05 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price of 2000 Series A Bonds delivered to it for purchase, as provided in the Indenture.

(e) In the event Company should fail to make any of the payments required in this Section 5.1 , the item or installment so in default shall continue as an obligation of Company until the amount in default shall have been fully paid, and Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due to the date of payment.

Section 5.2 . Payments Assigned . As set forth in Section 5.1 hereof, it is understood and agreed that this Agreement and all payments made by Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) or (c) or pursuant to Section 8.2 hereof) are assigned by Issuer to Trustee. Company assents to such assignment and hereby agrees that, as to Trustee, Paying Agent, the Market Agent, the Auction Agent and Tender Agent, its obligation to make such payments shall be absolute, irrevocable and unconditional and shall not be subject to cancellation, termination or abatement or to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by any party, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing by any party. Except as provided above, Issuer hereby directs Company and Company hereby agrees to pay to Trustee, Paying Agent, the Market Agent, the Auction Agent, Bond Registrar or Tender Agent, as appropriate, all said payments payable by Company pursuant to Section 5.1 of this Agreement.

Section 5.3 . Taxes and Other Governmental Charges . Company agrees to pay during the term of this Agreement, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied or charged against or with respect to the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating Company to pay taxes on any interest or principal on the 2000 Series A Bonds disbursed to Bondholders.

Company may, at its expense and in its own name, in good faith contest any such taxes, assessments and other governmental charges and, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments or charges shall be paid forthwith. Issuer will cooperate fully with Company in any such contest. In the event Company shall fail to pay any of the foregoing items required by this Section to be paid by Company, Issuer or Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by Issuer or Trustee shall become an additional obligation of Company to the one making the advancement, which amounts, together with interest thereon Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on ninety-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; provided , however , that no such advancement shall operate to relieve the Company from any default hereunder. Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4 . Obligations of Company Unconditional . The obligation of Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.07 of the Indenture shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the 2000 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, Company (i) will not suspend or discontinue any payments pursuant to this Agreement and (ii) except as provided in Article X hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of title to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of Issuer or Trustee to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release Issuer from the performance of any of the agreements on its part herein contained; and in the event Issuer should fail to perform any such agreement on its part, Company may institute such action against Issuer as Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of Company contained in the preceding sentence. Company may, however, at its own cost and expense and in its own name or in the name of Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy and use of the Project, and in such event Issuer hereby agrees to cooperate fully with Company.

Section 5.5 . Rebate Fund . Company agrees to make all payments to the Trustee and rebate all amounts to the United States of America as are required of it under Section 6.07 of the Indenture. The obligation of Company to make such payments shall remain in effect and be binding upon Company notwithstanding the release and discharge of the Indenture.

Section 5.6 . Redemption of the 2000 Series A Bonds in Advance of Scheduled Maturity . Under the terms of the Indenture, the 2000 Series A Bonds are and will be subject to redemption prior to their scheduled maturity. The Issuer agrees that it shall direct the Trustee to redeem and call 2000 Series A Bonds at the written direction of the Company.

Section 5.7 . Cancellation of 2000 Series A Bonds . The cancellation by the Bond Registrar of any 2000 Series A Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2000 Series A Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan repayment equal to the principal amount of the 2000 Series A Bond or Bonds so cancelled.

ARTICLE VI

MAINTENANCE; DAMAGE, DESTRUCTION AND CONDEMNATION ; USE OF NET PROCEEDS; INSURANCE

Section 6.1 Maintenance . So long as any 2000 Series A Bonds are Outstanding, as that term is defined in the Indenture, Company will maintain, preserve and keep the Project, or cause the Project to be maintained, preserved and kept, in good repair, working order and condition and will from time to time make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as air and water pollution control and abatement facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, the Code and the Act; provided, however, that Company will have no obligation to maintain, preserve, keep, repair, replace or renew any element or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to Company because of damage or destruction by a cause not within the control of Company, or condemnation of all or substantially all of the Project or the generating facilities to which the element or unit of the Project is an adjunct, or obsolescence (including economic obsolescence) or change in government standards and regulations, or the termination by Company of the operation of the generating facilities to which the element or unit of the Project is an adjunct, and (b) with respect to which Company has furnished to Issuer and Trustee a certificate executed by Company Representative certifying that the maintenance, preservation, keeping, repair, replacement or renewal of such element or unit of the Project is being discontinued for one of the foregoing reasons, which shall be stated therein, and that the discontinuance of such element or unit will not adversely affect the exclusion of interest on any of the 2000 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of this Agreement as part of the Project; provided, however, that Company shall take no actions which will change or alter the basic nature of the Project as air and water pollution control and abatement facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, and the Act.

If, prior to full payment of all 2000 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Company or the First Mortgage Trustee receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.l(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2000 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2000 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2000 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2000 Series A Bonds are otherwise subject to optional redemption.

Section 6.2 . Insurance . Company agrees to insure the Project at all times in accordance with the provisions of First Mortgage Indenture.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1 No Warranty of Condition or Suitability by Issuer . Issuer makes no warranty, either express or implied, as to the Project or that it will be suitable for Company's purposes or needs.

Section 7.2 . Company to Maintain its Corporate Existence; Conditions under Which Exceptions Permitted . Company agrees that during the term of this Agreement it will maintain its corporate existence and good standing, will continue to be a corporation organized under the laws of the Commonwealth of Kentucky or qualified and admitted to do business in the Commonwealth of Kentucky, and will neither dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge, (i) shall be a corporation organized and existing under the laws of one of the States of the United States of America, (ii) shall be qualified and admitted to do business in the Commonwealth of Kentucky, (iii) shall assume in writing all of the obligations of Company herein and (iv) shall deliver a copy of such assumption to the Issuer and Trustee.

Section 7.3 . Financial Statements . Company agrees to furnish Trustee (within 120 days after the close of each fiscal year) with an audited balance sheet and statements of income, retained earnings and changes in cash flows showing the financial condition of Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of Company and its consolidated subsidiary or subsidiaries, if any, for such fiscal year, accompanied by an opinion of its regular independent certified public accountants that such statements fairly represent the financial condition of Company in accordance with generally accepted accounting principles. The requirements of this Section 7.3 shall be satisfied by the submission to Trustee of Company's annual report on Form 10-K. The information so provided to Trustee shall be kept in its files and is not required to be distributed to any Registered Holder or other person. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 7.4 . Further Assurances and Corrective Instruments . Issuer and Company agree that they will, from time to time, execute,

acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5. Issuer Representative. Whenever under the provisions of this Agreement the approval of Issuer is required or Issuer is required to take some action at the request of Company, such approval shall be made or such action shall be taken by Issuer Representative and Company or Trustee shall be authorized to act on any such approval or action, and Issuer shall have no redress against Company or Trustee as a result of any such action taken.

Section 7.6. Company Representative. Whenever under the provisions of this Agreement the approval of Company is required or Company is required to take some action at the request of Issuer, such approval shall be made or such action shall be taken by Company Representative and Issuer or Trustee shall be authorized to act on any such approval or action and Company shall have no redress against Issuer or Trustee as a result of any such action taken.

Section 7.7. Financing Statements. Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the lien of the Indenture and the Supplemental Indenture. Issuer shall cooperate fully with Company in taking any such action. Concurrently with the execution and delivery of the 2000 Series A Bonds, Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such lien, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture, which filings the Company agrees to undertake.

Section 7.8. Company's Performance Under Indenture. The Company agrees, for the benefit of Bondholders to do and perform all acts and things contemplated in the Indenture to be done and performed by it.

ARTICLE VIII

ASSIGNMENT; INDEMNIFICATION; REDEMPTION

Section 8.1 Assignment. This Agreement may be assigned by Company without the necessity of obtaining the consent of either Issuer or Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve Company from primary liability for any of its obligations hereunder, and in the event of any such assignment Company shall remain primarily liable for payments of the amounts specified in Section 5.1 hereof and for performance and observance of the other covenants or agreements on its part herein provided to be performed and observed to the same extent as though no assignment had been made;

(b) The assignee shall assume the obligations of Company hereunder to the extent of the interest assigned;

(c) Company shall, within thirty days after the delivery thereof, furnish or cause to be furnished to Issuer and to Trustee a true and complete copy of each such assignment and assumption of obligation; and

(d) prior to such assignment, the Company shall have obtained an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the 2000 Series A Bonds from gross income for Federal income tax purposes under Section 103(a) of the Code.

Section 8.2. Release and Indemnification Covenants. Company releases Issuer from and covenants and agrees that Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless against, any expense or liability incurred by Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof. If any such claim is asserted, Issuer agrees to give prompt notice to the Company and Company will assume the defense thereof, with full power to litigate, compromise or to settle the same in its sole discretion, it being understood that Issuer will not settle or consent to the settlement of the same without the consent of Company.

Section 8.3. Assignment of Interest in Agreement by Issuer. Any assignment by Issuer to Trustee pursuant to the Indenture or this Agreement of any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 8.4. Redemption of 2000 Series A Bonds. Upon the agreement of Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2000 Series A Bonds subject to redemption, Issuer, at the request of Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the 2000 Series A Bonds outstanding, as may be specified by Company, on the redemption date specified by the Company.

Section 8.5. Reference to 2000 Series A Bonds Ineffective after 2000 Series A Bonds Paid. Upon payment in full of the 2000 Series Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.3 hereof and payment of all fees and charges of the Trustee, the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2000 Series A Bonds, the First Mortgage Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2000 Series A Bonds shall thereafter have any

rights hereunder except as set forth in Section 11.1 .

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1 Events of Default Defined . The following shall be "events of default" under this Agreement and the term "events of default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsections (a) and (d) of Section 5.1 hereof which results in failure to pay principal of, premium or interest on or the purchase price of the 2000 Series A Bonds, and such failure shall cause an event of default under the Indenture.

(b) Failure by Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, is given to Company by Issuer or Trustee, unless Issuer and Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Issuer and Trustee will not unreasonably withhold their consent to an extension of such time if such failure is capable of being cured and corrective action is instituted by Company within the applicable period and is being diligently pursued.

(c) All bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(d) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Company, or of a substantial part of the property or assets of Company, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company or (iii) the winding-up or liquidation of Company; and such proceeding or petition shall continue undismissed or unstayed for 90 days or an order or decree approving or ordering any of the foregoing shall be entered.

(e) Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (c) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing.

The provisions of Section 9.1(b) are subject to the following limitations: If by reason of force majeure Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of Company contained in Sections 2.2(k) and (l), 4.3, 4.5, 4.6 or 7.2 or Article V hereof and the general covenant and obligation of Company to take all necessary actions for the continued exclusion of interest on the 2000 Series A Bonds from gross income for federal and Kentucky income taxes, Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean any cause or event not reasonably within the control of Company, including without limitation the following: acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the Commonwealth of Kentucky or any of their departments, agencies or officials, or any civil or military authority; evacuations and quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines or pipes; or partial or entire failure of utility services. Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Company, and Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Company unfavorable to Company.

Section 9.2 . Remedies on Default . Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, Issuer may take any one or more of the following remedial steps:

(a) By written notice to Company, Issuer may declare an amount equal to the principal and accrued interest on the 2000 Series A Bonds then Outstanding, as defined in the Indenture, to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

(b) Issuer may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of Company.

(c) Issuer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Company under this

Agreement, including, until the Release Date, any remedies available in respect of the First Mortgage Bonds.

In case there shall be pending a proceeding of the nature described in Section 9.1(c) or (d) above, Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid ursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be ecessary or advisable in order to have the claims of Trustee allowed in such judicial proceedings relative to Company, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any custodian (including, without limitation a receiver, trustee or liquidator) of Company appointed in connection with such proceedings is hereby authorized to make such payments to Trustee, and to pay to Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Any amounts collected pursuant to action taken under this Section 9.2 (other than the compensation and expenses referred to in the immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2000 Series A Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of Trustee and any paying agents accrued and to accrue through final payment of the 2000 Series A Bonds, and all other liabilities of Company accrued and to accrue hereunder or under the Indenture through final payment of the 2000 Series A Bonds have been paid, such amounts so collected shall be paid to Company.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given Issuer hereunder shall also extend to Trustee, and Trustee and the holders of the 2000 Series A Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 9.4. Agreement to Pay Attorneys' Fees and Expenses. In the event Company should default under any of the provisions of this Agreement and Issuer and/or Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of Company herein contained, Company agrees that it will on demand therefor pay to Issuer and/or Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by Issuer and/or Trustee.

Section 9.5. Waiver of Events of Default. If, after the acceleration of the maturity of the outstanding 2000 Series A Bonds by Trustee ırsuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have ɔeen obtained or entered, Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2000 Series A Bonds and the principal of, and premium, if any, on any and all 2000 Series A Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2000 Series A Bond, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2000 Series A Bonds which shall have become due by said declaration, shall have been remedied, and such event of default under the Indenture shall be deemed waived by Trustee in accordance with Section 9.11 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then Company's default hereunder shall be deemed to have been waived by Issuer and no further action or consent by Trustee or Issuer shall be required. In the event any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

PREPAYMENT OF LOAN

Section 10.1 Options to Prepay Loan. Company shall have, and is hereby granted, options to prepay the Loan in whole and to cancel or terminate this Agreement on any Business Day at any time Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by Company to Trustee of such election, as follows:

(a) If in the judgment of Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2000 Series A Bonds upon Company with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem, property, income or other taxes not imposed on the date of this Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) If the Project or a portion thereof or other property of Company in connection with which the Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company

for its intended use;

(d) In the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of the Trimble County Generating Station of the Company shall have occurred which, in the judgment of the Company, render the continued operation of the Trimble County Generating Station or any generating unit at such station uneconomical; or changes in circumstances, after the issuance of the 2000 Series A Bonds including but not limited to changes in clean air and water or other air and water pollution control requirements, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) In the event this Agreement shall become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action, whether state or federal, or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) A final order or decree of any court or administrative body after the issuance of the 2000 Series A Bonds shall require the Company to cease a substantial part of its operations at the Trimble County Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such location for a period of six months.

In the case of prepayment pursuant to this Section 10.1 (or if any 2000 Series A Bonds be redeemed in whole or in part pursuant to Section 6.1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with Trustee and available for such purpose, to redeem all 2000 Series A Bonds then outstanding (or, in the case any 2000 Series A Bonds are redeemed in part pursuant to Section 6.1 hereof, such portion of the Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2000 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2000 Series A Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the events mentioned in (a) through (f) above, Company is required to give written notice to Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2 Additional Option to Prepay Loan . Company shall have, and is hereby granted, further options, to the extent that the 2000 Series A Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with Trustee moneys sufficient to pay, together with other funds deposited with Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2000 Series A Bonds then outstanding under the Indenture and, upon depositing with Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2000 Series A Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder, to cancel or terminate the term of this Agreement.

Section 10.3 Obligations to Prepay Loan . (a) Mandatory Redemption Upon Determination of Taxability . Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, prior to the required full payment of the 2000 Series A Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and Company shall take all actions required to mandatorily redeem the 2000 Series A Bonds at the cost of the Company upon the terms specified in this Agreement and in Article IV of the Indenture following the occurrence of a Determination of Taxability, including, but not limited to, prepaying appropriate amounts due on the 2000 Series A Bonds in order to effect such redemption. The 2000 Series A Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this section, a "Determination of Taxability" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2000 Series A Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2000 Series A Bonds, the interest on the 2000 Series A Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however , that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2000 Series A Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2000 Series A Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of taxability described above will result from the inclusion of interest on any 2000 Series A Bond in the computation of minimum or indirect taxes. All of the 2000 Series A Bonds shall be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2000 Series A Bonds of one or more series or one or more maturities would have the result that interest payable on the remaining 2000 Series A Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the 2000 Series A Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described in this Section 10.3(a), the Company shall give notice thereof to the Trustee and the Issuer.

(b) Mandatory Redemption Upon Failed Cross-Over Date. Company shall be obligated to prepay the entire Loan, as provided below, prior to the required full payment of the 2000 Series A Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 15th day (or such earlier date as may be designated by Trustee), which, in either case, must be a Business Day, after the "Failed Cross-Over Date".

(c) In the case of the mandatory obligation of Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, pursuant to Section 10.3(a) hereof, Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as specified in Section 10.3(a) hereof and to provide to Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2000 Series A Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2000 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any paying agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2000 Series A Bonds. In the case of the mandatory obligation of Company to prepay the Loan in whole following a Failed Cross-Over Date pursuant to Section 10.3(b) hereof, Company shall be obligated to prepay the Loan not later than 15 days after the Failed Cross-Over Date by providing to Trustee for deposit in the Bond Fund an amount sufficient, together with other moneys in the Escrow Fund available for such purpose, to redeem the 2000 Series A Bonds at the price of 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2000 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and Paying Agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2000 Series A Bonds.

Section 10.4. Notice of Prepayment; Redemption Procedures. It is understood and agreed by the parties hereto that in order to exercise an option granted in, or to consummate a mandatory prepayment required by, this Article X (except in the case of the prepayment required by Section 10.3(b) hereof), Company shall give written notice to Issuer and Trustee which notice shall (i) contain the agreement of Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2000 Series A Bonds equal to the amount of the prepayment, including, in the case of a prepayment under Section 10.2 hereof, any applicable redemption premium in respect of such 2000 Series A Bonds, and any other amounts required under this Agreement and (ii) specify the prepayment date (which must be a Business Day and which shall also be the redemption date), which date shall not be less than 30 days (45 days if the 2000 Series A Bonds are bearing interest at the Semi-annual, Annual or Long Term Rate or in all cases such shorter period as may be acceptable to the Trustee) nor more than 90 days from the date the notice is mailed by Company to Issuer and Trustee. In the case of mandatory prepayment under Section 10.3(b) hereof, the Trustee shall, upon receiving the notice referred to in Section 4.7, automatically give not less than 10 days prior written notice of the redemption of the 2000 Series A Bonds immediately following the Failed Cross-Over Date, such redemption to take place on or prior to the 15th day after the Failed Cross-Over Date as herein provided. Trustee shall give notice of redemption of the 2000 Series A Bonds, or such portion thereof, in accordance with the procedures for redemption of 2000 Series A Bonds contained in the Indenture, which redemption shall be made on the date specified by Company for prepayment pursuant to clause (ii) above, provided that such date shall be not less than 30 days from the date such notice is given except that in the case of redemption pursuant to Section 10.3(b) hereof, such redemption shall be made on a date selected by the Trustee which is not less than 10 days from the date such notice is given and not more than 15 days after the Failed Cross-Over Date.

Section 10.5. Relative Position of this Article and Indenture. The rights and options granted to Company in this Article, except the option granted to Company pursuant to Section 10.2 to prepay less than all of the Loan payments, shall be and remain prior and superior to the Indenture and may be exercised whether or not Company is otherwise in default hereunder; provided that such default will not result in nonfulfillment of any condition to the exercise of any such right or option.

Section 10.6. Concurrent Discharge of First Mortgage Bonds. Prior to the Release Date, in the event any of the 2000 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Term of Agreement. This Agreement shall remain in full force and effect from the date hereof to and including August 1, 2030, or until such time as all of the 2000 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture), whichever shall be later; provided, however, that this Agreement may be cancelled and terminated prior to said date if Company shall prepay all of the Loan pursuant to Article X hereof; and provided further, however, that all obligations of Company under Article V and Section 2 hereof (a) to pay fees and expenses of Trustee, the Tender Agent, the Bond Registrar and any Paying Agent and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2000 Series A Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by Company as to all matters affecting the tax-exempt status of interest on the 2000 Series A Bonds shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2000 Series A Bonds

and shall survive the termination of this Agreement and all obligations of Company contained herein relating to indemnification of Issuer, Trustee, Bond Registrar, Authenticating Agent, Tender Agent and any Paying Agent shall survive the termination of this Agreement.

Section 11.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Issuer, at the Trimble County Courthouse, P.O. Box 251, Bedford, Kentucky 40006, Attention: County Judge/Executive;

If to Company, at its corporate headquarters, 220 West Main Street, Louisville, Kentucky 40202, Attention: Treasurer, and

If to Trustee, at The Bank of New York, National Association, 101 Barclay Street, 8 th Floor West, New York, New York 10286, Attention: Corporate Trust Administration.

If to Paying Agent, Remarketing Agent, Auction Agent, Market Agent or Tender Agent, at such addresses for notices as are set forth in the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by either Issuer or Company to the other shall also be given to Trustee. Issuer, Company and Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon Issuer, Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 hereof.

Section 11.4. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5. Amounts Remaining in Bond Fund, Rebate Fund and Escrow Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the 2000 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, shall belong to and be paid to Company by Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied and disbursed strictly and only in accordance with the provisions of Section 6.07 of the Indenture. Any amounts remaining in the Escrow Fund following the occurrence of the Cross-Over Date and the payment and discharge of the 1990 Series A Bonds and the making of provision for payment of the 1990 Series A Bonds not presented for payment shall be transferred to and deposited into the Bond Fund upon direction by the Company, as provided in the Indenture. In the event the 1990 Series A Bonds are not called for redemption under the 1990 Series A Indenture and are not paid and discharged in accordance with Article XV of the 1990 Series A Indenture on a date on or prior to the 90th day after the date of issuance of the 2000 Series A Bonds, then the Cross-Over Date shall be deemed not to have occurred and all moneys, securities and other assets in the Escrow Fund, after payment in full of the 2000 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses), Issuer and any paying agents in accordance with the Indenture, shall belong to and be paid to Company by Trustee.

Section 11.6. Amendments, Changes and Modifications. Subsequent to the issuance of the 2000 Series A Bonds and prior to payment in full of all 2000 Series A Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated, and no provision hereof waived, without the written consent of Trustee, given in accordance with the Indenture.

Section 11.7. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 11.9. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 11.10. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement, as hereinabove provided.

Section 11.11. Payments Due on Other Than Business Days. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be on a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided in this Agreement, and if same on such succeeding Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

IN WITNESS WHEREOF , Issuer and Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first written.

COUNTY OF TRIMBLE, KENTUCKY

(SEAL)

By:_____
RAY CLEM
County Judge/Executive

ATTEST:

_____
SUSAN BARNES
Fiscal Court Clerk

LOUISVILLE GAS AND ELECTRIC COMPANY

(SEAL)

By:_____
C. A. MARKLE, III
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF TRIMBLE)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of August, 2000, the foregoing instrument was produced to me in said County by Ray Clem and Susan Barnes, personally known to me and personally known by me to be the County Judge/Executive and Fiscal Court Clerk, respectively, of the COUNTY OF TRIMBLE, KENTUCKY, and acknowledged before me by them and each of them to be their free act and deed as County Judge/Executive and Fiscal Court Clerk of such County, and the act and deed of said County as authorized by an Ordinance of the Fiscal Court of such County.

Witness my hand and seal this _____ day of August, 2000. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of August, 2000, the foregoing instrument was produced to me in said County by C. A. Markel, III and John R. McCall, personally known to me and personally known by me to be the Treasurer and the Secretary, respectively, of LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

Witness my hand and seal this _____ day of August, 2000. My commission expires June 18, 2001.

(SEAL)

_____
Notary Public
State at Large, Kentucky

This Instrument Prepared by the
Undersigned, Attorney at Law of
HARPER, FERGUSON & DAVIS
1730 Meidinger Tower
Louisville, Kentucky 40202

_____
SPENCER E. HARPER, JR

Exhibit 4(pp)-2

Execution Copy

(2000 Series A – Trimble County)

COUNTY OF TRIMBLE, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

AMENDMENT NO. 1 TO LOAN AGREEMENT IN CONNECTION WITH POLLUTION CONTROL FACILITIES

* * * * *

Dated as of September 1, 2010

* * * * *

NOTICE: The interest of the County of Trimble, Kentucky in and to this Amendment No. 1 to Loan Agreement has been assigned to The Bank of New York Mellon, as Trustee, under the Indenture of Trust dated as of August 1, 2000.

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THIS AMENDMENT NO. 1 TO LOAN AGREEMENT, dated as of September 1, 2010, but made effective as of the Effective Date (defined herein) (this "Amendment No. 1 to Loan Agreement"), by and between the COUNTY OF TRIMBLE, KENTUCKY, being a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky.

WITNESSETH:

WHEREAS, the County of Trimble, Kentucky (the "Issuer") constitutes a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), the Issuer has the power to enter into the transactions contemplated by this Amendment No. 1 to Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, the Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act for the abatement and control of air and water and to refund bonds which were previously issued for such purposes; and

WHEREAS, on August 9, 2000, the Issuer, at the request of Louisville Gas and Electric Company (the "Company"), issued its Pollution Control Revenue Bonds, 2000 Series A (Louisville Gas and Electric Company Project) (the "Bonds" or "2000 Series A Bonds") in the original principal amount of $83,335,000, and the Issuer loaned the proceeds of the 2000 Series A Bonds to the Company pursuant to the Loan Agreement dated as of August 1, 2000, between the Issuer and the Company (the "Agreement"); and

WHEREAS, to secure the payment of the 2000 Series A Bonds, the Issuer assigned substantially all of its rights, title and interests in and to the Agreement to The Bank of New York Mellon (successor to The Bank of New York), as Trustee (the "Trustee"), pursuant to the Indenture of Trust dated as of August 1, 2000, between the Issuer and the Trustee (the "Indenture"); and

WHEREAS, the Company delivered to the Trustee, as security for the Company's payment obligations under the Agreement, $83,335,000 aggregate principal amount of the Company's first mortgage bonds issued under the Company's Indenture dated November 1, 1949, as amended by indentures supplemental thereto (the "1949 Indenture"); and

WHEREAS, the 1949 Indenture was subsequently terminated, the first mortgage bonds issued under the 1949 Indenture to secure the 2000 Series A Bonds were released and the Company's obligations under the Agreement became unsecured; and

WHEREAS, all of the 2000 Series A Bonds remain outstanding and unpaid; and

WHEREAS, the Company intends to enter into that certain Indenture dated as of October 1, 2010 (the "First Mortgage Indenture"), between the Company and The Bank of New York Mellon (the "First Mortgage Trustee"), pursuant to which the Company shall issue certain first mortgage bonds secured by a lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky; and

WHEREAS, in the event the Company grants a lien on and a security interest in its operating property to secure general debt for borrowed money, which the Company intends to do pursuant to the issuance of the first mortgage bonds pursuant to the First Mortgage Indenture, the Company desires to grant an equal and ratable lien on and security interest in its operating property in favor of the Trustee under the Indenture to secure the 2000 Series A Bonds; and

WHEREAS, the Company intends to issue first mortgage bonds (the "First Mortgage Bonds") to the Trustee under the Indenture, thereby creating in favor of the Trustee for the benefit of the holders of the 2000 Series A Bonds an equal and ratable lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky as security for the payment of the 2000 Series A Bonds; and

WHEREAS, pursuant to Section 13.01 of the Indenture, the consent of the holders of the 2000 Series A Bonds is not required for the Issuer and the Company to enter into an amendment to the Agreement in order to conform the Agreement with changes and modifications to the Indenture made pursuant to Section 12.01 of the Indenture; and

WHEREAS, it is now appropriate and necessary that the Agreement be amended pursuant to Section 13.01 of the Indenture in connection with the issuance of the First Mortgage Bonds to the Trustee under the Indenture as additional collateral and security for the payment of the 2000 Series A Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Issuer on September 20, 2010, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to enter into this Amendment No. 1 to Loan Agreement in order to provide additional collateral and security for the 2000 Series A Bonds; and

WHEREAS, the Issuer and the Trustee have entered into that certain Supplemental Indenture No. 1 to Indenture of Trust (the "Supplemental Indenture No. 1") of even date herewith pursuant to Section 12.01 of the Indenture; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amendment No. 1 to Loan Agreement have happened, have existed and have been performed as so required in order to make this Amendment No. 1 to Loan Agreement a

valid and binding loan agreement for the security of the holders of the 2000 Series A Bonds and for payment of all amounts due under the Agreement and this Amendment No. 1 to Loan Agreement in accordance with their respective terms.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER AS FOLLOWS:

ARTICLE I

AMENDMENTS TO THE LOAN AGREEMENT

Section 1.1. Amendment of Section 1.02. Incorporation of Certain Terms by Reference. The following defined terms are hereby added to Section 1.02 of the Agreement and shall have the meanings set forth in Section 1.5 of the Supplemental Indenture No. 1:

"Amendment No. 1 to Loan Agreement"
"Effective Date"
"Supplemental Indenture No. 1"

The following defined terms in Section 1.5 of the Supplemental Indenture No. 1 shall amend, restate and supersede the corresponding defined terms set forth in Section 1.02 of the Agreement:

"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Redemption Demand"
"Supplemental First Mortgage Indenture" in lieu of "Supplemental Indenture"

Section 1.02 of the Agreement is further hereby amended by deleting the definition of "Release Date" and all references to such term in the Agreement.

Section 1.2. Amendment of Section 3.2. Agreement as to Ownership of Project. Section 3.2 of the Agreement is hereby amended and restated to read as follows:

> Section 3.2. Agreement as to Ownership of Project. The Company owns a 75% undivided interest in the Project. The Issuer and the Company agree that title to and ownership of that portion of the Project owned by the Company, as to which the 1990 Project is an integral component, shall remain in and be the sole property of the Company in which the Issuer shall have no interest. From and after the Effective Date, the Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2000 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement and the Amendment No. 1 to Loan Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 1.3. Amendment of Section 4.5. First Mortgage Bonds. Section 4.5 of the Agreement is hereby amended and restated to read as follows:

> Section 4.5. First Mortgage Bonds. The Company covenants and agrees with the Issuer that it will, for the purpose of providing security for the 2000 Series A Bonds, execute and deliver to the Trustee on the Effective Date the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2000 Series A Bonds. The First Mortgage Bonds shall be in full force and effect from and after the Effective Date and shall mature as to principal identically as in the case of the 2000 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental First Mortgage Indenture, shall bear interest identically as in the case of the 2000 Series A Bonds.
>
> Following the Effective Date, upon the occurrence of an event of default under Article IX of this Agreement, as amended by the Amendment No. 1 to Loan Agreement, that has resulted in a default in payment of the principal of, premium, if any, or interest on the 2000 Series A Bonds as and when the same come due, whether at maturity, redemption, acceleration or otherwise, or a default in payment of the purchase price of any 2000 Series A Bond tendered for purchase, the acceleration of the maturity date of the 2000 Series A Bonds (to the extent not already due and payable) as a consequence of such event of default and the receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable, in accordance with the provisions specified in the Supplemental First Mortgage Indenture.
>
> Upon payment of the principal of, premium, if any, and interest on any of the 2000 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, the Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2000 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of the Company thereunder terminated and such First Mortgage Bonds shall be surrendered by the Trustee to the First Mortgage Trustee, and

shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of the Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Section 1.4. Amendment of Section 7.7. Financing Statements. Section 7.7 of the Agreement is hereby amended and restated to read as follows:

Section 7.7. Financing Statements. The Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the respective liens of the Indenture and the First Mortgage Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the First Mortgage Bonds, the Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the respective liens of the Indenture and the First Mortgage Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such liens, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the respective liens of the Indenture and the First Mortgage Indenture, which filings the Company agrees to undertake.

Section 1.5. Amendment of Section 9.1. Events of Default Defined. Section 9.1(c) of the Agreement is hereby amended and restated and subsection (f) is hereby added to Section 9.1, in each case to read as follows:

(c) From and after the Effective Date, all bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(f) The occurrence of an Event of Default under the Indenture.

Section 1.6. Amendment of Section 9.2. Remedies on Default. Section 9.2(c) of the Agreement is hereby amended and restated to read as follows:

(c) The Trustee, on behalf of the Issuer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement and the Amendment No. 1 to Loan Agreement, including, from and after the Effective Date, any remedies available in respect of the First Mortgage Bonds.

Section 1.7. Amendment of Section 10.6. Concurrent Discharge of First Mortgage Bonds. Section 10.6 of the Agreement is hereby amended and restated to read as follows:

Section 10.6. Concurrent Discharge of First Mortgage Bonds. From and after the Effective Date, in the event any of the 2000 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement and the Amendment No. 1 to Loan Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by the Issuer. The Issuer represents, warrants and covenants that:

(a) The Issuer is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, the Issuer has the power to enter into this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1 and the transactions contemplated hereby and thereby and to carry out its obligations hereunder and thereunder.

(b) To its knowledge, the Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the First Mortgage Bonds or the consummation of the transactions contemplated hereby, and the Issuer has been duly authorized to execute and deliver this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1. The Issuer agrees that it will do or cause to be done in a timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Amendment No. 1 to Loan Agreement.

Section 2.2. Representations, Warranties and Covenants by the Company. The Company represents, warrants and covenants that:

(a) The Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business, and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in

connection with the issuance of the First Mortgage Bonds.

(b) The Company has full and complete legal power and authority to execute and deliver this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds.

(c) No event of default, and no event of the type described in clauses (a) through (f) of Section 9.1 of the Agreement, as amended by this Amendment No. 1 to Loan Agreement, has occurred and is continuing, and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture or the First Mortgage Bonds, nor the consummation of the transactions contemplated hereby or by the Indenture and the Supplemental Indenture No. 1, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1. Term of Amendment No. 1 to Loan Agreement. This Amendment No. 1 to Loan Agreement shall remain in full force and effect from the date hereof to and including the later of August 1, 2030, or until such time as all of the 2000 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture and the Supplemental Indenture No. 1 and any amendments thereto), whichever shall be later; provided, however, that the Agreement, as amended, may be cancelled and terminated prior to said date in accordance with the provisions of Section 11.1 of the Agreement.

Section 3.2. Ratification. Except as amended and supplemented by Articles I and II hereof, the Issuer and the Company hereby ratify and reaffirm the terms and provisions of the Agreement and their respective representations, warranties, covenants, agreements and obligations set forth therein.

Section 3.3. Effective Date. This Amendment No. 1 to Loan Agreement has been made and entered into as of the date first written above but shall be effective as of the Effective Date.

Section 3.4. Binding Effect. This Amendment No. 1 to Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 of the Agreement.

Section 3.5. Severability. In the event any provision of this Amendment No. 1 to Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 3.6. Execution in Counterparts. This Amendment No. 1 to Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.7. Applicable Law. This Amendment No. 1 to Loan Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 3.8. Captions. The captions or headings in this Amendment No. 1 to Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Amendment No. 1 to Loan Agreement.

Section 3.9. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Amendment No. 1 to Loan Agreement or breach thereof shall constitute or give rise to a pecuniary liability of the Issuer or a charge upon its general credit or taxing powers.

(signature page immediately follows)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Amendment No. 1 to Loan Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all of the date first written.

COUNTY OF TRIMBLE, KENTUCKY

(SEAL)

By:_____
RANDY STEVENS
County Judge/Executive

ATTEST:

_____
SUSAN BARNES
Fiscal Court Clerk

LOUISVILLE GAS AND ELECTRIC COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

COUNTY OF TRIMBLE, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * *

LOAN AGREEMENT IN CONNECTION WITH POLLUTION CONTROL FACILITIES

* * * *

Dated as of November 1, 2001

* * * *

NOTICE: The interest of the County of Trimble, Kentucky, in and to this Loan Agreement has been assigned to Bankers Trust Company, as Trustee, under the Indenture of Trust dated as of November 1, 2001.

LOAN AGREEMENT

TABLE OF CONTENTS

(This Table of Contents is for convenience of reference only and is not a part of this Loan Agreement.)

LOAN AGREEMENT IN CONNECTION WITH
POLLUTION CONTROL FACILITIES

This LOAN AGREEMENT, dated as of November 1, 2001, by and between the COUNTY OF TRIMBLE, KENTUCKY, a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of Kentucky;

WITNESSETH:

WHEREAS, the County of Trimble, Kentucky ("Issuer"), is a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), Issuer has the power to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act ("Pollution Control Facilities") for the abatement and control of air and water pollution and for the disposal and abatement of solid wastes and to refund bonds which were previously issued for such purposes; and

WHEREAS, Issuer is further authorized pursuant to the Act to enter into a loan agreement, which may include such provisions as Issuer shall deem appropriate to effect the securing of a financing or refinancing undertaken in respect of Pollution Control Facilities, including the pledge of direct securities of a utility company; and

WHEREAS, the Act further provides that title to Pollution Control Facilities shall not be acquired by Issuer in the case of a loan transaction; and

WHEREAS, Louisville Gas and Electric Company, a Kentucky corporation ("Company"), has heretofore, by the issuance of the Refunded 1996 Series A Bonds, hereinafter defined, refinanced a portion of the costs of construction and acquisition of certain air and water pollution control facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities to serve the Trimble County Generating Station of Company, which specified facilities constitute the Project, as hereinafter defined in Article I (the "Project") located within the corporate boundaries of Issuer, which Project consists of certain air and water pollution control facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities in furtherance of the regulations of the Natural esources and Environmental Protection Cabinet of the Commonwealth of Kentucky, and which Project qualifies for financing within the ..eaning of the Act; and

WHEREAS, the Project has been completed and placed in operation and has contributed to the control, containment, reduction and abatement of atmospheric pollution and contamination and water pollution and solid waste disposal in the Commonwealth of Kentucky; and

WHEREAS, under date of October 2, 1996, the Issuer, at the request of the Company, issued its "County of Trimble, Kentucky, Pollution Control Revenue Bonds, 1996 Series A (Louisville Gas and Electric Company Project)" of which $27,500,000 principal amount of such bonds remains outstanding and unpaid (the "Refunded 1996 Series A Bonds), such Refunded 1996 Series A Bonds having been issued for currently refinancing the Issuer's 1986 Series A Bonds, the proceeds of which currently refunded the Original Bonds, the proceeds of which financed a portion of the Cost of Construction of the Project, hereinafter described; and in connection with the issuance of the Refunded 1996 Series A Bonds, the right was reserved to Issuer, upon direction by Company, to redeem the Refunded 1996 Series A Bonds in advance of their maturity; and the Refunded 1996 Series A Bonds are by their terms subject to redemption at the option of Issuer in whole or in part on any interest payment date, at the price of 100% of the principal amount thereof and accrued interest to the date of redemption, as provided in the hereinafter defined 1996 Series A Indenture; and the redemption and discharge of the Refunded 1996 Series A Bonds will result in benefits to the general public and the Company and should be carried out forthwith in the public interest by the issuance of the 2001 Series A Bonds, hereinafter defined, and the application of the proceeds of the 2001 Series A Bonds, together with funds to be provided by Company, for the refunding, payment and discharge of the Refunded 1996 Series A Bonds on or prior to the 90th day after the date of issuance of the 2001 Series A Bonds; and

WHEREAS, in respect of the Refunded 1996 Series A Bonds, Issuer entered into a certain Indenture of Trust dated as of September 1, 1996 (the "1996 Series A Indenture"), with First Trust of New York, National Association (now known as U.S. Bank Trust National Association), as Trustee, Paying Agent and Bond Registrar (the "Prior Trustee"), and it is provided in Article VIII of the 1996 Series A Indenture that the Refunded 1996 Series A Bonds, or any of them, shall be deemed to have been paid within the meaning of such 1996 Series A Indenture when there shall have been irrevocably deposited with the Prior Trustee, in trust, either cash or Governmental Obligations, as defined in the 1996 Series A Indenture, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal and the applicable redemption premium, if any, on the Refunded 1996 Series A Bonds plus interest thereon to the date of payment and discharge thereof (whether at maturity or upon redemption or otherwise), plus sufficient moneys to pay all necessary and proper fees, compensation and expenses of the Prior Trustee, authenticating agent, bond registrar and any paying agent; together with irrevocable instructions to call and redeem the Refunded 1996 Series A Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Fiscal Court of Issuer on November 8, 2001, and in furtherance of the purposes of the Act, Issuer proposes to issue, sell and deliver a series of its bonds in fully registered form which will be designated "County of Trimble, Kentucky, Pollution Control Revenue Bonds, 2001 Series A (Louisville Gas and Electric Company Project)" (the "2001 Series A Bonds"), the proceeds of which will be lent to Company to cause the outstanding principal

amount of the Refunded 1996 Series A Bonds to be refunded, paid and discharged in full on or prior to the 90th day after the date of issuance of the 2001 Series A Bonds; and

WHEREAS , the 2001 Series A Bonds are to be issued under and pursuant to and are secured by an Indenture of Trust by and between Issuer and Bankers Trust Company, as trustee thereunder, dated as of November 1, 2001 (the "Indenture"); and

WHEREAS , the 2001 Series A Bonds will be issued simultaneously with the 2001 Jefferson Bonds, hereinafter defined, pursuant to a common plan of marketing and financing and with a single Official Statement; and the 2001 Series A Bonds and 2001 Jefferson Bonds will be paid out of substantially the same source of funds and have substantially the same claim to such source of funds and shall constitute a single issue of obligations; and

WHEREAS , the Natural Resources and Environmental Protection Cabinet of Kentucky, having jurisdiction in the premises, has previously certified that the Project, as designed, is in furtherance of the purposes of abating and controlling atmospheric and liquid pollutants or contaminants and for the disposal of solid wastes; and

WHEREAS , Issuer proposes to lend to Company and Company desires to borrow from Issuer the proceeds from the sale of the 2001 Series A Bonds to cause the outstanding principal amount of the Refunded 1996 Series A Bonds to be refunded, paid and discharged on or prior to the 90th day after the date of issuance of the 2001 Series A Bonds;

NOW, THEREFORE FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER, AS FOLLOWS :

ARTICLE I

DEFINITIONS

Section 1.01 . Use of Defined Terms . In addition to the words and terms defined elsewhere in this Agreement or in the Indenture or by reference to another document, the words and terms set forth in Sections 1.02 and 1.03 shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.02 . Incorporation of Certain Terms by Reference . When and if used in this Agreement, the following terms shall have the meaning set forth in Article I of the Indenture:

"Act"
"Agreement"
"Authorized Denomination"
"Bond Counsel"
"Bond Fund"
"Bond Year"
"2001 Bonds"
"Business Day"
"Code"
"Company"
"Company Bonds"
"Company Representative"
"Cost of Construction"
"Cumulative Excess Earnings"
"Excess Earnings"
"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Governmental Obligations"
"Indenture"
"Interest Payment Date"
"Issuer"
"Issuer Representative"
"2001 Jefferson Bonds"
"Loan"
"No Auction Rate"
"Net Proceeds"
"Paying Agent"
"Permitted Investments"
"Plans and Specifications"
"Pollution Control Facilities"
"Prevailing Rating"
"Project"
"Project Site"

"Purchase Fund"
"Rating Service"
"Rebate Fund"
"Redemption Date"
"Redemption Demand"
"Refunded 1996 Series A Bonds"
"Refunded 1996 Jefferson Bonds"
"Release Date"
"1986 Series A Bonds"
"2001 Series A Bonds"
"1996 Series A Indenture"
"1996 Jefferson Indenture"
"Seven-Day > AA = Composite Commercial Paper Rate"
"Supplemental Indenture"
"Tender Agent"
"Trustee"

Section 1.03 . Additional Definitions . In addition to the terms whose definitions are incorporated by reference herein pursuant to Section 1.02 , the following terms shall have the meanings set forth in this Section unless the use or context clearly indicates otherwise:

" Capitalization " means the total of all the following items appearing on, or included in, the balance sheet of the Company:

(1) liabilities for indebtedness, including short-term debt, long-term debt and current maturities of long-term debt; and

(2) common stock, preferred stock, capital surplus, premium on capital stock, capital in excess of par value and retained earnings (however the foregoing may be designated), less to the extent not otherwise deducted, the cost of shares of capital stock of the Company held in its treasury.

Capitalization shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Debt " shall mean any outstanding debt for money borrowed.

" Determination of Taxability " shall have the meaning ascribed to such term in Section 10.3 of this Agreement.

" Net Tangible Assets " means the amount shown as total assets on the balance sheet of the Company, less the following:

(1) intangible assets including, but without limitation, such items as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset on said balance sheet; and

(2) appropriate adjustments, if any, on account of minority interests.

Net Tangible Assets shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Operating Property " means (i) any interest in real property owned by the Company and (ii) any asset owned by the Company that is depreciable in accordance with generally accepted accounting principles.

" Original Bonds " means the $27,500,000 County of Trimble, Kentucky Pollution Control Revenue Bonds, 1982 Series A (Louisville Gas and Electric Company Project), dated March 1, 1982.

" Prior Bond Fund " means the "County of Trimble, Kentucky, Pollution Control Revenue Bond Fund, 1996 Series A (Louisville Gas and Electric Company Project)", created by the 1996 Series A Indenture.

" Prior Trustee " means U. S. Bank Trust National Association (formerly First Trust of New York, National Association), acting as trustee in respect of the Refunded 1996 Series A Bonds.

In addition to the definitions herein, terms used in this agreement and not defined herein shall have the meanings ascribed to such terms in the Indenture.

The words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement. Unless otherwise noted, all Section and Article references are to sections and articles in this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1 Representations, Warranties and Covenants by Issuer. Issuer represents, warrants and covenants that:

(a) Issuer is a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, Issuer has the power to issue the 2001 Series A Bonds, to enter into this Agreement and the Indenture and the transactions contemplated hereby and to carry out its obligations hereunder and thereunder. Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2001 Series A Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2001 Series A Bonds and to execute and deliver this Agreement and the Indenture. Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) Issuer agrees to loan funds derived from the sale of the 2001 Series A Bonds to Company to provide for the refunding, payment and discharge of the outstanding principal amount of the Refunded 1996 Series A Bonds, to the end that air and water pollution be abated and controlled and solid wastes be disposed of in the Commonwealth.

(c) To accomplish the foregoing, Issuer agrees to issue $27,500,000 aggregate principal amount of its 2001 Series A Bonds following the execution of this Agreement on such terms and conditions as are set forth in the Indenture. The proceeds from the sale of the 2001 Series A Bonds shall be applied exclusively and in whole to refund, pay and discharge the outstanding principal amount of the Refunded 1996 Series A Bonds on or prior to the 90th day after the date of issuance of the 2001 Series A Bonds.

(d) Issuer will cooperate with Company and take all actions necessary for Company to comply with Section 2.2(n), (r) and (u) hereof and take other actions reasonably requested by Company in furtherance of this Agreement.

Section 2.2. Representations, Warranties and Covenants by Company. Company represents, warrants and covenants that:

(a) Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the 2001 Series A Bonds.

(b) Company has full and complete legal power and authority to execute and deliver this Agreement, the Supplemental Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Agreement, the Supplemental Indenture and the First Mortgage Bonds.

(c) The Project currently refinanced by application of the proceeds of the Refunded 1996 Series A Bonds has been designed and constructed to control, contain, reduce and abate air and water pollution and dispose of solid wastes at the Project Site. The Project was and is necessary for the public health and welfare, and is designed for no significant purpose other than the control of air and water pollution and the abatement and disposal of solid wastes and the Project constitutes air and water pollution control facilities and abatement facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, and the Act.

(d) All of the proceeds of the 2001 Series A Bonds, exclusively of accrued interest, if any, shall be used on or prior to the 90th day after the date of issuance of the 2001 Series A Bonds exclusively and only to redeem, pay and discharge the principal of the Refunded 1996 Series A Bonds, all of the proceeds of which currently refunded the Issuer = s 1986 Series A Bonds, the proceeds of which currently refunded the Original Bonds, not less than substantially all of the proceeds of which Original Bonds (i.e., at least 90% of the proceeds thereof, including investment income thereon) were used to finance the Cost of Construction of air and water pollution control facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities, and all of such air and water pollution control facilities and solid waste disposal facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section 167 of the Code.

(e) The Project, as designed, has been certified by the Department for Natural Resources and Environmental Protection of Kentucky (now the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky), the agency exercising jurisdiction in the premises, to be in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants and water pollution.

(f) The Project is of the type authorized and permitted by the Act, and the Cost of Construction of the Project was not less than $27,500,000.

(g) No event of default, and no event of the type described in clauses (a) through (e) of Section 9.1 hereof, has occurred and is continuing and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under this Agreement, the Supplemental Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of this Agreement, Supplemental Indenture, the First Mortgage Bonds, the consummation of the transactions contemplated hereby or by the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof

or thereof conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of Company under the terms of any instrument or agreement.

(h) Company intends to continue to operate or cause the Project to be operated as air and water pollution control facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities until all of the 2001 Series A Bonds are paid and discharged.

(i) No portion of the proceeds of 2001 Series A Bonds will be invested at a yield in excess of the yield on the 2001 Series A Bonds except (i) during any permitted temporary period provided by the Code, (ii) proceeds of a reasonably required reserve or replacement fund and (iii) as part of a minor portion of the proceeds of the 2001 Series A Bonds, not in excess of the lesser of 5% of the proceeds of the 2001 Series A Bonds or $100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Section 148 of the Code and applicable tax regulations.

(j) No portion of the proceeds from the sale of the 2001 Series A Bonds will be deposited to the account of any reasonably required reserve or replacement fund or used to pay (i) any costs of issuance of the 2001 Series A Bonds or (ii) any redemption premium or accrued interest on the Refunded 1996 Series A Bonds, but such proceeds will be applied and used solely and exclusively to refund, pay and discharge the outstanding principal amount of the Refunded 1996 Series A Bonds on or prior to the 90th day after the issuance of the 2001 Series A Bonds.

(k) Company will provide any additional moneys, including investment proceeds of the 2001 Series A Bonds, required for the payment and discharge of the Refunded 1996 Series A Bonds, payment of redemption premium, if any, and accrued interest in respect thereto and payment of all underwriting discount and costs of issuance of the 2001 Series A Bonds. Any investment proceeds of the 2001 Series A Bonds shall be used exclusively to pay interest or redemption premium due, if any, on the Refunded 1996 Series A Bonds on the Redemption Date.

(l) Company will cause no investment of 2001 Series A Bond proceeds to be made and will make no other use of or omit to take any action with respect to the proceeds of the 2001 Series A Bonds or any funds reasonably expected to be used to pay the 2001 Series A Bonds which will cause the 2001 Series A Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or would otherwise result in the loss or impairment of the exclusion of the interest on such 2001 Series A Bonds from gross income for federal income tax purposes.

(m) The average maturity of the 2001 Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the date of issuance of the 2001 Bonds) of the Pollution Control Facilities and solid waste disposal facilities refinanced by the proceeds of the 2001 Bonds.

(n) Company will provide all information requested by the Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 filed by Issuer with respect to the 2001 Series A Bonds and the air and water pollution control facilities and solid waste disposal facilities constituting the Project, and such information will be true and correct in all material respects.

(o) Within the meaning of Section 149 of the Code, no portion of the payment of the principal or interest on the 2001 Series A Bonds or the Refunded 1996 Series A Bonds was or shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(p) All of the proceeds of the Refunded 1996 Series A Bonds, the 1986 Series A Bonds and the Original Bonds have been fully expended and the Project has been completed. All of the actual Cost of Construction of the Project represents amounts paid or incurred which were chargeable to the capital account of the Project or would be so chargeable either with a proper election by the Company or but for a proper election by the Company to deduct such amounts. Substantially all (i.e. at least 90%) of the net proceeds of the sale of the Original Bonds (including investment income therefrom), were used to finance Cost of Construction of the Project as described above, pay costs and expenses of issuing the Original Bonds, within then applicable Code limits, and pay interest and carrying charges on the Original Bonds during the period of construction of the Project and prior to its in-service date.

(q) All of the depreciable properties which were taken into account in determining the qualifying costs of the Project constitute properties either (i) used for the control, containment, reduction and abatement of atmospheric pollutants and contaminants and water pollution and disposal of solid wastes or (ii) facilities which are functionally related and subordinate to such facilities constituting the Project. All of such functionally related and subordinate facilities are of a size and character commensurate with the character and size of the air and water pollution control facilities and solid waste disposal facilities constituting the Project.

(r) The Company will cause the Issuer to comply in all respects with the requirements of Section 148 of the Code in respect of the rebate of Excess Earnings with respect to the 2001 Series A Bonds to the United States of America.

(s) None of the proceeds of the 2001 Series A Bonds will be applied and none of the proceeds of the Refunded 1996 Series A Bonds, the 1986 Series A Bonds or the Original Bonds were applied to provide any: (i) working capital, (ii) office space (other than office space located on the premises of the Project where not more than a de minimis amount of the functions to be performed are not directly related to the day-to-day operations of the Project), (iii) airplane, (iv) skybox or other private luxury box, (v) health club facility, (vi) facility primarily used for gambling or (vii) store, the principal business of which is the sale of alcoholic beverages for

consumption off premises.

(t) Less than twenty-five percent (25%) of the net proceeds of the Refunded 1996 Series A Bonds, the 1986 Series A Bonds or the Original Bonds were used directly or indirectly to acquire land or any interest therein and no portion of such land, if acquired, was or is to be used for farming purposes. No portion of the proceeds of the Refunded 1996 Series A Bonds, the 1986 Series A Bonds or the Original Bonds was used to acquire existing property or any interest therein with respect to which the Company was not the first user for federal income tax purposes.

(u) Upon the date of issuance of the 2001 Series A Bonds, the Company will have caused the Issuer to comply with the public approval requirements of Section 147 of the Code and at or following the issuance of the 2001 Series A Bonds the Company will cause the Issuer to comply with the information reporting requirements of Section 149 of the Code by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

(v) All of the documents, instruments and written information furnished by Company on behalf of Company to Issuer or Trustee in connection with the issuance of the Bonds are true and correct in all material respects as of the date of delivery thereof and did not, as of the date of delivery thereof, omit or fail to state any material facts necessary to be stated therein to make the information provided not misleading.

(w) The proceeds derived from the sale of the 2001 Series A Bonds (other than any accrued interest thereon) will be used exclusively and solely to refund the principal of the Refunded 1996 Series A Bonds. The principal amount of the 2001 Series A Bonds does not exceed the principal amount of the Refunded 1996 Series A Bonds. The redemption of the outstanding principal amount of the Refunded 1996 Series A Bonds with such proceeds of the 2001 Series A Bonds will occur not later than 90 days after the date of issuance of the 2001 Series A Bonds. Any earnings derived from the investment of such proceeds of the 2001 Series A Bonds will be fully needed and used on such redemption date to pay a portion of the interest accrued and payable on the Refunded 1996 Series A Bonds on such date.

(x) It is not anticipated, as of the date hereof, that there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2001 Series A Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

Company need not comply with the covenants or representations in this Section if and to the extent that Issuer and Company receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2001 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE III

COMPLETION AND OWNERSHIP OF PROJECT

Section 3.1. Completion and Equipping of Project. Company represents that (a) it has previously caused the Project to be constructed as herein provided on the Project Site in accordance with the Plans and Specifications and (b) the Project was completed as previously evidenced by the filing of a completion certificate by the Company with the trustee in respect of the Original Bonds.

Section 3.2. Agreement as to Ownership of Project. Issuer and Company agree that title to and ownership of the Project shall remain in and be the sole property of Company in which Issuer shall have no interest. The Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.3. Use of Project. Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to Article IX of this Agreement or Article IX of the Indenture, to interfere with Company's ownership of the Project or to prevent Company from having possession, custody, use and enjoyment of the Project.

ARTICLE IV

ISSUANCE OF 2001 SERIES A BONDS; APPLICATION OF PROCEEDS; COMPANY TO ISSUE FIRST MORTGAGE BONDS

Section 4.1. Agreement to Issue 2001 Series A Bonds; Application of 2001 Series A Bond Proceeds. In order to provide funds to make the Loan, Issuer will issue, sell and deliver the 2001 Series A Bonds to the initial purchasers thereof and deposit the proceeds thereof with Trustee, as follows:

(i) Into the Bond Fund, a sum equal to the accrued interest, if any, to be paid by the initial purchasers of the 2001 Series A Bonds.

(ii) Into the Prior Bond Fund held by the Prior Trustee, for the benefit of and payment of the Refunded 1996 Series A Bonds, an amount not less than all of the balance of all such proceeds, being the principal amount of the 2001 Series A Bonds.

Section 4.2. Payment and Discharge of Refunded 1996 Series A Bonds. Company covenants and agrees with Issuer that it will, upon the date of issuance of the 2001 Series A Bonds, give irrevocable instructions to the Prior Trustee to call and redeem the Refunded 1996 Series A Bonds in accordance with their terms and will simultaneously deposit into the Prior Bond Fund cash or direct United States obligations ("Governmental Obligations") sufficient, on the date of issuance of the 2001 Series A Bonds, to fully defease and discharge the Refunded 1996 Series A Bonds on such date in accordance with Article VIII of the 1996 Series A Indenture, without reference to any interest earnings to be accrued during the period from the date of issuance of the 2001 Series A Bonds to the redemption date of the Refunded 1996 Series A Bonds. Such matters to be confirmed by issuance of an appropriate written certificate of the Prior Trustee confirming defeasance and full discharge of the Refunded 1996 Series A Bonds upon the date of issuance of the 2001 Series A Bonds. Such irrevocable instructions, deposit of sufficient cash and Governmental Obligations and issuance by the Prior Trustee of a certificate of defeasance and discharge is a condition precedent to the issuance of the 2001 Series A Bonds.

Section 4.3. Investment of Bond Fund and Rebate Fund Moneys. Subject to the provisions of Section 148 of the Code, any moneys held as a part of the Bond Fund or the Rebate Fund, if applicable, shall be invested or reinvested by Trustee, at the written request of and as specifically directed by Company, in one or more of the Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of Trustee. All moneys invested shall be deemed at all times a part of the fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2001 Series A Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax or other charge in respect of any investments, reinvestments or any liquidation of investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

Section 4.4. Special Arbitrage Certifications.

(a) Company covenants and agrees that it, will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results in interest paid on any of the 2001 Series A Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) or adversely affects the validity of the 2001 Series A Bonds.

(b) Company warrants, represents and certifies to Issuer that the proceeds of the 2001 Series A Bonds will not be used in any manner that would cause the 2001 Series A Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 and other applicable sections of the Code. To the best knowledge and belief of Company, there are no facts, estimates or circumstances that would materially change the foregoing conclusion.

(c) Company hereby covenants that it will at all times comply and cause Issuer to comply with the provisions of Section 148 and other applicable sections of the Code and will restrict the use of the proceeds of the 2001 Bonds, including the 2001 Series A Bonds, in such manner and to such extent, if any, as may be necessary, and remit Excess Earnings with respect to all of the 2001 Series A Bonds, if any, to the United States of America pursuant to Section 148(f)(2) of the Code and carry out such actions so that the 2001 Series A Bonds will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code. An officer or officers of Issuer having responsibility with respect to the issuance of the 2001 Series A Bonds is or are hereby authorized and directed to give an appropriate certificate of Issuer, for inclusion in the transcript of proceedings for the 2001 Series A Bonds, setting forth the reasonable expectations of Issuer regarding the amount and use of the proceeds of the 2001 Series A Bonds and the facts, estimates and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2001 Series A Bonds pursuant to said Section 148 of the Code. Company shall provide the Issuer, and Issuer's certificate may be expressly based on, a certificate of Company setting forth the facts, estimates and circumstances and reasonable expectations of Company on the date of delivery of and payment for the 2001 Series A Bonds regarding the amount and use of the proceeds of the 2001 Series A Bonds and related matters. In the event any such representation of Company relied upon by the Issuer is untrue or inaccurate and Issuer thereby suffers costs or damages, Company shall indemnify Issuer for any such costs or damages.

(d) Consistent with the foregoing, Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2001 Bonds, including the 2001 Series A Bonds, that no use will be made of the proceeds of the sale of the 2001 Series A Bonds which would cause the 2001 Series A Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and that Company and Issuer will, after issuance of the 2001 Series A Bonds, comply with the provisions of the Code at all times, including after the 2001 Series A Bonds are discharged, to the extent Excess Earnings with respect to the 2001 Series A Bonds are required to be rebated to the United States of America pursuant to Section 148(f)(2) of the Code. Pursuant to such covenant, Issuer and Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Section 148 of the Code.

(e) Company warrants, represents and certifies to Issuer that the proceeds of the Refunded 1996 Series A Bonds were applied and invested in compliance with the current requirements of Section 149(g) of the Code and that consequently the 2001 Series A Bonds will not be "hedge bonds" under such Section 149(g) of the Code.

(f) Company hereby covenants and agrees that it will at all times comply with the provisions of Section 148, including Section 148(f) the Code and with Section 6.06 of the Indenture. Specifically, Company shall carry out, do and perform all acts stipulated to be performed by Company pursuant to such Section 6.06 of the Indenture. Company shall further undertake to assure and cause rebate payments to be calculated and made to the United States of America in accordance with Section 148(f)(2) of the Code from moneys on deposit in the Rebate Fund from time to time after the end of each Computation Period, as defined in the Indenture, and following discharge of the 2001 Series A

Bonds. Company also covenants to take all necessary acts and steps as required to cause Issuer to comply with the provisions of Section 7.03 of the Indenture.

Section 4.5. Opinion of Bond Counsel. Company need not comply with the covenants or representations in Section 4.4 if and to the extent that Issuer and Company (with a copy to Trustee) receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2001 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Section 4.6. First Mortgage Bonds. Company covenants and agrees with Issuer that it will, for the purpose of providing security for the 2001 Series A Bonds, execute and deliver on the date of issuance of the 2001 Series A Bonds, the First Mortgage Bonds to Trustee in aggregate principal amount not less than the aggregate principal amount of the 2001 Series A Bonds. The First Mortgage Bonds shall mature as to principal identically as in the case of the 2001 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental Indenture, shall bear interest identically as in the case of the 2001 Series A Bonds.

Prior to the Release Date, in the event of a default under Article IX of this Agreement or in the event of a default in payment of the principal of, premium, if any, or interest on the 2001 Series A Bonds as and when the same come due, whether at maturity, by purchase, redemption, acceleration or otherwise, and upon receipt by First Mortgage Trustee of a Redemption Demand from Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable in accordance with the provisions specified in the Supplemental Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2001 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2001 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of Company thereunder terminated and such First Mortgage Bonds shall be surrendered by Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Notwithstanding anything in this Agreement to the contrary, from and after the Release Date, the obligation of the Company to make payment with respect to the principal of and premium, if any, and interest on the First Mortgage Bonds shall be deemed satisfied and discharged as provided in the Supplemental Indenture and the First Mortgage Bonds shall cease to secure in any manner the 2001 Series A Bonds. As a result, on the Release Date, the obligations under this Agreement shall become unsecured general obligations of the Company.

The Company shall notify the Issuer and the Trustee in writing promptly upon the occurrence of the Release Date. Upon receiving written notice of the Release Date from the Company, the Trustee shall deliver for cancellation to the First Mortgage Trustee all of the First Mortgage Bonds.

ARTICLE V

PROVISIONS FOR PAYMENT

Section 5.1 Loan Payments and Other Amounts Payable. (a) Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2001 Series A Bonds or any other date that any payment of interest, premium, if any, purchase price or principal is required to be made in respect of the 2001 Series A Bonds at the times specified in accordance with the more specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2001 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the 2001 Series A Bonds as provided in the Indenture; provided that such payments by Company to enable the Tender Agent to pay the purchase price of Bonds shall be made within the times required by Section 3.05 of the Indenture.

It is understood and agreed that all payments payable by Company under this subsection (a) of Section 5.1 are assigned by the Issuer to the Trustee, the Paying Agent and the Tender Agent, as applicable, for the benefit of the Bondholders. Company assents to such assignment. Issuer hereby directs Company and Company hereby agrees to pay to Trustee and/or Paying Agent or Tender Agent, as appropriate, at the Principal Office of the Trustee and/or Paying Agent or Tender Agent, as appropriate, all payments payable by Company pursuant to this subsection.

(b) Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2001 Series A Bonds and incurred upon the request of Company.

(c) Company will also pay the agreed upon fees and expenses of Trustee (including those referred to in Section 10.02 of the Indenture), the Bond Registrar, the Tender Agent and the Paying Agent under the Indenture and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Market Agent, the Auction Agent and the Tender Agent, as applicable from time to time, under the Indenture, such amounts to be paid directly to Trustee, the Bond Registrar, the Paying Agent and Tender Agent for their respective own accounts as and when such amounts become due and payable.

The Company further agrees to indemnify and hold harmless the Trustee, Bond Registrar and Paying Agent against any loss, liability or expense, including reasonable attorneys = fees and expenses, incurred by it without negligence or bad faith on its part in connection with the issuance of the 2001 Series A Bonds or the acceptance or administration of the trusts under the Indenture, including the costs of defending itself against any claim or liability in connection therewith.

(d) The Company covenants, for the benefit of the Bondholders, to pay or cause to be paid, to the Tender Agent for deposit in the Purchase Fund, such amounts as shall be necessary to enable the Tender Agent to pay the purchase price of 2001 Series A Bonds delivered to it for purchase, all as more particularly described in Sections 3.03 and 3.05 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price of 2001 Series A Bonds delivered to it for purchase, as provided in the Indenture.

(e) In the event Company should fail to make any of the payments required in this Section 5.1 , the item or installment so in default shall continue as an obligation of Company until the amount in default shall have been fully paid, and Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due to the date of payment.

Section 5.2 . Payments Assigned . As set forth in Section 5.1 hereof, it is understood and agreed that this Agreement and all payments made by Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) or (c) or pursuant to Section 8.2 hereof) are assigned by Issuer to Trustee. Company assents to such assignment and hereby agrees that, as to Trustee, Paying Agent, the Market Agent, the Auction Agent and Tender Agent, as applicable, from time to time, its obligation to make such payments shall be absolute, irrevocable and unconditional and shall not be subject to cancellation, termination or abatement or to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by any party, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing by any party. Except as provided above, Issuer hereby directs Company and Company hereby agrees to pay to Trustee, Paying Agent, the Market Agent, the Auction Agent, Bond Registrar or Tender Agent, as appropriate, all said payments payable by Company pursuant to Section 5.1 of this Agreement.

Section 5.3 . Taxes and Other Governmental Charges . Company agrees to pay during the term of this Agreement, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied or charged against or with respect to the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating Company to pay taxes on any interest or principal on the 2001 Series A Bonds disbursed to Bondholders.

Company may, at its expense and in its own name, in good faith contest any such taxes, assessments and other governmental charges and, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments or charges shall be paid forthwith. Issuer will cooperate fully with Company in any such contest. In the event Company shall fail to pay any of the foregoing items required by this Section to be paid by Company, Issuer or Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by Issuer or Trustee shall become an additional obligation of Company to the one making the advancement, which amounts, together with interest thereon Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on ninety-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; provided , however , that no such advancement shall operate to relieve the Company from any default hereunder. Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4 . Obligations of Company Unconditional . The obligation of Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.06 of the Indenture shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the 2001 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, Company (i) will not suspend or discontinue any payments pursuant to this Agreement and (ii) except as provided in Article X hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of title to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of Issuer or Trustee to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release Issuer from the performance of any of the agreements on its part herein contained; and in the event Issuer should fail to perform any such agreement on its part, Company may institute such action against Issuer as Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of Company contained in the preceding sentence. Company may, however, at its own cost and expense and in its own name or in the name of Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy and use of the Project, and in such event Issuer hereby agrees to cooperate fully with Company.

Section 5.5 . Rebate Fund . Company agrees to make all payments to the Trustee and rebate all amounts to the United States of America as are required of it under Section 6.06 of the Indenture. The obligation of Company to make such payments shall remain in effect and be binding upon Company notwithstanding the release and discharge of the Indenture.

Section 5.6 . Redemption of the 2001 Series A Bonds in Advance of Scheduled Maturity . Under the terms of the Indenture, the 2001

Series A Bonds are and will be subject to redemption prior to their scheduled maturity. The Issuer agrees that it shall direct the Trustee to redeem and call 2001 Series A Bonds at the written direction of the Company.

Section 5.7 . Cancellation of 2001 Series A Bonds . The cancellation by the Bond Registrar of any 2001 Series A Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2001 Series A Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan repayment equal to the principal amount of the 2001 Series A Bond or Bonds so cancelled.

ARTICLE VI

MAINTENANCE; DAMAGE, DESTRUCTION AND CONDEMNATION ; USE OF NET PROCEEDS; INSURANCE

Section 6.1 Maintenance . So long as any 2001 Series A Bonds are Outstanding, as that term is defined in the Indenture, Company will maintain, preserve and keep the Project, or cause the Project to be maintained, preserved and kept, in good repair, working order and condition and will from time to time make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as air and water pollution control and abatement facilities and solid waste disposal facilities under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, the Code and the Act; provided, however, that Company will have no obligation to maintain, preserve, keep, repair, replace or renew any element or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to Company because of damage or destruction by a cause not within the control of Company, or condemnation of all or substantially all of the Project or the generating facilities to which the element or unit of the Project is an adjunct, or obsolescence (including economic obsolescence) or change in government standards and regulations, or the termination by Company of the operation of the generating facilities to which the element or unit of the Project is an adjunct, and (b) with respect to which Company has furnished to Issuer and Trustee a certificate executed by Company Representative certifying that the maintenance, preservation, keeping, repair, replacement or renewal of such element or unit of the Project is being discontinued for one of the foregoing reasons, which shall be stated therein, and that the discontinuance of such element or unit will not adversely affect the exclusion of interest on any of the 2001 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of this Agreement as part of the Project; provided, however, that Company shall take no actions which will change or alter the basic nature of the Project as air and water pollution control and abatement facilities and solid waste disposal facilities under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, and the Act.

If, prior to full payment of all 2001 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Company or the First Mortgage Trustee receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.l(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2001 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2001 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2001 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2001 Series A Bonds are otherwise subject to optional redemption.

Section 6.2 . Insurance . Company agrees to insure the Project at all times in accordance with the provisions of First Mortgage Indenture.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1 No Warranty of Condition or Suitability by Issuer . Issuer makes no warranty, either express or implied, as to the Project or that it will be suitable for Company's purposes or needs.

Section 7.2 . Company to Maintain its Corporate Existence; Conditions under Which Exceptions Permitted . Company agrees that during the term of this Agreement it will maintain its corporate existence and good standing, will continue to be a corporation organized under the laws of the Commonwealth of Kentucky or qualified and admitted to do business in the Commonwealth of Kentucky, and will neither dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge, (i) shall be a corporation organized and existing under the laws of one of the States of the United States of America, (ii) shall be qualified and admitted to do business in the Commonwealth of Kentucky, (iii) shall assume in writing all of the obligations of Company herein and (iv) shall deliver a copy of such assumption to the Issuer and Trustee.

Section 7.3 . Financial Statements . Company agrees to furnish Trustee (within 120 days after the close of each fiscal year) with an audited balance sheet and statements of income, retained earnings and changes in cash flows showing the financial condition of Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of Company and its consolidated subsidiary or subsidiaries, if any, for such fiscal year, accompanied by an opinion of its regular independent certified public accountants that such statements fairly represent the financial condition of Company in accordance with generally accepted accounting principles. The

requirements of this Section 7.3 shall be satisfied by the submission to Trustee of Company's annual report on Form 10-K. The information so provided to Trustee shall be kept in its files and is not required to be distributed to any Registered Holder or other person. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 7.4 . Further Assurances and Corrective Instruments . Issuer and Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5 . Issuer Representative . Whenever under the provisions of this Agreement the approval of Issuer is required or Issuer is required to take some action at the request of Company, such approval shall be made or such action shall be taken by Issuer Representative and Company or Trustee shall be authorized to act on any such approval or action, and Issuer shall have no redress against Company or Trustee as a result of any such action taken.

Section 7.6 . Company Representative . Whenever under the provisions of this Agreement the approval of Company is required or Company is required to take some action at the request of Issuer, such approval shall be made or such action shall be taken by Company Representative and Issuer or Trustee shall be authorized to act on any such approval or action and Company shall have no redress against Issuer or Trustee as a result of any such action taken.

Section 7.7 . Financing Statements . Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the lien of the Indenture and the Supplemental Indenture. Issuer shall cooperate fully with Company in taking any such action. Concurrently with the execution and delivery of the 2001 Series A Bonds, Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such lien, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture, which filings the Company agrees to undertake.

Section 7.8 . Company's Performance Under Indenture . The Company agrees, for the benefit of Bondholders to do and perform all acts and things contemplated in the Indenture to be done and performed by it.

Section 7.9 . Negative Pledge . (a) The Company agrees that, subsequent to the Release Date (as defined in the Indenture) and so long as any Bonds remain outstanding, the Company will not issue, assume or guarantee any Debt secured by any mortgage, security interest, pledge or lien (herein referred to as a "mortgage") of or upon any Operating Property of the Company, whether owned at the date of the Indenture or thereafter acquired, and will not permit to exist any Debt secured by a mortgage on any Operating Property created on or prior to the Release Date, without in any such case effectively securing, on the later to occur of the issuance, assumption or guaranty of any such Debt or the Release Date, the Bonds equally and ratably with such Debt; provided, however, that the foregoing restriction shall not apply to Debt secured by any of the following:

(1) mortgages on any property existing at the time of acquisition thereof;

(2) mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with the Company, or at the time of a sale, lease or other disposition of the properties of such corporation or a division thereof as an entirety or substantially as an entirety to the Company, provided that such mortgage as a result of such merger, consolidation, sale, lease or other disposition is not extended to property owned by the Company immediately prior thereto;

(3) mortgages on property to secure all or part of the cost of acquiring, substantially repairing or altering, constructing, developing or substantially improving such property, or to secure indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided such mortgages are created or assumed contemporaneously with, or within 18 months after, such acquisition or completion of substantial repair or alteration, construction, development or substantial improvement or within six months thereafter pursuant to a commitment for financing arranged with a lender or investor within such 18 month period;

(4) mortgages in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any state thereof, or for the benefit of holders of securities issued by any such entity, to secure any Debt incurred for the purpose of financing all or any part of the purchase price or the cost of substantially repairing or altering, constructing, developing or substantially improving the property subject to such mortgages; or

(5) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any mortgage referred to in the foregoing clauses (1) to (4), inclusive; provided, however, that the principal amount of indebtedness secured thereby and not otherwise authorized by said clauses (1) to (4), inclusive, shall not exceed the principal amount of indebtedness, plus any premium or fee payable in connection with any such extension, renewal or replacement, so secured at the time of such extension, renewal or replacement.

(b) Notwithstanding the provisions of Section 7.9(a) from and after the Release Date and so long as any Bonds remain outstanding, the Company may issue, assume or guarantee Debt, or permit to exist Debt, secured by mortgages which would otherwise be subject to the

restrictions of this Section up to an aggregate principal amount that, together with the principal amount of all other Debt of the Company secured by mortgages (other than mortgages permitted by Section 7.9(a) that would otherwise be subject to the foregoing restrictions) does not at the time exceed the greater of 10% of Net Tangible Assets or 10% of Capitalization.

(c) If at any time the Company shall issue, assume or guarantee any Debt secured by any mortgage and if Section 7.9(a) requires that the Bonds be secured equally and ratably with such Debt, the Company will promptly execute, at its expense, any instruments necessary to so equally and ratably secure such Bonds.

ARTICLE VIII

ASSIGNMENT; INDEMNIFICATION; REDEMPTION

Section 8.1 Assignment. This Agreement may be assigned by Company without the necessity of obtaining the consent of either Issuer or Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve Company from primary liability for any of its obligations hereunder, and in the event of any such assignment Company shall remain primarily liable for payments of the amounts specified in Section 5.1 hereof and for performance and observance of the other covenants or agreements on its part herein provided to be performed and observed to the same extent as though no assignment had been made;

(b) The assignee shall assume the obligations of Company hereunder to the extent of the interest assigned;

(c) Company shall, within thirty days after the delivery thereof, furnish or cause to be furnished to Issuer and to Trustee a true and complete copy of each such assignment and assumption of obligation; and

(d) prior to such assignment, the Company shall have obtained an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the 2001 Series A Bonds from gross income for Federal income tax purposes under Section 103(a) of the Code.

Section 8.2. Release and Indemnification Covenants. Company releases Issuer from and covenants and agrees that Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless against, any expense or liability incurred by Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof. If any such claim is asserted, Issuer agrees to give prompt notice to the Company and Company will assume the defense thereof, with full power to litigate, compromise or to settle the same in its sole discretion, it being understood that Issuer will not settle or consent to the settlement of the same without the consent of Company.

Section 8.3. Assignment of Interest in Agreement by Issuer. Any assignment by Issuer to Trustee pursuant to the Indenture or this Agreement of any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 8.4. Redemption of 2001 Series A Bonds. Upon the agreement of Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2001 Series A Bonds subject to redemption, Issuer, at the request of Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the 2001 Series A Bonds outstanding, as may be specified by Company, on the redemption date specified by the Company.

Section 8.5. Reference to 2001 Series A Bonds Ineffective after 2001 Series A Bonds Paid. Upon payment in full of the 2001 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.4 hereof and payment of all fees and charges of the Trustee (including reasonable attorneys = fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2001 Series A Bonds, the First Mortgage Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2001 Series A Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1 Events of Default Defined. The following shall be "events of default" under this Agreement and the term "events of default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsections (a) and (d) of Section 5.1 hereof which results in failure to pay principal of, premium or interest on or the purchase price of the 2001 Series A Bonds, and such failure shall cause an event of default under the Indenture.

(b) Failure by Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, is given to Company by Issuer or Trustee, unless Issuer and Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Issuer and Trustee will not unreasonably withhold their consent to an extension of such time if such failure is capable of being

cured and corrective action is instituted by Company within the applicable period and is being diligently pursued.

(c) All bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(d) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Company, or of a substantial part of the property or assets of Company, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company or (iii) the winding-up or liquidation of Company; and such proceeding or petition shall continue undismissed or unstayed for 90 days or an order or decree approving or ordering any of the foregoing shall be entered.

(e) Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (d) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing.

The provisions of Section 9.1(b) are subject to the following limitations: If by reason of force majeure Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of Company contained in Sections 2.2(k) and (l), 4.2, 4.4, 4.6 or 7.2 or Article V hereof and the general covenant and obligation of Company to take all necessary actions for the continued exclusion of interest on the 2001 Series A Bonds from gross income for federal and Kentucky income taxes, Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean any cause or event not reasonably within the control of Company, including without limitation the following: acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the Commonwealth of Kentucky or any of their departments, agencies or officials, or any civil or military authority; evacuations and quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines or pipes; or partial or entire failure of utility services. Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Company, and Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Company unfavorable to Company.

Section 9.2 . Remedies on Default . Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, Issuer may take any one or more of the following remedial steps:

(a) By written notice to Company, Issuer may declare an amount equal to the principal and accrued interest on the 2001 Series A Bonds then Outstanding, as defined in the Indenture, to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

(b) Issuer may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of Company.

(c) Issuer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Company under this Agreement, including, until the Release Date, any remedies available in respect of the First Mortgage Bonds.

In case there shall be pending a proceeding of the nature described in Section 9.1 (d) or (e) above, Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of Trustee allowed in such judicial proceedings relative to Company, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any custodian (including, without limitation a receiver, trustee or liquidator) of Company appointed in connection with such proceedings is hereby authorized to make such payments to Trustee, and to pay to Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Any amounts collected pursuant to action taken under this Section 9.2 (other than the compensation and expenses referred to in the immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2001 Series A Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of Trustee and any paying agents accrued and to accrue through final payment of the 2001 Series A Bonds, and all other liabilities of Company accrued and to accrue hereunder or under the Indenture through final payment of the 2001 Series A Bonds have been paid, such amounts so collected shall be paid to Company.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given Issuer hereunder shall also extend to Trustee, and Trustee and the holders of the 2001 Series A Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 9.4. Agreement to Pay Attorneys' Fees and Expenses. In the event Company should default under any of the provisions of this Agreement and Issuer and/or Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of Company herein contained, Company agrees that it will on demand therefor pay to Issuer and/or Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by Issuer and/or Trustee.

Section 9.5. Waiver of Events of Default. If, after the acceleration of the maturity of the outstanding 2001 Series A Bonds by Trustee pursuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2001 Series A Bonds and the principal of, and premium, if any, on any and all 2001 Series A Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2001 Series A Bond, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2001 Series A Bonds which shall have become due by said declaration, shall have been remedied, and such event of default under the Indenture shall be deemed waived by Trustee in accordance with Section 9.11 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then Company's default hereunder shall be deemed to have been waived by Issuer and no further action or consent by Trustee or Issuer shall be required. In the event any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

PREPAYMENT OF LOAN

Section 10.1 Options to Prepay Loan. Company shall have, and is hereby granted, options to prepay the Loan in whole and to cancel or terminate this Agreement on any Business Day at any time Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by Company to Trustee of such election, as follows:

(a) If in the judgment of Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2001 Series A Bonds upon Company with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem, property, income or other taxes not imposed on the date of this Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) If the Project or a portion thereof or other property of Company in connection with which the Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use;

(d) In the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of the Trimble County Generating Station of the Company shall have occurred which, in the judgment of the Company, render the continued operation of the Trimble County Generating Station or any generating unit at such station uneconomical; or changes in circumstances, after the issuance of the 2001 Series A Bonds including but not limited to changes in clean air and water or other air and water pollution control requirements or solid waste disposal requirements, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) In the event this Agreement shall become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action, whether state or federal, or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) A final order or decree of any court or administrative body after the issuance of the 2001 Series A Bonds shall require the Company to cease a substantial part of its operations at either or both of the Trimble County Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such location for a period of six months.

In the case of prepayment pursuant to this Section 10.1 (or if any 2001 Series A Bonds be redeemed in whole or in part pursuant to Section 6.1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with Trustee and available for such purpose, to redeem all 2001 Series A Bonds then outstanding (or, in the case any 2001 Series A Bonds are redeemed in part pursuant to Section 5.1 hereof, such portion of the Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2001 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2001 Series A Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the events mentioned in (a) through (f) above, Company is required to give written notice to Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2 Additional Option to Prepay Loan . Company shall have, and is hereby granted, further options, to the extent that the 2001 Series A Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with Trustee moneys sufficient to pay, together with other funds deposited with Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2001 Series A Bonds then outstanding under the Indenture and, upon depositing with Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2001 Series A Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder, to cancel or terminate the term of this Agreement.

Section 10.3 Obligations to Prepay Loan . Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, prior to the required full payment of the 2001 Series A Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and Company shall take all actions required to mandatorily redeem the 2001 Series A Bonds at the cost of the Company upon the terms specified in this Agreement and in Article IV of the Indenture following the occurrence of a Determination of Taxability, including, but not limited to, prepaying appropriate amounts due on the 2001 Series A Bonds in order to effect such redemption. The 2001 Series A Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this section, a "Determination of Taxability" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2001 Series A Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2001 Series A Bonds, the interest on the 2001 Series A Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however , that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2001 Series A Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2001 Series A Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any 2001 Series A Bond in the computation of minimum or indirect taxes. All of the 2001 Series A Bonds shall be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2001 Series A Bonds of one or more series or one or more maturities would have the result that interest payable on the remaining 2001 Series A Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the 2001 Series A Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described in this Section 10.3 , the Company shall give notice thereof to the Trustee and the Issuer.

In the case of the mandatory obligation of Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as specified in Section 10.3 hereof and to provide to Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2001 Series A Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2001 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any paying agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2001 Series A Bonds.

Section 10.4 . Notice of Prepayment; Redemption Procedures . It is understood and agreed by the parties hereto that in order to

exercise an option granted in, or to consummate a mandatory prepayment required by, this Article X, Company shall give written notice to Issuer and Trustee which notice shall (i) contain the agreement of Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2001 Series A Bonds equal to the amount of the prepayment, including, in the case of a prepayment under Section 10.2 hereof, any applicable redemption premium in respect of such 2001 Series A Bonds, nd any other amounts required under this Agreement and (ii) specify the prepayment date (which must be a Business Day and which shall also e the redemption date), which date shall not be less than 30 days (45 days if the 2001 Series A Bonds are bearing interest at the Semi-annual, Annual or Long Term Rate or in all cases such shorter period as may be acceptable to the Trustee) nor more than 90 days from the date the notice is mailed by Company to Issuer and Trustee.

Section 10.5. Relative Position of this Article and Indenture. The rights and options granted to Company in this Article, except the option granted to Company pursuant to Section 10.2 to prepay less than all of the Loan payments, shall be and remain prior and superior to the Indenture and may be exercised whether or not Company is otherwise in default hereunder; provided that such default will not result in nonfulfillment of any condition to the exercise of any such right or option.

Section 10.6. Concurrent Discharge of First Mortgage Bonds. Prior to the Release Date, in the event any of the 2001 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Term of Agreement. This Agreement shall remain in full force and effect from the date hereof to and including the later of September 1, 2026, or until such time as all of the 2001 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture), whichever shall be later; provided, however, that this Agreement may be cancelled and terminated prior to said date if Company shall prepay all of the Loan pursuant to Article X hereof; and provided further, however, that all obligations of Company under Article V and Section 8.2 hereof (a) to pay fees and expenses of Trustee, the Tender Agent, the Bond Registrar and any Paying Agent and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2001 Series A Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by Company as to all matters affecting the tax-exempt status of interest on the 2001 Series A Bonds shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2001 Series A Bonds and shall survive the termination of this Agreement and all obligations of Company contained herein relating to indemnification of Issuer, Trustee, Bond Registrar, Authenticating Agent, Tender Agent and any Paying Agent shall survive the termination of this Agreement.

Section 11.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Issuer, at the Trimble County Courthouse, P.O. Box 251, Bedford, Kentucky 40006, Attention: County Judge/Executive;

If to Company, at its corporate headquarters, 220 West Main Street, Louisville, Kentucky 40202, Attention: Treasurer, and

If to Trustee, at 100 Plaza One, 6 th Floor, Jersey City, New Jersey 07310, Attention: Corporate Trust Administration.

If to Paying Agent, Remarketing Agent, Auction Agent, Market Agent or Tender Agent, at such addresses for notices as are set forth in the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by either Issuer or Company to the other shall also be given to Trustee. Issuer, Company and Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon Issuer, Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 hereof.

Section 11.4. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5. Amounts Remaining in Bond Fund, Rebate Fund and Prior Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the 2001 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, shall belong to and be paid to Company by Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied and disbursed strictly and only in accordance with the provisions of Section 6.07 of the Indenture. Following the payment and discharge of the funded 1996 Series A Bonds on their redemption date and the making of provision for payment of the Refunded 1996 Series A Bonds not presented for payment, any remaining moneys in the Prior Bond Fund shall belong to and be paid to Company by the Prior Trustee.

Section 11.6. Amendments, Changes and Modifications. Subsequent to the issuance of the 2001 Series A Bonds and prior to

payment in full of all 2001 Series A Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated, and no provision hereof waived, without the written consent of Trustee, given in accordance with the Indenture.

Section 11.7. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 11.9. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 11.10. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement, as hereinabove provided.

Section 11.11. Payments Due on Other Than Business Days. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be on a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided in this Agreement, and if done on such succeeding Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

(remainder of page left blank intentionally)

IN WITNESS WHEREOF , Issuer and Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first written.

COUNTY OF TRIMBLE, KENTUCKY

(SEAL)

By:_____
RAY CLEM
County Judge/Executive

ATTEST:

_____
SUSAN BARNES
Fiscal Court Clerk

LOUISVILLE GAS AND ELECTRIC COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
S. BRADFORD RIVES
Senior Vice President -
Finance and Controller

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF TRIMBLE)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of March, 2002, the foregoing instrument was produced to me in said County by Ray Clem and Susan Barnes, personally known to me and personally known by me to be the County Judge/Executive and Fiscal Court Clerk, respectively, of the COUNTY OF TRIMBLE, KENTUCKY, and acknowledged before me by them and each of them to be their free act and deed as County Judge/Executive and Fiscal Court Clerk of such County, and the act and deed of said County as authorized by an Ordinance of the Fiscal Court of such County.

Witness my hand and seal this _____ day of March, 2002. My commission expires _____ .

(SEAL)

_____
Notary Public
State at Large, Kentucky

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of March, 2002, the foregoing instrument was produced to me in said County by Daniel K. Arbough and S. Bradford Rives, personally known to me and personally known by me to be the Treasurer and the Senior Vice President - Finance and Controller, respectively, of LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

Witness my hand and seal this _____ day of March, 2002. My commission expires on _____

SEAL)

_____
Notary Public
State at Large, Kentucky

This Instrument Prepared by the
Undersigned, Attorney at Law of
HARPER, FERGUSON & DAVIS
1730 Meidinger Tower
Louisville, Kentucky 40202

_____
SPENCER E. HARPER, JR

Exhibit 4(qq)-2

Execution Copy

(2001 Series A – Trimble County)

COUNTY OF TRIMBLE, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

AMENDMENT NO. 1 TO LOAN AGREEMENT IN CONNECTION WITH POLLUTION CONTROL FACILITIES

* * * * *

Dated as of September 1, 2010

* * * * *

NOTICE: The interest of the County of Trimble, Kentucky in and to this Amendment No. 1 to Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Indenture of Trust dated as of November 1, 2001.

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THIS AMENDMENT NO. 1 TO LOAN AGREEMENT, dated as of September 1, 2010, but made effective as of the Effective Date (defined herein) (this "Amendment No. 1 to Loan Agreement"), by and between the COUNTY OF TRIMBLE, KENTUCKY, being a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky.

WITNESSETH:

WHEREAS, the County of Trimble, Kentucky (the "Issuer") constitutes a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), the Issuer has the power to enter into the transactions contemplated by this Amendment No. 1 to Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, the Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act for the abatement and control of air and water pollution and abatement of solid wastes and to refund bonds which were previously issued for such purposes; and

WHEREAS, on March 6, 2002, the Issuer, at the request of Louisville Gas and Electric Company (the "Company"), issued its Pollution Control Revenue Bonds, 2001 Series A (Louisville Gas and Electric Company Project) (the "Bonds" or "2001 Series A Bonds") in the original principal amount of $27,500,000, and the Issuer loaned the proceeds of the 2001 Series A Bonds to the Company pursuant to the Loan Agreement dated as of November 1, 2001, between the Issuer and the Company (the "Agreement"); and

WHEREAS, to secure the payment of the 2001 Series A Bonds, the Issuer assigned substantially all of its rights, title and interests in and to the Agreement to Deutsche Bank Trust Company Americas (successor to Bankers Trust Company), as Trustee (the "Trustee"), pursuant to the Indenture of Trust dated as of November 1, 2001, between the Issuer and the Trustee (the "Indenture"); and

WHEREAS, the Company delivered to the Trustee, as security for the Company's payment obligations under the Agreement, $27,500,000 aggregate principal amount of the Company's first mortgage bonds issued under the Company's Indenture dated November 1, 1949, as amended by indentures supplemental thereto (the "1949 Indenture"); and

WHEREAS, the 1949 Indenture was subsequently terminated, the first mortgage bonds issued under the 1949 Indenture to secure the 2001 Series A Bonds were released and the Company's obligations under the Agreement became unsecured; and

WHEREAS, all of the 2001 Series A Bonds remain outstanding and unpaid; and

WHEREAS, the Company intends to enter into that certain Indenture dated as of October 1, 2010 (the "First Mortgage Indenture"), between the Company and The Bank of New York Mellon (the "First Mortgage Trustee"), pursuant to which the Company shall issue certain first mortgage bonds secured by a lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky; and

WHEREAS, in the event the Company grants a lien on and a security interest in its operating property to secure general debt for borrowed money, which the Company intends to do pursuant to the issuance of the first mortgage bonds pursuant to the First Mortgage Indenture, the Agreement obligates the Company to grant an equal and ratable lien on and security interest in its operating property in favor of the Trustee under the Indenture to secure the 2001 Series A Bonds; and

WHEREAS, the Company intends to issue first mortgage bonds (the "First Mortgage Bonds") to the Trustee under the Indenture, thereby creating in favor of the Trustee for the benefit of the holders of the 2001 Series A Bonds an equal and ratable lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky as security for the payment of the 2001 Series A Bonds; and

WHEREAS, pursuant to Section 13.01 of the Indenture, the consent of the holders of the 2001 Series A Bonds is not required for the Issuer and the Company to enter into an amendment to the Agreement in order to conform the Agreement with changes and modifications to the Indenture made pursuant to Section 12.01 of the Indenture; and

WHEREAS, it is now appropriate and necessary that the Agreement be amended pursuant to Section 13.01 of the Indenture in connection with the issuance of the First Mortgage Bonds to the Trustee under the Indenture as additional collateral and security for the payment of the 2001 Series A Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Issuer on September 20, 2010, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to enter into this Amendment No. 1 to Loan Agreement in order to provide additional collateral and security for the 2001 Series A Bonds; and

WHEREAS, the Issuer and the Trustee have entered into that certain Supplemental Indenture No. 1 to Indenture of Trust (the "Supplemental Indenture No. 1") of even date herewith pursuant to Section 12.01 of the Indenture; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amendment No. 1 to Loan

Agreement have happened, have existed and have been performed as so required in order to make this Amendment No. 1 to Loan Agreement a valid and binding loan agreement for the security of the holders of the 2001 Series A Bonds and for payment of all amounts due under the Agreement and this Amendment No. 1 to Loan Agreement in accordance with their respective terms.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER AS FOLLOWS:

ARTICLE I

AMENDMENTS TO THE LOAN AGREEMENT

Section 1.1. Amendment of Table of Contents. Section 7.9 of the Table of Contents of the Agreement is hereby deleted in its entirety.

Section 1.2. Amendment of Section 1.02. Incorporation of Certain Terms by Reference. The following defined terms are hereby added to Section 1.02 of the Agreement and shall have the meanings set forth in Section 1.5 of the Supplemental Indenture No. 1:

"Amendment No. 1 to Loan Agreement"
"Effective Date"
"Supplemental Indenture No. 1"

The following defined terms in Section 1.5 of the Supplemental Indenture No. 1 shall amend, restate and supersede the corresponding defined terms set forth in Section 1.02 of the Agreement:

"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Redemption Demand"
"Supplemental First Mortgage Indenture" in lieu of "Supplemental Indenture"

Section 1.02 of the Agreement is further hereby amended by deleting the definition of "Release Date" and all references to such term in the Agreement.

Section 1.3. Amendment of Section 1.03. Additional Definitions. The following defined terms set forth in Section 1.03 of the greement are hereby deleted in their entirety:

"Capitalization"
"Debt"
"Net Tangible Assets"
"Operating Property"

Section 1.4. Amendment of Section 3.2. Agreement as to Ownership of Project. Section 3.2 of the Agreement is hereby amended and restated to read as follows:

> Section 3.2. Agreement as to Ownership of Project. The Issuer and the Company agree that title to and ownership of the Project shall remain in and be the sole property of the Company in which the Issuer shall have no interest. From and after the Effective Date, the Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2001 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement and the Amendment No. 1 to Loan Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 1.5. Amendment of Section 4.6. First Mortgage Bonds. Section 4.6 of the Agreement is hereby amended and restated to read as follows:

> Section 4.6. First Mortgage Bonds. The Company covenants and agrees with the Issuer that it will, for the purpose of providing security for the 2001 Series A Bonds, execute and deliver to the Trustee on the Effective Date the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2001 Series A Bonds. The First Mortgage Bonds shall be in full force and effect from and after the Effective Date and shall mature as to principal identically as in the case of the 2001 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental First Mortgage Indenture, shall bear interest identically as in the case of the 2001 Series A Bonds.
>
> Following the Effective Date, upon the occurrence of an event of default under Article IX of this Agreement, as amended by the Amendment No. 1 to Loan Agreement, that has resulted in a default in payment of the principal of, premium, if any, or interest on the 2001 Series A Bonds as and when the same come due, whether at maturity, redemption, acceleration or otherwise, or a default in payment of the purchase price of any 2001 Series A Bond tendered for purchase, the acceleration

of the maturity date of the 2001 Series A Bonds (to the extent not already due and payable) as a consequence of such event of default and the receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable, in accordance with the provisions specified in the Supplemental First Mortgage Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2001 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, the Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2001 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of the Company thereunder terminated and such First Mortgage Bonds shall be surrendered by the Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of the Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Section 1.6. Amendment of Section 7.7. Financing Statements. Section 7.7 of the Agreement is hereby amended and restated to read as follows:

Section 7.7. Financing Statements. The Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the respective liens of the Indenture and the First Mortgage Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the First Mortgage Bonds, the Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the respective liens of the Indenture and the First Mortgage Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such liens, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the respective liens of the Indenture and the First Mortgage Indenture, which filings the Company agrees to undertake.

Section 1.7. Deletion of Section 7.9. Negative Pledge. Section 7.9 of the Agreement is hereby deleted in its entirety.

Section 1.8. Amendment of Section 9.1. Events of Default Defined. Section 9.1(c) of the Agreement is hereby amended and restated and subsection (f) is hereby added to Section 9.1, in each case to read as follows:

(c) From and after the Effective Date, all bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(f) The occurrence of an Event of Default under the Indenture.

Section 1.9. Amendment of Section 9.2. Remedies on Default. Section 9.2(c) of the Agreement is hereby amended and restated to read as follows:

(c) The Trustee, on behalf of the Issuer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement and the Amendment No. 1 to Loan Agreement, including, from and after the Effective Date, any remedies available in respect of the First Mortgage Bonds.

Section 1.10. Amendment of Section 10.6. Concurrent Discharge of First Mortgage Bonds. Section 10.6 of the Agreement is hereby amended and restated to read as follows:

Section 10.6. Concurrent Discharge of First Mortgage Bonds. From and after the Effective Date, in the event any of the 2001 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement and the Amendment No. 1 to Loan Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by the Issuer. The Issuer represents, warrants and covenants that:

(a) The Issuer is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, the Issuer has the power to enter into this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1 and the transactions contemplated hereby and thereby and to carry out its obligations hereunder and thereunder.

(b) To its knowledge, the Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the First Mortgage Bonds or the consummation of the transactions contemplated hereby, and the Issuer has been duly authorized to execute and deliver this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1. The Issuer agrees that it will do or cause to be done in a timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Amendment No. 1 to Loan Agreement.

Section 2.2. Representations, Warranties and Covenants by the Company. The Company represents, warrants and covenants that:

(a) The Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business, and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the First Mortgage Bonds.

(b) The Company has full and complete legal power and authority to execute and deliver this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds.

(c) No event of default, and no event of the type described in clauses (a) through (f) of Section 9.1 of the Agreement, as amended by this Amendment No. 1 to Loan Agreement, has occurred and is continuing, and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture or the First Mortgage Bonds, nor the consummation of the transactions contemplated hereby or by the Indenture and the Supplemental Indenture No. 1, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1. Term of Amendment No. 1 to Loan Agreement. This Amendment No. 1 to Loan Agreement shall remain in full force and effect from the date hereof to and including the later of September 1, 2026, or until such time as all of the 2001 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture and the Supplemental Indenture No. 1 and any amendments thereto), whichever shall be later; provided, however, that the Agreement, as amended, may be cancelled and terminated prior to said date in accordance with the provisions of Section 11.1 of the Agreement.

Section 3.2. Ratification. Except as amended and supplemented by Articles I and II hereof, the Issuer and the Company hereby ratify and reaffirm the terms and provisions of the Agreement and their respective representations, warranties, covenants, agreements and obligations set forth therein.

Section 3.3. Effective Date. This Amendment No. 1 to Loan Agreement has been made and entered into as of the date first written above but shall be effective as of the Effective Date.

Section 3.4. Binding Effect. This Amendment No. 1 to Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 of the Agreement.

Section 3.5. Severability. In the event any provision of this Amendment No. 1 to Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 3.6. Execution in Counterparts. This Amendment No. 1 to Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.7. Applicable Law. This Amendment No. 1 to Loan Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 3.8. Captions. The captions or headings in this Amendment No. 1 to Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Amendment No. 1 to Loan Agreement.

Section 3.9. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Amendment No. 1 to

Loan Agreement or breach thereof shall constitute or give rise to a pecuniary liability of the Issuer or a charge upon its general credit or taxing powers.

(signature page immediately follows)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Amendment No. 1 to Loan Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all of the date first written.

COUNTY OF TRIMBLE, KENTUCKY

(SEAL)

By:_____
RANDY STEVENS
County Judge/Executive

ATTEST:

_____
SUSAN BARNES
Fiscal Court Clerk

LOUISVILLE GAS AND ELECTRIC COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

COUNTY OF TRIMBLE, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * *

LOAN AGREEMENT IN CONNECTION WITH
POLLUTION CONTROL FACILITIES

* * * *

Dated as of November 1, 2001

* * * *

NOTICE: The interest of the County of Trimble, Kentucky, in and to this Loan Agreement has been assigned to Bankers Trust Company, as Trustee, under the Indenture of Trust dated as of November 1, 2001.

LOAN AGREEMENT

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LOAN AGREEMENT IN CONNECTION WITH
POLLUTION CONTROL FACILITIES

This LOAN AGREEMENT, dated as of November 1, 2001, by and between the COUNTY OF TRIMBLE, KENTUCKY, a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of Kentucky;

WITNESSETH:

WHEREAS, the County of Trimble, Kentucky ("Issuer"), is a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), Issuer has the power to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act ("Pollution Control Facilities") for the abatement and control of air and water pollution and for the disposal and abatement of solid wastes and to refund bonds which were previously issued for such purposes; and

WHEREAS, Issuer is further authorized pursuant to the Act to enter into a loan agreement, which may include such provisions as Issuer shall deem appropriate to effect the securing of a financing or refinancing undertaken in respect of Pollution Control Facilities, including the pledge of direct securities of a utility company; and

WHEREAS, the Act further provides that title to Pollution Control Facilities shall not be acquired by Issuer in the case of a loan transaction; and

WHEREAS, Louisville Gas and Electric Company, a Kentucky corporation ("Company"), has heretofore, by the issuance of the Refunded 1997 Series A Bonds, hereinafter defined, refinanced a portion of the costs of construction and acquisition of certain air and water pollution control facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities to serve the Trimble County Generating Station of Company, which specified facilities constitute the Project, as hereinafter defined in Article I (the "Project") located within the corporate boundaries of Issuer, which Project consists of certain air and water pollution control facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities in furtherance of the regulations of the Natural esources and Environmental Protection Cabinet of the Commonwealth of Kentucky, and which Project qualifies for financing within the eaning of the Act; and

WHEREAS, (i) construction of the Project began before September 26, 1985; completion of the Project occurred after September 26, 1985 and original use of the Project commenced with the Company, (ii) a binding contract to incur significant (i.e., 10% of the then reasonably anticipated cost of construction of the Project) expenditures for construction of the Project was entered into before September 26, 1985 and some of such expenditures were incurred on or after September 26, 1985 and (iii) with respect to both (i) and (ii) above, the Project was described in an inducement resolution or other comparable approval adopted by the Fiscal Court of the Issuer before September 26, 1985 (i.e., on November 8, 1984); and

WHEREAS, the Project has been completed and placed in operation and has contributed to the control, containment, reduction and abatement of atmospheric pollution and contamination and water pollution in the Commonwealth of Kentucky; and

WHEREAS, under date of November 13, 1997, the Issuer, at the request of the Company, issued its "County of Trimble, Kentucky, Pollution Control Revenue Bonds, 1997 Series A (Louisville Gas and Electric Company Project)" of which $35,000,000 principal amount of such bonds remains outstanding and unpaid (the "Refunded 1997 Series A Bonds), such Refunded 1997 Series A Bonds having been issued for currently refinancing the Original Bonds the proceeds of which financed a portion of the Cost of Construction of the Project, hereinafter described, and in connection with the issuance of the Refunded 1997 Series A Bonds, the right was reserved to Issuer, upon direction by Company, to redeem the Refunded 1997 Series A Bonds in advance of their maturity; and the Refunded 1997 Series A Bonds are by their terms subject to redemption at the option of Issuer in whole or in part on any interest payment date, at the price of 100% of the principal amount thereof and accrued interest to the date of redemption, as provided in the hereinafter defined 1997 Series A Indenture; and the redemption and discharge of the Refunded 1997 Series A Bonds will result in benefits to the general public and the Company and should be carried out forthwith in the public interest by the issuance of the 2001 Series B Bonds, hereinafter defined, and the application of the proceeds of the 2001 Series B Bonds, together with funds to be provided by Company, for the refunding, payment and discharge of the Refunded 1997 Series A Bonds on or prior to the 90th day after the date of issuance of the 2001 Series B Bonds; and

WHEREAS, the Original Bonds provided financing for all of the Company = s then existing 84.6465% undivided interest in the Project, which undivided interest has been reduced to a 75% undivided interest because of subsequent events; and

WHEREAS, in respect of the Refunded 1997 Series A Bonds, Issuer entered into a certain Indenture of Trust dated as of September 1, 96 (the "1997 Series A Indenture"), with First Trust of New York, National Association (now known as U.S. Bank Trust, National ssociation), as Trustee, Paying Agent and Bond Registrar (the "Prior Trustee"), and it is provided in Article VIII of the 1997 Series A Indenture that the Refunded 1997 Series A Bonds, or any of them, shall be deemed to have been paid within the meaning of such 1997 Series A Indenture when there shall have been irrevocably deposited with the Prior Trustee, in trust, either cash or Governmental Obligations, as defined in the 1997 Series A Indenture, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient

moneys to pay the principal and the applicable redemption premium, if any, on the Refunded 1997 Series A Bonds plus interest thereon to the date of payment and discharge thereof (whether at maturity or upon redemption or otherwise), plus sufficient moneys to pay all necessary and proper fees, compensation and expenses of the Prior Trustee, authenticating agent, bond registrar and any paying agent; together with irrevocable instructions to call and redeem the Refunded 1997 Series A Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Fiscal Court of Issuer on November 8, 2001, and in furtherance of the purposes of the Act, Issuer proposes to issue, sell and deliver a series of its bonds in fully registered form which will be designated "County of Trimble, Kentucky, Pollution Control Revenue Bonds, 2001 Series B (Louisville Gas and Electric Company Project)" (the "2001 Series B Bonds"), the proceeds of which will be lent to Company to cause the outstanding principal amount of the Refunded 1997 Series A Bonds to be refunded, paid and discharged in full on or prior to the 90th day after the date of issuance of the 2001 Series B Bonds; and

WHEREAS, the 2001 Series B Bonds are to be issued under and pursuant to and are secured by an Indenture of Trust by and between Issuer and Bankers Trust Company, as trustee thereunder, dated as of November 1, 2001 (the "Indenture"); and

WHEREAS, the 2001 Series B Bonds will be issued simultaneously with the 2001 Jefferson Bonds, hereinafter defined, pursuant to a common plan of marketing and financing and with a single Official Statement; and the 2001 Series B Bonds and 2001 Jefferson Bonds will be paid out of substantially the same source of funds and have substantially the same claim to such source of funds and shall constitute a single issue of obligations; and

WHEREAS, the Natural Resources and Environmental Protection Cabinet of Kentucky, having jurisdiction in the premises, has previously certified that the Project, as designed, is in furtherance of the purposes of abating and controlling atmospheric and liquid pollutants or contaminants and for the disposal of solid wastes; and

WHEREAS, Issuer proposes to lend to Company and Company desires to borrow from Issuer the proceeds from the sale of the 2001 Series B Bonds to cause the outstanding principal amount of the Refunded 1997 Series A Bonds to be refunded, paid and discharged on or prior to the 90th day after the date of issuance of the 2001 Series B Bonds;

NOW, THEREFORE FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER, AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01. Use of Defined Terms. In addition to the words and terms defined elsewhere in this Agreement or in the Indenture or by reference to another document, the words and terms set forth in Sections 1.02 and 1.03 shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.02. Incorporation of Certain Terms by Reference. When and if used in this Agreement, the following terms shall have the meaning set forth in Article I of the Indenture:

"Act"
"Agreement"
"Authorized Denomination"
"Bond Counsel"
"Bond Fund"
"Bond Year"
"2001 Bonds"
"Business Day"
"Code"
"Company"
"Company Bonds"
"Company Representative"
"Cost of Construction"
"Cumulative Excess Earnings"
"Excess Earnings"
"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Governmental Obligations"
"Indenture"
"Interest Payment Date"
"Issuer"
"Issuer Representative"
"2001 Jefferson Bonds"
"Loan"

"No Auction Rate"
"Net Proceeds"
"Paying Agent"
"Permitted Investments"
"Plans and Specifications"
"Pollution Control Facilities"
"Prevailing Rating"
"Project"
"Project Site"
"Purchase Fund"
"Rating Service"
"Rebate Fund"
"Redemption Date"
"Redemption Demand"
"Refunded 1997 Series A Bonds"
"Refunded 1997 Jefferson Bonds"
"Release Date"
"2001 Series B Bonds"
"1997 Series A Indenture"
"1997 Jefferson Indenture"
"Seven-Day > AA = Composite Commercial Paper Rate
"Supplemental Indenture"
"Tender Agent"
"Trustee"

Section 1.03 . Additional Definitions . In addition to the terms whose definitions are incorporated by reference herein pursuant to Section 1.02 , the following terms shall have the meanings set forth in this Section unless the use or context clearly indicates otherwise:

" Capitalization " means the total of all the following items appearing on, or included in, the balance sheet of the Company:

(1) liabilities for indebtedness, including short-term debt, long-term debt and current maturities of long-term debt; and

(2) common stock, preferred stock, capital surplus, premium on capital stock, capital in excess of par value and retained earnings (however the foregoing may be designated), less to the extent not otherwise deducted, the cost of shares of capital stock of the Company held in its treasury.

Capitalization shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Debt " shall mean any outstanding debt for money borrowed.

" Determination of Taxability " shall have the meaning ascribed to such term in Section 10.3 of this Agreement.

" Net Tangible Assets " means the amount shown as total assets on the balance sheet of the Company, less the following:

(1) intangible assets including, but without limitation, such items as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset on said balance sheet; and

(2) appropriate adjustments, if any, on account of minority interests.

Net Tangible Assets shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Operating Property " means (i) any interest in real property owned by the Company and (ii) any asset owned by the Company that is depreciable in accordance with generally accepted accounting principles.

" Original Bonds " means the $35,000,000 County of Trimble, Kentucky Pollution Control Revenue Bonds, 1989 Series A (Louisville Gas and Electric Company Project), dated February 1, 1989.

" Prior Bond Fund " means the "County of Trimble, Kentucky, Pollution Control Revenue Bond Fund, 1997 Series A (Louisville Gas d Electric Company Project)", created by the 1997 Series A Indenture.

" Prior Trustee " means U. S. Bank Trust National Association (formerly First Trust of New York, National Association), acting as trustee in respect of the Refunded 1997 Series A Bonds.

In addition to the definitions herein, terms used in this agreement and not defined herein shall have the meanings ascribed to such terms in the Indenture.

The words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement. Unless otherwise noted, all Section and Article references are to sections and articles in this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1 Representations, Warranties and Covenants by Issuer. Issuer represents, warrants and covenants that:

(a) Issuer is a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, Issuer has the power to issue the 2001 Series B Bonds, to enter into this Agreement and the Indenture and the transactions contemplated hereby and to carry out its obligations hereunder and thereunder. Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2001 Series B Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2001 Series B Bonds and to execute and deliver this Agreement and the Indenture. Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) Issuer agrees to loan funds derived from the sale of the 2001 Series B Bonds to Company to provide for the refunding, payment and discharge of the outstanding principal amount of the Refunded 1997 Series A Bonds, to the end that air and water pollution be abated and controlled and solid wastes be disposed of in the Commonwealth.

(c) To accomplish the foregoing, Issuer agrees to issue $35,000,000 aggregate principal amount of its 2001 Series B Bonds following the execution of this Agreement on such terms and conditions as are set forth in the Indenture. The proceeds from the sale of the 2001 Series B Bonds shall be applied exclusively and in whole to refund, pay and discharge the outstanding principal amount of the Refunded 1997 Series A Bonds on or prior to the 90th day after the date of issuance of the 2001 Series B Bonds.

(d) Issuer will cooperate with Company and take all actions necessary for Company to comply with Section 2.2(n), (r) and (u) hereof and take other actions reasonably requested by Company in furtherance of this Agreement.

Section 2.2. Representations, Warranties and Covenants by Company. Company represents, warrants and covenants that:

(a) Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the 2001 Series B Bonds.

(b) Company has full and complete legal power and authority to execute and deliver this Agreement, the Supplemental Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Agreement, the Supplemental Indenture and the First Mortgage Bonds.

(c) The Project currently refinanced by application of the proceeds of the Refunded 1997 Series A Bonds has been designed and constructed to control, contain, reduce and abate air and water pollution and dispose of solid wastes at the Project Site. The Project was and is necessary for the public health and welfare, and is designed for no significant purpose other than the control of air and water pollution and the abatement and disposal of solid wastes and the Project constitutes air and water pollution control facilities and abatement facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, and the Act.

(d) All of the proceeds of the 2001 Series B Bonds, exclusively of accrued interest, if any, shall be used on or prior to the 90th day after the date of issuance of the 2001 Series B Bonds exclusively and only to redeem, pay and discharge the principal of the Refunded 1997 Series A Bonds, all of the proceeds of which currently refunded the Original Bonds, not less than substantially all of the proceeds of which Original Bonds (i.e., at least 95% of the net proceeds thereof, including investment income thereon) were used to finance the Cost of Construction of air and water pollution control facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities, and all of such air and water pollution control facilities and solid waste disposal facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section 167 of the Code.

(e) The Project, as designed, has been certified by the Department for Natural Resources and Environmental Protection of Kentucky (now the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky), the agency exercising jurisdiction in the premises, to be in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants and water pollution.

(f) The Project is of the type authorized and permitted by the Act, and the Cost of Construction of the Project was not less than $35,000,000.

(g) No event of default, and no event of the type described in clauses (a) through (e) of Section 9.1 hereof, has occurred and is continuing and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under this Agreement, the Supplemental Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of this Agreement, Supplemental Indenture, the First Mortgage Bonds, the consummation of the transactions contemplated hereby or by the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of Company under the terms of any instrument or agreement.

(h) Company intends to continue to operate or cause the Project to be operated as air and water pollution control facilities and solid waste disposal facilities and facilities functionally related and subordinate to such facilities until all of the 2001 Series B Bonds are paid and discharged.

(i) No portion of the proceeds of 2001 Series B Bonds will be invested at a yield in excess of the yield on the 2001 Series B Bonds except (i) during any permitted temporary period provided by the Code, (ii) proceeds of a reasonably required reserve or replacement fund and (iii) as part of a minor portion of the proceeds of the 2001 Series B Bonds, not in excess of the lesser of 5% of the proceeds of the 2001 Series B Bonds or $100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Section 148 of the Code and applicable tax regulations.

(j) No portion of the proceeds from the sale of the 2001 Series B Bonds will be deposited to the account of any reasonably required reserve or replacement fund or used to pay (i) any costs of issuance of the 2001 Series B Bonds or (ii) any redemption premium or accrued interest on the Refunded 1997 Series A Bonds, but such proceeds will be applied and used solely and exclusively to refund, pay and discharge the outstanding principal amount of the Refunded 1997 Series A Bonds on or prior to the 90th day after the issuance of the 2001 Series B Bonds.

(k) Company will provide any additional moneys, including investment proceeds of the 2001 Series B Bonds, required for the payment and discharge of the Refunded 1997 Series A Bonds, payment of redemption premium, if any, and accrued interest in respect thereto and payment of all underwriting discount and costs of issuance of the 2001 Series B Bonds. Any investment proceeds of the 2001 Series B Bonds shall be used exclusively to pay interest or redemption premium due, if any, on the Refunded 1997 Series A Bonds on the Redemption Date.

(l) Company will cause no investment of 2001 Series B Bond proceeds to be made and will make no other use of or omit to take any action with respect to the proceeds of the 2001 Series B Bonds or any funds reasonably expected to be used to pay the 2001 Series B Bonds which will cause the 2001 Series B Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or would otherwise result in the loss or impairment of the exclusion of the interest on such 2001 Series B Bonds from gross income for federal income tax purposes.

(m) The average maturity of the 2001 Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the date of issuance of the 2001 Bonds) of the Pollution Control Facilities and solid waste disposal facilities refinanced by the proceeds of the 2001 Bonds.

(n) Company will provide all information requested by the Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 filed by Issuer with respect to the 2001 Series B Bonds and the air and water pollution control facilities and solid waste disposal facilities constituting the Project, and such information will be true and correct in all material respects.

(o) Within the meaning of Section 149 of the Code, no portion of the payment of the principal or interest on the 2001 Series B Bonds or the Refunded 1997 Series A Bonds was or shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(p) All of the proceeds of the Refunded 1997 Series A Bonds and the Original Bonds have been fully expended and the Project has been completed. All of the actual Cost of Construction of the Project represents amounts paid or incurred which were chargeable to the capital account of the Project or would be so chargeable either with a proper election by the Company or but for a proper election by the Company to deduct such amounts. Substantially all (i.e. at least 95%) of the net proceeds of the sale of the Original Bonds (including investment income therefrom), were used to finance Cost of Construction of the Project as described above, pay costs and expenses of issuing the Original Bonds, within then applicable Code limits, and pay interest and carrying charges on the Original Bonds during the period of construction of the Project and prior to its in-service date.

(q) All of the depreciable properties which were taken into account in determining the qualifying costs of the Project constitute properties either (i) used for the control, containment, reduction and abatement of atmospheric pollutants and contaminants and water pollution and disposal of solid wastes or (ii) facilities which are functionally related and subordinate to such facilities constituting the Project. All of such functionally related and subordinate facilities are of a size and character commensurate with the character and size of the air and water pollution control facilities and solid waste disposal facilities constituting the Project.

(r) The Company will cause the Issuer to comply in all respects with the requirements of Section 148 of the Code in respect of

the rebate of Excess Earnings with respect to the 2001 Series B Bonds to the United States of America.

(s) None of the proceeds of the 2001 Series B Bonds will be applied and none of the proceeds of the Refunded 1997 Series A Bonds or the Original Bonds were applied to provide any: (i) working capital, (ii) office space (other than office space located on the premises of the Project where not more than a de minimis amount of the functions to be performed are not directly related to the day-to-day operations of the Project), (iii) airplane, (iv) skybox or other private luxury box, (v) health club facility, (vi) facility primarily used for gambling or (vii) store, the principal business of which is the sale of alcoholic beverages for consumption off premises.

(t) Less than twenty-five percent (25%) of the net proceeds of the Refunded 1997 Series A Bonds or the Original Bonds were used directly or indirectly to acquire land or any interest therein and no portion of such land, if acquired, was or is to be used for farming purposes. No portion of the proceeds of the Refunded 1997 Series A Bonds or the Original Bonds was used to acquire existing property or any interest therein with respect to which the Company was not the first user for federal income tax purposes.

(u) Upon the date of issuance of the 2001 Series B Bonds, the Company will have caused the Issuer to comply with the public approval requirements of Section 147 of the Code and at or following the issuance of the 2001 Series B Bonds the Company will cause the Issuer to comply with the information reporting requirements of Section 149 of the Code by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

(v) All of the documents, instruments and written information furnished by Company on behalf of Company to Issuer or Trustee in connection with the issuance of the Bonds are true and correct in all material respects as of the date of delivery thereof and did not, as of the date of delivery thereof, omit or fail to state any material facts necessary to be stated therein to make the information provided not misleading.

(w) The proceeds derived from the sale of the 2001 Series B Bonds (other than any accrued interest thereon) will be used exclusively and solely to refund the principal of the Refunded 1997 Series A Bonds. The principal amount of the 2001 Series B Bonds does not exceed the principal amount of the Refunded 1997 Series A Bonds. The redemption of the outstanding principal amount of the Refunded 1997 Series A Bonds with such proceeds of the 2001 Series B Bonds will occur not later than 90 days after the date of issuance of the 2001 Series B Bonds. Any earnings derived from the investment of such proceeds of the 2001 Series B Bonds will be fully needed and used on such redemption date to pay a portion of the interest accrued and payable on the Refunded 1997 Series A Bonds on such date.

(x) It is not anticipated, as of the date hereof, that there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2001 Series B Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

(y) (i) Construction of the Project began before September 26, 1985; completion of the Project occurred after September 26, 1985 and original use of the Project commenced with the Company;

(ii) A binding contract to incur significant (i.e., 10% of the then reasonably anticipated cost of construction of the Project) expenditures for construction of the Project was entered into before September 26, 1985 and some of such expenditures were incurred on or after September 26, 1985; and

(iii) With respect to both (i) and (ii) above, the Project was described in an inducement resolution or other comparable approval adopted by the Fiscal Court of the Issuer before September 26, 1985 (i.e., on November 8, 1984).

Company need not comply with the covenants or representations in this Section if and to the extent that Issuer and Company receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2001 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE III

COMPLETION AND OWNERSHIP OF PROJECT

Section 3.1. Completion and Equipping of Project. Company represents that (a) it has previously caused the Project to be constructed as herein provided on the Project Site in accordance with the Plans and Specifications and (b) the Project was completed as previously evidenced by the filing of a completion certificate by the Company with the trustee in respect of the Original Bonds.

Section 3.2. Agreement as to Ownership of Project. Issuer and Company agree that title to and ownership of the Project shall remain in and be the sole property of Company in which Issuer shall have no interest. The Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.3. Use of Project. Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to Article IX of this Agreement or Article IX of the Indenture, to interfere with Company's ownership of the Project or to prevent Company from having possession, custody, use and enjoyment of the Project.

ARTICLE IV

ISSUANCE OF 2001 SERIES B BONDS; APPLICATION OF PROCEEDS; COMPANY TO ISSUE FIRST MORTGAGE BONDS

Section 4.1. Agreement to Issue 2001 Series B Bonds; Application of 2001 Series B Bond Proceeds. In order to provide funds to make the Loan, Issuer will issue, sell and deliver the 2001 Series B Bonds to the initial purchasers thereof and deposit the proceeds thereof with Trustee, as follows:

(i) Into the Bond Fund, a sum equal to the accrued interest, if any, to be paid by the initial purchasers of the 2001 Series B Bonds.

(ii) Into the Prior Bond Fund held by the Prior Trustee, for the benefit of and payment of the Refunded 1997 Series A Bonds, an amount not less than all of the balance of all such proceeds, being the principal amount of the 2001 Series B Bonds.

Section 4.2. Payment and Discharge of Refunded 1997 Series A Bonds. Company covenants and agrees with Issuer that it will, upon the date of issuance of the 2001 Series B Bonds, give irrevocable instructions to the Prior Trustee to call and redeem the Refunded 1997 Series A Bonds in accordance with their terms and will simultaneously deposit into the Prior Bond Fund cash or direct United States obligations ("Governmental Obligations") sufficient, on the date of issuance of the 2001 Series B Bonds, to fully defease and discharge the Refunded 1997 Series B Bonds on such date in accordance with Article VIII of the 1997 Series A Indenture, without reference to any interest earnings to be accrued during the period from the date of issuance of the 2001 Series B Bonds to the redemption date of the Refunded 1997 Series A Bonds. Such matters to be confirmed by issuance of an appropriate written certificate of the Prior Trustee confirming defeasance and full discharge of the Refunded 1997 Series A Bonds upon the date of issuance of the 2001 Series B Bonds. Such irrevocable instructions, deposit of sufficient cash and Governmental Obligations and issuance by the Prior Trustee of a certificate of defeasance and discharge is a condition precedent to the issuance of the 2001 Series B Bonds.

Section 4.3. Investment of Bond Fund and Rebate Fund Moneys. Subject to the provisions of Section 148 of the Code, any moneys held as a part of the Bond Fund or the Rebate Fund, if applicable, shall be invested or reinvested by Trustee, at the written request of and as specifically directed by Company, in one or more of the Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of Trustee. All moneys invested shall be deemed at all times a part of the fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2001 Series B Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax or other charge in respect of any investments, reinvestments or any liquidation of investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

Section 4.4. Special Arbitrage Certifications.

(a) Company covenants and agrees that it, will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results in interest paid on any of the 2001 Series B Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) or adversely affects the validity of the 2001 Series B Bonds.

(b) Company warrants, represents and certifies to Issuer that the proceeds of the 2001 Series B Bonds will not be used in any manner that would cause the 2001 Series B Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 and other applicable sections of the Code. To the best knowledge and belief of Company, there are no facts, estimates or circumstances that would materially change the foregoing conclusion.

(c) Company hereby covenants that it will at all times comply and cause Issuer to comply with the provisions of Section 148 and other applicable sections of the Code and will restrict the use of the proceeds of the 2001 Bonds, including the 2001 Series B Bonds, in such manner and to such extent, if any, as may be necessary, and remit Excess Earnings with respect to all of the 2001 Series B Bonds, if any, to the United States of America pursuant to Section 148(f)(2) of the Code and carry out such actions so that the 2001 Series B Bonds will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code. An officer or officers of Issuer having responsibility with respect to the issuance of the 2001 Series B Bonds is or are hereby authorized and directed to give an appropriate certificate of Issuer, for inclusion in the transcript of proceedings for the 2001 Series B Bonds, setting forth the reasonable expectations of Issuer regarding the amount and use of the proceeds of the 2001 Series B Bonds and the facts, estimates and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2001 Series B Bonds pursuant to said Section 148 of the Code. Company shall provide the Issuer, and Issuer's certificate may be expressly based on, a certificate of Company setting forth the facts, estimates and circumstances and reasonable expectations of Company on the date of delivery of and payment for the 2001 Series B Bonds regarding the amount and use of the proceeds of the 2001 Series B Bonds and related matters. In the event any such representation of Company relied upon by the Issuer is untrue or inaccurate and Issuer thereby suffers costs or damages, Company shall indemnify Issuer for any such costs or damages.

(d) Consistent with the foregoing, Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2001 Bonds, including the 2001 Series B Bonds, that no use will be made of the proceeds of the sale of the 2001 Series B Bonds which would

cause the 2001 Series B Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and that Company and Issuer will, after issuance of the 2001 Series B Bonds, comply with the provisions of the Code at all times, including after the 2001 Series B Bonds are discharged, to the extent Excess Earnings with respect to the 2001 Series B Bonds are required to be rebated to the United States of America pursuant to Section 148(f)(2) of the Code. Pursuant to such covenant, Issuer and Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Section 148 of the Code.

(e) Company warrants, represents and certifies to Issuer that the proceeds of the Refunded 1997 Series A Bonds were applied and invested in compliance with the current requirements of Section 149(g) of the Code and that consequently the 2001 Series B Bonds will not be "hedge bonds" under such Section 149(g) of the Code.

(f) Company hereby covenants and agrees that it will at all times comply with the provisions of Section 148, including Section 148(f) of the Code and with Section 6.06 of the Indenture. Specifically, Company shall carry out, do and perform all acts stipulated to be performed by Company pursuant to such Section 6.06 of the Indenture. Company shall further undertake to assure and cause rebate payments to be calculated and made to the United States of America in accordance with Section 148(f)(2) of the Code from moneys on deposit in the Rebate Fund from time to time after the end of each Computation Period, as defined in the Indenture, and following discharge of the 2001 Series B Bonds. Company also covenants to take all necessary acts and steps as required to cause Issuer to comply with the provisions of Section 7.03 of the Indenture.

Section 4.5 . Opinion of Bond Counsel . Company need not comply with the covenants or representations in Section 4.4 if and to the extent that Issuer and Company (with a copy to Trustee) receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2001 Series B Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Section 4.6 . First Mortgage Bonds . Company covenants and agrees with Issuer that it will, for the purpose of providing security for the 2001 Series B Bonds, execute and deliver on the date of issuance of the 2001 Series B Bonds, the First Mortgage Bonds to Trustee in aggregate principal amount not less than the aggregate principal amount of the 2001 Series B Bonds. The First Mortgage Bonds shall mature as to principal identically as in the case of the 2001 Series B Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental Indenture, shall bear interest identically as in the case of the 2001 Series B Bonds.

Prior to the Release Date, in the event of a default under Article IX of this Agreement or in the event of a default in payment of the principal of, premium, if any, or interest on the 2001 Series B Bonds as and when the same come due, whether at maturity, by purchase, redemption, acceleration or otherwise, and upon receipt by First Mortgage Trustee of a Redemption Demand from Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable in accordance with the provisions specified in the Supplemental Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2001 Series B Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2001 Series B Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of Company thereunder terminated and such First Mortgage Bonds shall be surrendered by Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Notwithstanding anything in this Agreement to the contrary, from and after the Release Date, the obligation of the Company to make payment with respect to the principal of and premium, if any, and interest on the First Mortgage Bonds shall be deemed satisfied and discharged as provided in the Supplemental Indenture and the First Mortgage Bonds shall cease to secure in any manner the 2001 Series B Bonds. As a result, on the Release Date, the obligations under this Agreement shall become unsecured general obligations of the Company.

The Company shall notify the Issuer and the Trustee in writing promptly upon the occurrence of the Release Date. Upon receiving written notice of the Release Date from the Company, the Trustee shall deliver for cancellation to the First Mortgage Trustee all of the First Mortgage Bonds.

ARTICLE V

PROVISIONS FOR PAYMENT

Section 5.1 Loan Payments and Other Amounts Payable . (a) Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2001 Series B Bonds or any other date that any payment of interest, premium, if any, purchase price or principal is required to be made in respect of the 2001 Series B Bonds at the times specified in accordance with the more specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2001 Series B Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the 2001 Series B Bonds as provided in the Indenture; provided that such payments by Company to enable the Tender Agent to pay the purchase price of Bonds shall be made within the times required by Section 3.05 of the Indenture.

It is understood and agreed that all payments payable by Company under this subsection (a) of Section 5.1 are assigned by the Issuer to the Trustee, the Paying Agent and the Tender Agent, as applicable, for the benefit of the Bondholders. Company assents to such assignment. Issuer hereby directs Company and Company hereby agrees to pay to Trustee and/or Paying Agent or Tender Agent, as appropriate, at the Principal Office of the Trustee and/or Paying Agent or Tender Agent, as appropriate, all payments payable by Company pursuant to this ubsection.

(b) Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2001 Series B Bonds and incurred upon the request of Company.

(c) Company will also pay the agreed upon fees and expenses of Trustee (including those referred to in Section 10.02 of the Indenture), the Bond Registrar, the Tender Agent and the Paying Agent under the Indenture and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Market Agent, the Auction Agent and the Tender Agent, as applicable from time to time, under the Indenture, such amounts to be paid directly to Trustee, the Bond Registrar, the Paying Agent and Tender Agent for their respective own accounts as and when such amounts become due and payable.

The Company further agrees to indemnify and hold harmless the Trustee, Bond Registrar and Paying Agent against any loss, liability or expense, including reasonable attorneys = fees and expenses, incurred by it without negligence or bad faith on its part in connection with the issuance of the 2001 Series B Bonds or the acceptance or administration of the trusts under the Indenture, including the costs of defending itself against any claim or liability in connection therewith.

(d) The Company covenants, for the benefit of the Bondholders, to pay or cause to be paid, to the Tender Agent for deposit in the Purchase Fund, such amounts as shall be necessary to enable the Tender Agent to pay the purchase price of 2001 Series B Bonds delivered to it for purchase, all as more particularly described in Sections 3.03 and 3.05 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price of 2001 Series B Bonds delivered to it for purchase, as provided in the Indenture.

(e) In the event Company should fail to make any of the payments required in this Section 5.1 , the item or installment so in default shall continue as an obligation of Company until the amount in default shall have been fully paid, and Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due to the date of payment.

Section 5.2 . Payments Assigned . As set forth in Section 5.1 hereof, it is understood and agreed that this Agreement and all payments made by Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) or (c) or pursuant to Section 8.2 hereof) are assigned by Issuer to Trustee. Company assents to such assignment and hereby agrees that, as to Trustee, Paying Agent, the Market Agent, the Auction Agent and Tender Agent, as applicable from time to time, its obligation to make such payments shall be absolute, irrevocable and unconditional ıd shall not be subject to cancellation, termination or abatement or to any defense or any right of set-off, counterclaim or recoupment arising ɔut of any breach by any party, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing by any party. Except as provided above, Issuer hereby directs Company and Company hereby agrees to pay to Trustee, Paying Agent, the Market Agent, the Auction Agent, Bond Registrar or Tender Agent, as appropriate, all said payments payable by Company pursuant to Section 5.1 of this Agreement.

Section 5.3 . Taxes and Other Governmental Charges . Company agrees to pay during the term of this Agreement, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied or charged against or with respect to the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating Company to pay taxes on any interest or principal on the 2001 Series B Bonds disbursed to Bondholders.

Company may, at its expense and in its own name, in good faith contest any such taxes, assessments and other governmental charges and, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments or charges shall be paid forthwith. Issuer will cooperate fully with Company in any such contest. In the event Company shall fail to pay any of the foregoing items required by this Section to be paid by Company, Issuer or Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by Issuer or Trustee shall become an additional obligation of Company to the one making the advancement, which amounts, together with interest thereon Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on ninety-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; provided , however , that no such advancement shall operate to relieve the Company from any default hereunder. Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4 . Obligations of Company Unconditional . The obligation of Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.06 of the Indenture shall be absolute and ınconditional. Until such time as the principal of, premium, if any, and interest on the 2001 Series B Bonds shall have been fully paid or ɔovision for the payment thereof shall have been made in accordance with the Indenture, Company (i) will not suspend or discontinue any payments pursuant to this Agreement and (ii) except as provided in Article X hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of title to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the

United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of Issuer or Trustee to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release Issuer from the performance of any of the agreements on its part herein contained; and in the event Issuer should fail to perform any such agreement on its part, Company may institute such action against Issuer s Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of Company contained in the preceding sentence. Company may, however, at its own cost and expense and in its own name or in the name of Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy and use of the Project, and in such event Issuer hereby agrees to cooperate fully with Company.

Section 5.5 . Rebate Fund . Company agrees to make all payments to the Trustee and rebate all amounts to the United States of America as are required of it under Section 6.06 of the Indenture. The obligation of Company to make such payments shall remain in effect and be binding upon Company notwithstanding the release and discharge of the Indenture.

Section 5.6 . Redemption of the 2001 Series B Bonds in Advance of Scheduled Maturity . Under the terms of the Indenture, the 2001 Series B Bonds are and will be subject to redemption prior to their scheduled maturity. The Issuer agrees that it shall direct the Trustee to redeem and call 2001 Series B Bonds at the written direction of the Company.

Section 5.7 . Cancellation of 2001 Series B Bonds . The cancellation by the Bond Registrar of any 2001 Series B Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2001 Series B Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan repayment equal to the principal amount of the 2001 Series B Bond or Bonds so cancelled.

ARTICLE VI

MAINTENANCE; DAMAGE, DESTRUCTION AND CONDEMNATION ; USE OF NET PROCEEDS; INSURANCE

Section 6.1 Maintenance . So long as any 2001 Series B Bonds are Outstanding, as that term is defined in the Indenture, Company will maintain, preserve and keep the Project, or cause the Project to be maintained, preserved and kept, in good repair, working order and condition and will from time to time make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as air and water pollution control and abatement facilities and solid waste disposal facilities under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, the Code and the Act; provided, however, that Company will have no obligation to maintain, preserve, keep, repair, replace or renew any element or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to Company because of damage or destruction by a cause not within the control of Company, or condemnation of all or substantially all of the Project or the generating facilities to which the element or unit of the Project is an adjunct, or obsolescence (including economic obsolescence) or change in government standards and regulations, or the termination by Company of the operation of the generating facilities to which the element or unit of the Project is an adjunct, and (b) with respect to which Company has furnished to Issuer and Trustee a certificate executed by Company Representative certifying that the maintenance, preservation, keeping, repair, replacement or renewal of such element or unit of the Project is being discontinued for one of the foregoing reasons, which shall be stated therein, and that the discontinuance of such element or unit will not adversely affect the exclusion of interest on any of the 2001 Series B Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of this Agreement as part of the Project; provided, however, that Company shall take no actions which will change or alter the basic nature of the Project as air and water pollution control and abatement facilities and solid waste disposal facilities under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, and the Act.

If, prior to full payment of all 2001 Series B Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Company or the First Mortgage Trustee receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.l(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2001 Series B Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2001 Series B Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2001 Series B Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2001 Series B Bonds are otherwise subject to optional redemption.

Section 6.2 . Insurance . Company agrees to insure the Project at all times in accordance with the provisions of First Mortgage Indenture.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1 No Warranty of Condition or Suitability by Issuer . Issuer makes no warranty, either express or implied, as to the Project

or that it will be suitable for Company's purposes or needs.

Section 7.2 . Company to Maintain its Corporate Existence; Conditions under Which Exceptions Permitted . Company agrees that during the term of this Agreement it will maintain its corporate existence and good standing, will continue to be a corporation organized under the laws of the Commonwealth of Kentucky or qualified and admitted to do business in the Commonwealth of Kentucky, and will neither dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge, (i) shall be a corporation organized and existing under the laws of one of the States of the United States of America, (ii) shall be qualified and admitted to do business in the Commonwealth of Kentucky, (iii) shall assume in writing all of the obligations of Company herein and (iv) shall deliver a copy of such assumption to the Issuer and Trustee.

Section 7.3 . Financial Statements . Company agrees to furnish Trustee (within 120 days after the close of each fiscal year) with an audited balance sheet and statements of income, retained earnings and changes in cash flows showing the financial condition of Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of Company and its consolidated subsidiary or subsidiaries, if any, for such fiscal year, accompanied by an opinion of its regular independent certified public accountants that such statements fairly represent the financial condition of Company in accordance with generally accepted accounting principles. The requirements of this Section 7.3 shall be satisfied by the submission to Trustee of Company's annual report on Form 10-K. The information so provided to Trustee shall be kept in its files and is not required to be distributed to any Registered Holder or other person. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 7.4 . Further Assurances and Corrective Instruments . Issuer and Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5 . Issuer Representative . Whenever under the provisions of this Agreement the approval of Issuer is required or Issuer is required to take some action at the request of Company, such approval shall be made or such action shall be taken by Issuer Representative and Company or Trustee shall be authorized to act on any such approval or action, and Issuer shall have no redress against Company or Trustee as a result of any such action taken.

Section 7.6 . Company Representative . Whenever under the provisions of this Agreement the approval of Company is required or Company is required to take some action at the request of Issuer, such approval shall be made or such action shall be taken by Company Representative and Issuer or Trustee shall be authorized to act on any such approval or action and Company shall have no redress against Issuer or Trustee as a result of any such action taken.

Section 7.7 . Financing Statements . Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the lien of the Indenture and the Supplemental Indenture. Issuer shall cooperate fully with Company in taking any such action. Concurrently with the execution and delivery of the 2001 Series B Bonds, Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such lien, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture, which filings the Company agrees to undertake.

Section 7.8 . Company's Performance Under Indenture . The Company agrees, for the benefit of Bondholders to do and perform all acts and things contemplated in the Indenture to be done and performed by it.

Section 7.9 . Negative Pledge . (a) The Company agrees that, subsequent to the Release Date (as defined in the Indenture) and so long as any Bonds remain outstanding, the Company will not issue, assume or guarantee any Debt secured by any mortgage, security interest, pledge or lien (herein referred to as a A mortgage") of or upon any Operating Property of the Company, whether owned at the date of the Indenture or thereafter acquired, and will not permit to exist any Debt secured by a mortgage on any Operating Property created on or prior to the Release Date, without in any such case effectively securing, on the later to occur of the issuance, assumption or guaranty of any such Debt or the Release Date, the Bonds equally and ratably with such Debt; provided, however, that the foregoing restriction shall not apply to Debt secured by any of the following:

(1) mortgages on any property existing at the time of acquisition thereof;

(2) mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with the Company, or at the time of a sale, lease or other disposition of the properties of such corporation or a division thereof as an entirety or substantially as an entirety to the Company, provided that such mortgage as a result of such merger, consolidation, sale, lease or other disposition is not extended to property owned by the Company immediately prior thereto;

(3) mortgages on property to secure all or part of the cost of acquiring, substantially repairing or altering, constructing, developing or substantially improving such property, or to secure indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided such mortgages are created or assumed contemporaneously with, or within 18 months after, such acquisition or completion of substantial repair or alteration, construction, development or substantial improvement or within six months thereafter pursuant to a commitment for financing arranged with a lender

or investor within such 18 month period;

(4) mortgages in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any state thereof, or for the benefit of holders of securities issued by any such entity, to secure any Debt incurred for the purpose of financing all or any part of the purchase price or the cost of substantially repairing or altering, constructing, developing or substantially improving the property subject to such mortgages; or

(5) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any mortgage referred to in the foregoing clauses (1) to (4), inclusive; provided, however, that the principal amount of indebtedness secured thereby and not otherwise authorized by said clauses (1) to (4), inclusive, shall not exceed the principal amount of indebtedness, plus any premium or fee payable in connection with any such extension, renewal or replacement, so secured at the time of such extension, renewal or replacement.

(b) Notwithstanding the provisions of Section 7.9(a) from and after the Release Date and so long as any Bonds remain outstanding, the Company may issue, assume or guarantee Debt, or permit to exist Debt, secured by mortgages which would otherwise be subject to the restrictions of this Section up to an aggregate principal amount that, together with the principal amount of all other Debt of the Company secured by mortgages (other than mortgages permitted by Section 7.9(a) that would otherwise be subject to the foregoing restrictions) does not at the time exceed the greater of 10% of Net Tangible Assets or 10% of Capitalization.

(c) If at any time the Company shall issue, assume or guarantee any Debt secured by any mortgage and if Section 7.9(a) requires that the Bonds be secured equally and ratably with such Debt, the Company will promptly execute, at its expense, any instruments necessary to so equally and ratably secure such Bonds.

ARTICLE VIII

ASSIGNMENT; INDEMNIFICATION; REDEMPTION

Section 8.1 Assignment. This Agreement may be assigned by Company without the necessity of obtaining the consent of either Issuer or Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve Company from primary liability for any of its obligations hereunder, and in the event of any such assignment Company shall remain primarily liable for payments of the amounts specified in Section 5.1 hereof and for performance and observance of the other covenants or agreements on its part herein provided to be performed and observed to the same extent as though no assignment had been made;

(b) The assignee shall assume the obligations of Company hereunder to the extent of the interest assigned;

(c) Company shall, within thirty days after the delivery thereof, furnish or cause to be furnished to Issuer and to Trustee a true and complete copy of each such assignment and assumption of obligation; and

(d) prior to such assignment, the Company shall have obtained an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the 2001 Series B Bonds from gross income for Federal income tax purposes under Section 103(a) of the Code.

Section 8.2. Release and Indemnification Covenants. Company releases Issuer from and covenants and agrees that Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless against, any expense or liability incurred by Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof. If any such claim is asserted, Issuer agrees to give prompt notice to the Company and Company will assume the defense thereof, with full power to litigate, compromise or to settle the same in its sole discretion, it being understood that Issuer will not settle or consent to the settlement of the same without the consent of Company.

Section 8.3. Assignment of Interest in Agreement by Issuer. Any assignment by Issuer to Trustee pursuant to the Indenture or this Agreement of any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 8.4. Redemption of 2001 Series B Bonds. Upon the agreement of Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2001 Series B Bonds subject to redemption, Issuer, at the request of Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the 2001 Series B Bonds outstanding, as may be specified by Company, on the redemption date specified by the Company.

Section 8.5. Reference to 2001 Series B Bonds Ineffective after 2001 Series B Bonds Paid. Upon payment in full of the 2001 Series B Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.4 hereof and payment of all fees and charges of the Trustee (including reasonable attorneys = fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement the 2001 Series B Bonds, the First Mortgage Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2001 Series B Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1 Events of Default Defined . The following shall be "events of default" under this Agreement and the term "events of 'efault" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsections (a) and (d) of Section 5.1 hereof which results in failure to pay principal of, premium or interest on or the purchase price of the 2001 Series B Bonds, and such failure shall cause an event of default under the Indenture.

(b) Failure by Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, is given to Company by Issuer or Trustee, unless Issuer and Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Issuer and Trustee will not unreasonably withhold their consent to an extension of such time if such failure is capable of being cured and corrective action is instituted by Company within the applicable period and is being diligently pursued.

(c) All bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(d) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Company, or of a substantial part of the property or assets of Company, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company or (iii) the winding-up or liquidation of Company; and such proceeding or petition shall continue undismissed or unstayed for 90 days or an order or decree approving or ordering any of the foregoing shall be entered.

(e) Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (d) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing.

The provisions of Section 9.1(b) are subject to the following limitations: If by reason of force majeure Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of Company contained in Sections 2.2(k) and (l), 4.2, 4.4, 4.6 or 7.2 or Article V hereof and the general covenant and obligation of Company to take all necessary actions for the continued exclusion of interest on the 2001 Series B Bonds from gross income for federal and Kentucky income taxes, Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean any cause or event not reasonably within the control of Company, including without limitation the following: acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the Commonwealth of Kentucky or any of their departments, agencies or officials, or any civil or military authority; evacuations and quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines or pipes; or partial or entire failure of utility services. Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Company, and Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Company unfavorable to Company.

Section 9.2 . Remedies on Default . Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, Issuer may take any one or more of the following remedial steps:

(a) By written notice to Company, Issuer may declare an amount equal to the principal and accrued interest on the 2001 Series B Bonds then Outstanding, as defined in the Indenture, to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

(b) Issuer may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of Company.

(c) Issuer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Company under this Agreement, including, until the Release Date, any remedies available in respect of the First Mortgage Bonds.

In case there shall be pending a proceeding of the nature described in Section 9.1(d) or (e) above, Trustee shall be entitled and

empowered, by intervention in such proceeding or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of Trustee allowed in such judicial proceedings relative to Company, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any custodian (including, without limitation a receiver, trustee or liquidator) of Company appointed in connection with such proceedings is hereby authorized to make such payments to Trustee, and to pay to Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Any amounts collected pursuant to action taken under this Section 9.2 (other than the compensation and expenses referred to in the immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2001 Series B Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of Trustee and any paying agents accrued and to accrue through final payment of the 2001 Series B Bonds, and all other liabilities of Company accrued and to accrue hereunder or under the Indenture through final payment of the 2001 Series B Bonds have been paid, such amounts so collected shall be paid to Company.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given Issuer hereunder shall also extend to Trustee, and Trustee and the holders of the 2001 Series B Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 9.4. Agreement to Pay Attorneys' Fees and Expenses. In the event Company should default under any of the provisions of this Agreement and Issuer and/or Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of Company herein contained, Company agrees that it will on demand therefor pay to Issuer and/or Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by Issuer and/or Trustee.

Section 9.5. Waiver of Events of Default. If, after the acceleration of the maturity of the outstanding 2001 Series B Bonds by Trustee pursuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2001 Series B Bonds and the principal of, and premium, if any, on any and all 2001 Series B Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2001 Series B Bond, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2001 Series B Bonds which shall have become due by said declaration, shall have been remedied, and such event of default under the Indenture shall be deemed waived by Trustee in accordance with Section 9.11 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then Company's default hereunder shall be deemed to have been waived by Issuer and no further action or consent by Trustee or Issuer shall be required. In the event any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

PREPAYMENT OF LOAN

Section 10.1 Options to Prepay Loan. Company shall have, and is hereby granted, options to prepay the Loan in whole and to cancel or terminate this Agreement on any Business Day at any time Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by Company to Trustee of such election, as follows:

(a) If in the judgment of Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2001 Series B Bonds upon Company with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem, property, income or other taxes not imposed on the date of this Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) If the Project or a portion thereof or other property of Company in connection with which the Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use;

(d) In the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies,

labor, equipment, or other properties or things necessary for the efficient operation of the Trimble County Generating Station of the Company shall have occurred which, in the judgment of the Company, render the continued operation of the Trimble County Generating Station or any generating unit at such station uneconomical; or changes in circumstances, after the issuance of the 2001 Series B Bonds including but not limited to changes in clean air and water or other air and water pollution control requirements or solid waste disposal requirements, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) In the event this Agreement shall become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action, whether state or federal, or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) A final order or decree of any court or administrative body after the issuance of the 2001 Series B Bonds shall require the Company to cease a substantial part of its operations at either or both of the Trimble County Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such location for a period of six months.

In the case of prepayment pursuant to this Section 10.1 (or if any 2001 Series B Bonds be redeemed in whole or in part pursuant to Section 6.1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with Trustee and available for such purpose, to redeem all 2001 Series B Bonds then outstanding (or, in the case any 2001 Series B Bonds are redeemed in part pursuant to Section 6.1 hereof, such portion of the Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2001 Series B Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2001 Series B Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the events mentioned in (a) through (f) above, Company is required to give written notice to Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2 Additional Option to Prepay Loan . Company shall have, and is hereby granted, further options, to the extent that the 2001 Series B Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with Trustee moneys sufficient to pay, together with other funds deposited with Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2001 Series B Bonds then outstanding under the Indenture and, upon depositing with Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2001 Series B Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder, to cancel or terminate the term f this Agreement.

Section 10.3 Obligations to Prepay Loan . Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, prior to the required full payment of the 2001 Series B Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and Company shall take all actions required to mandatorily redeem the 2001 Series B Bonds at the cost of the Company upon the terms specified in this Agreement and in Article IV of the Indenture following the occurrence of a Determination of Taxability, including, but not limited to, prepaying appropriate amounts due on the 2001 Series B Bonds in order to effect such redemption. The 2001 Series B Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this section, a "Determination of Taxability" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2001 Series B Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2001 Series B Bonds, the interest on the 2001 Series B Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however , that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2001 Series B Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2001 Series B Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any 2001 Series B Bond in the computation of minimum or indirect taxes. All of the 2001 Series B Bonds shall be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2001 Series B Bonds of one or more ries or one or more maturities would have the result that interest payable on the remaining 2001 Series B Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any

inquiry, audit or other proceedings relating to the 2001 Series B Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described in this Section 10.3, the Company shall give notice thereof to the Trustee and the Issuer.

In the case of the mandatory obligation of Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as specified in Section 10.3 hereof and to provide to Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2001 Series B Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2001 Series B Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any paying agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2001 Series B Bonds.

Section 10.4. Notice of Prepayment; Redemption Procedures. It is understood and agreed by the parties hereto that in order to exercise an option granted in, or to consummate a mandatory prepayment required by, this Article X, Company shall give written notice to Issuer and Trustee which notice shall (i) contain the agreement of Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2001 Series B Bonds equal to the amount of the prepayment, including, in the case of a prepayment under Section 10.2 hereof, any applicable redemption premium in respect of such 2001 Series B Bonds, and any other amounts required under this Agreement and (ii) specify the prepayment date (which must be a Business Day and which shall also be the redemption date), which date shall not be less than 30 days (45 days if the 2001 Series B Bonds are bearing interest at the Semi-annual, Annual or Long Term Rate or in all cases such shorter period as may be acceptable to the Trustee) nor more than 90 days from the date the notice is mailed by Company to Issuer and Trustee.

Section 10.5. Relative Position of this Article and Indenture. The rights and options granted to Company in this Article, except the option granted to Company pursuant to Section 10.2 to prepay less than all of the Loan payments, shall be and remain prior and superior to the Indenture and may be exercised whether or not Company is otherwise in default hereunder; provided that such default will not result in nonfulfillment of any condition to the exercise of any such right or option.

Section 10.6. Concurrent Discharge of First Mortgage Bonds. Prior to the Release Date, in the event any of the 2001 Series B Bonds shall be paid and discharged pursuant to any provisions of this Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Term of Agreement. This Agreement shall remain in full force and effect from the date hereof to and including the late of November 1, 2027, or until such time as all of the 2001 Series B Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture), whichever shall be later; provided, however, that this Agreement may be cancelled and terminated prior to said date if Company shall prepay all of the Loan pursuant to Article X hereof; and provided further, however, that all obligations of Company under Article V and Section 8.2 hereof (a) to pay fees and expenses of Trustee, the Tender Agent, the Bond Registrar and any Paying Agent and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2001 Series B Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by Company as to all matters affecting the tax-exempt status of interest on the 2001 Series A Bonds shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2001 Series B Bonds and shall survive the termination of this Agreement and all obligations of Company contained herein relating to indemnification of Issuer, Trustee, Bond Registrar, Authenticating Agent, Tender Agent and any Paying Agent shall survive the termination of this Agreement.

Section 11.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Issuer, at the Trimble County Courthouse, P.O. Box 251, Bedford, Kentucky 40006, Attention: County Judge/Executive;

If to Company, at its corporate headquarters, 220 West Main Street, Louisville, Kentucky 40202, Attention: Treasurer, and

If to Trustee, at 100 Plaza One, 6 th Floor, Jersey City, New Jersey 07310, Attention: Corporate Trust Administration.

If to Paying Agent, Remarketing Agent, Auction Agent, Market Agent or Tender Agent, at such addresses for notices as are set forth in the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by either Issuer or Company to the other shall also be given to Trustee. Issuer, Company and Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon Issuer, Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 hereof.

Section 11.4 . Severability . In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5 . Amounts Remaining in Bond Fund, Rebate Fund and Prior Bond Fund . It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the 2001 Series B Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, shall belong to and be paid to Company by Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied and disbursed strictly and only in accordance with the provisions of Section 6.07 of the Indenture. Following the payment and discharge of the Refunded 1997 Series A Bonds on their redemption date and the making of provision for payment of the Refunded 1997 Series A Bonds not presented for payment any remaining moneys in the Prior Bond Fund shall belong to and be paid to Company by the Prior Trustee.

Section 11.6 . Amendments, Changes and Modifications . Subsequent to the issuance of the 2001 Series B Bonds and prior to payment in full of all 2001 Series B Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated, and no provision hereof waived, without the written consent of Trustee, given in accordance with the Indenture.

Section 11.7 . Execution in Counterparts . This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8 . Applicable Law . This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 11.9 . Captions . The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 11.10 . No Pecuniary Liability of Issue r. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement, as hereinabove provided.

Section 11.11 . Payments Due on Other Than Business Days . If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be on a Business Day, such payment may be made or act performed right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided in this Agreement, and if done on such succeeding Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

(remainder of page left blank intentionally)

IN WITNESS WHEREOF, Issuer and Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first written.

COUNTY OF TRIMBLE, KENTUCKY

(SEAL)

By:_____
RAY CLEM
County Judge/Executive

ATTEST:

_____
SUSAN BARNES
Fiscal Court Clerk

LOUISVILLE GAS AND ELECTRIC COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
S. BRADFORD RIVES
Senior Vice President -
Finance and Controller

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF TRIMBLE)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of March, 2002, the foregoing instrument was produced to me in said County by Ray Clem and Susan Barnes, personally known to me and personally known by me to be the County Judge/Executive and Fiscal Court Clerk, respectively, of the COUNTY OF TRIMBLE, KENTUCKY, and acknowledged before me by them and each of them to be their free act and deed as County Judge/Executive and Fiscal Court Clerk of such County, and the act and deed of said County as authorized by an Ordinance of the Fiscal Court of such County.

Witness my hand and seal this _____ day of March, 2002. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of March, 2002, the foregoing instrument was produced to me in said County by Daniel K. Arbough and S. Bradford Rives, personally known to me and personally known by me to be the Treasurer and the Senior Vice President - Finance and Controller, respectively, of LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

Witness my hand and seal this _____ day of March, 2002. My commission expires on _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

This Instrument Prepared by the
Undersigned, Attorney at Law of
HARPER, FERGUSON & DAVIS
1730 Meidinger Tower
Louisville, Kentucky 40202

_____
SPENCER E. HARPER, JR

Exhibit 4(rr)-2

Execution Copy

(2001 Series B – Trimble County)

COUNTY OF TRIMBLE, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

AMENDMENT NO. 1 TO LOAN AGREEMENT IN CONNECTION WITH POLLUTION CONTROL FACILITIES

* * * * *

Dated as of September 1, 2010

* * * * *

NOTICE: The interest of the County of Trimble, Kentucky in and to this Amendment No. 1 to Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Indenture of Trust dated as of November 1, 2001.

TABLE OF CONTENTS

THIS AMENDMENT NO. 1 TO LOAN AGREEMENT, dated as of September 1, 2010, but made effective as of the Effective Date (defined herein) (this "Amendment No. 1 to Loan Agreement"), by and between the COUNTY OF TRIMBLE, KENTUCKY, being a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky.

WITNESSETH:

WHEREAS, the County of Trimble, Kentucky (the "Issuer") constitutes a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), the Issuer has the power to enter into the transactions contemplated by this Amendment No. 1 to Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, the Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act for the abatement and control of air and water pollution and abatement of solid wastes and to refund bonds which were previously issued for such purposes; and

WHEREAS, on March 22, 2002, the Issuer, at the request of Louisville Gas and Electric Company (the "Company"), issued its Pollution Control Revenue Bonds, 2001 Series B (Louisville Gas and Electric Company Project) (the "Bonds" or "2001 Series B Bonds") in the original principal amount of $35,000,000, and the Issuer loaned the proceeds of the 2001 Series B Bonds to the Company pursuant to the Loan Agreement dated as of November 1, 2001, between the Issuer and the Company (the "Agreement"); and

WHEREAS, to secure the payment of the 2001 Series B Bonds, the Issuer assigned substantially all of its rights, title and interests in and to the Agreement to Deutsche Bank Trust Company Americas (successor to Bankers Trust Company), as Trustee (the "Trustee"), pursuant to the Indenture of Trust dated as of November 1, 2001, between the Issuer and the Trustee (the "Indenture"); and

WHEREAS, the Company delivered to the Trustee, as security for the Company's payment obligations under the Agreement, $35,000,000 aggregate principal amount of the Company's first mortgage bonds issued under the Company's Indenture dated November 1, 1949, as amended by indentures supplemental thereto (the "1949 Indenture"); and

WHEREAS, the 1949 Indenture was subsequently terminated, the first mortgage bonds issued under the 1949 Indenture to secure the 2001 Series B Bonds were released and the Company's obligations under the Agreement became unsecured; and

WHEREAS, all of the 2001 Series B Bonds remain outstanding and unpaid; and

WHEREAS, the Company intends to enter into that certain Indenture dated as of October 1, 2010 (the "First Mortgage Indenture"), between the Company and The Bank of New York Mellon (the "First Mortgage Trustee"), pursuant to which the Company shall issue certain first mortgage bonds secured by a lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky; and

WHEREAS, in the event the Company grants a lien on and a security interest in its operating property to secure general debt for borrowed money, which the Company intends to do pursuant to the issuance of the first mortgage bonds pursuant to the First Mortgage Indenture, the Agreement obligates the Company to grant an equal and ratable lien on and security interest in its operating property in favor of the Trustee under the Indenture to secure the 2001 Series B Bonds; and

WHEREAS, the Company intends to issue first mortgage bonds (the "First Mortgage Bonds") to the Trustee under the Indenture, thereby creating in favor of the Trustee for the benefit of the holders of the 2001 Series B Bonds an equal and ratable lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky as security for the payment of the 2001 Series B Bonds; and

WHEREAS, pursuant to Section 13.01 of the Indenture, the consent of the holders of the 2001 Series B Bonds is not required for the Issuer and the Company to enter into an amendment to the Agreement in order to conform the Agreement with changes and modifications to the Indenture made pursuant to Section 12.01 of the Indenture; and

WHEREAS, it is now appropriate and necessary that the Agreement be amended pursuant to Section 13.01 of the Indenture in connection with the issuance of the First Mortgage Bonds to the Trustee under the Indenture as additional collateral and security for the payment of the 2001 Series B Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Issuer on September 20, 2010, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to enter into this Amendment No. 1 to Loan Agreement in order to provide additional collateral and security for the 2001 Series B Bonds; and

WHEREAS, the Issuer and the Trustee have entered into that certain Supplemental Indenture No. 1 to Indenture of Trust (the "Supplemental Indenture No. 1") of even date herewith pursuant to Section 12.01 of the Indenture; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amendment No. 1 to Loan

Agreement have happened, have existed and have been performed as so required in order to make this Amendment No. 1 to Loan Agreement a valid and binding loan agreement for the security of the holders of the 2001 Series B Bonds and for payment of all amounts due under the Agreement and this Amendment No. 1 to Loan Agreement in accordance with their respective terms.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER AS FOLLOWS:

ARTICLE I

AMENDMENTS TO THE LOAN AGREEMENT

Section 1.1. Amendment of Table of Contents. Section 7.9 of the Table of Contents of the Agreement is hereby deleted in its entirety.

Section 1.2. Amendment of Section 1.02. Incorporation of Certain Terms by Reference. The following defined terms are hereby added to Section 1.02 of the Agreement and shall have the meanings set forth in Section 1.5 of the Supplemental Indenture No. 1:

"Amendment No. 1 to Loan Agreement"
"Effective Date"
"Supplemental Indenture No. 1"

The following defined terms in Section 1.5 of the Supplemental Indenture No. 1 shall amend, restate and supersede the corresponding defined terms set forth in Section 1.02 of the Agreement:

"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Redemption Demand"
"Supplemental First Mortgage Indenture" in lieu of "Supplemental Indenture"

Section 1.02 of the Agreement is further hereby amended by deleting the definition of "Release Date" and all references to such term in the Agreement.

Section 1.3. Amendment of Section 1.03. Additional Definitions. The following defined terms set forth in Section 1.03 of the greement are hereby deleted in their entirety:

"Capitalization"
"Debt"
"Net Tangible Assets"
"Operating Property"

Section 1.4. Amendment of Section 3.2. Agreement as to Ownership of Project. Section 3.2 of the Agreement is hereby amended and restated to read as follows:

> Section 3.2. Agreement as to Ownership of Project. The Issuer and the Company agree that title to and ownership of the Project shall remain in and be the sole property of the Company in which the Issuer shall have no interest. From and after the Effective Date, the Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2001 Series B Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement and the Amendment No. 1 to Loan Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 1.5. Amendment of Section 4.6. First Mortgage Bonds. Section 4.6 of the Agreement is hereby amended and restated to read as follows:

> Section 4.6. First Mortgage Bonds. The Company covenants and agrees with the Issuer that it will, for the purpose of providing security for the 2001 Series B Bonds, execute and deliver to the Trustee on the Effective Date the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2001 Series B Bonds. The First Mortgage Bonds shall be in full force and effect from and after the Effective Date and shall mature as to principal identically as in the case of the 2001 Series B Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental First Mortgage Indenture, shall bear interest identically as in the case of the 2001 Series B Bonds.
>
> Following the Effective Date, upon the occurrence of an event of default under Article IX of this Agreement, as amended by the Amendment No. 1 to Loan Agreement, that has resulted in a default in payment of the principal of, premium, if any, or interest on the 2001 Series B Bonds as and when the same come due, whether at maturity, redemption, acceleration or otherwise, or a default in payment of the purchase price of any 2001 Series B Bond tendered for purchase, the acceleration

of the maturity date of the 2001 Series B Bonds (to the extent not already due and payable) as a consequence of such event of default and the receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable, in accordance with the provisions specified in the Supplemental First Mortgage Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2001 Series B Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, the Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2001 Series B Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of the Company thereunder terminated and such First Mortgage Bonds shall be surrendered by the Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of the Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Section 1.6. Amendment of Section 7.7. Financing Statements. Section 7.7 of the Agreement is hereby amended and restated to read as follows:

Section 7.7. Financing Statements. The Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the respective liens of the Indenture and the First Mortgage Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the First Mortgage Bonds, the Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the respective liens of the Indenture and the First Mortgage Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such liens, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the respective liens of the Indenture and the First Mortgage Indenture, which filings the Company agrees to undertake.

Section 1.7. Deletion of Section 7.9. Negative Pledge. Section 7.9 of the Agreement is hereby deleted in its entirety.

Section 1.8. Amendment of Section 9.1. Events of Default Defined. Section 9.1(c) of the Agreement is hereby amended and restated and subsection (f) is hereby added to Section 9.1, in each case to read as follows:

(c) From and after the Effective Date, all bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(f) The occurrence of an Event of Default under the Indenture.

Section 1.9. Amendment of Section 9.2. Remedies on Default. Section 9.2(c) of the Agreement is hereby amended and restated to read as follows:

(c) The Trustee, on behalf of the Issuer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement and the Amendment No. 1 to Loan Agreement, including, from and after the Effective Date, any remedies available in respect of the First Mortgage Bonds.

Section 1.10. Amendment of Section 10.6. Concurrent Discharge of First Mortgage Bonds. Section 10.6 of the Agreement is hereby amended and restated to read as follows:

Section 10.6. Concurrent Discharge of First Mortgage Bonds. From and after the Effective Date, in the event any of the 2001 Series B Bonds shall be paid and discharged pursuant to any provisions of this Agreement and the Amendment No. 1 to Loan Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by the Issuer. The Issuer represents, warrants and covenants that:

(a) The Issuer is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, the Issuer has the power to enter into this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1 and the transactions contemplated hereby and thereby and to carry out its obligations hereunder and thereunder.

(b) To its knowledge, the Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the First Mortgage Bonds or the consummation of the transactions contemplated hereby, and the Issuer has been duly authorized to execute and deliver this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1. The Issuer agrees that it will do or cause to be done in a timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Amendment No. 1 to Loan Agreement.

Section 2.2. Representations, Warranties and Covenants by the Company. The Company represents, warrants and covenants that:

(a) The Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the First Mortgage Bonds.

(b) The Company has full and complete legal power and authority to execute and deliver this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds.

(c) No event of default, and no event of the type described in clauses (a) through (f) of Section 9.1 of the Agreement, as amended by this Amendment No. 1 to Loan Agreement, has occurred and is continuing, and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture or the First Mortgage Bonds, nor the consummation of the transactions contemplated hereby or by the Indenture and the Supplemental Indenture No. 1, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1. Term of Amendment No. 1 to Loan Agreement. This Amendment No. 1 to Loan Agreement shall remain in full force and effect from the date hereof to and including the later of November 1, 2027, or until such time as all of the 2001 Series B Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture and the Supplemental Indenture No. 1 and any amendments thereto), whichever shall be later; provided, however, that the Agreement, as amended, may be cancelled and terminated prior to said date in accordance with the provisions of Section 11.1 of the Agreement.

Section 3.2. Ratification. Except as amended and supplemented by Articles I and II hereof, the Issuer and the Company hereby ratify and reaffirm the terms and provisions of the Agreement and their respective representations, warranties, covenants, agreements and obligations set forth therein.

Section 3.3. Effective Date. This Amendment No. 1 to Loan Agreement has been made and entered into as of the date first written above but shall be effective as of the Effective Date.

Section 3.4. Binding Effect. This Amendment No. 1 to Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 of the Agreement.

Section 3.5. Severability. In the event any provision of this Amendment No. 1 to Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 3.6. Execution in Counterparts. This Amendment No. 1 to Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.7. Applicable Law. This Amendment No. 1 to Loan Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 3.8. Captions. The captions or headings in this Amendment No. 1 to Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Amendment No. 1 to Loan Agreement.

Section 3.9. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Amendment No. 1 to Loan

Agreement or breach thereof shall constitute or give rise to a pecuniary liability of the Issuer or a charge upon its general credit or taxing powers.

(signature page immediately follows)

IN WITNESS WHEREOF , the Issuer and the Company have caused this Amendment No. 1 to Loan Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all of the date first written.

COUNTY OF TRIMBLE, KENTUCKY

(SEAL)

By:_____
RANDY STEVENS
County Judge/Executive

ATTEST:

_____
SUSAN BARNES
Fiscal Court Clerk

LOUISVILLE GAS AND ELECTRIC COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

Exhibit 4(ss)-1

(2002 Series A-Trimble Co.)

COUNTY OF TRIMBLE, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * *

LOAN AGREEMENT IN CONNECTION WITH
POLLUTION CONTROL FACILITIES

* * * *

Dated as of July 1, 2002

* * * *

NOTICE: The interest of the County of Trimble, Kentucky, in and to this Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Indenture of Trust dated as of July 1, 2002.

LOAN AGREEMENT

TABLE OF CONTENTS

(This Table of Contents is for convenience of reference only and is not a part of this Loan Agreement.)

LOAN AGREEMENT IN CONNECTION WITH
POLLUTION CONTROL FACILITIES

This LOAN AGREEMENT, dated as of July 1, 2002, by and between the COUNTY OF TRIMBLE, KENTUCKY, a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of Kentucky;

WITNESSETH:

WHEREAS, the County of Trimble, Kentucky ("Issuer"), is a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), Issuer has the power to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act ("Pollution Control Facilities") for the abatement and control of air and water pollution and to refund bonds which were previously issued for such purposes; and

WHEREAS, Issuer is further authorized pursuant to the Act to enter into a loan agreement, which may include such provisions as Issuer shall deem appropriate to effect the securing of a financing or refinancing undertaken in respect of Pollution Control Facilities, including the pledge of direct securities of a utility company; and

WHEREAS, the Act further provides that title to Pollution Control Facilities shall not be acquired by Issuer in the case of a loan transaction; and

WHEREAS, Louisville Gas and Electric Company, a Kentucky corporation ("Company"), has heretofore, by the issuance of the Refunded 1990 Series B Bonds, hereinafter defined, financed all or a portion of the costs of construction and acquisition of certain air and water pollution control facilities and facilities functionally related and subordinate to such facilities to serve the Trimble County Generating Station of Company, which specified facilities constitute the 1990 Project, as hereinafter defined in Article I (the "1990 Project"), and are an integral component of the comprehensive system of Pollution Control Facilities serving the Trimble County Generating Station of the Company (the "Project") located within the corporate boundaries of Issuer, which 1990 Project consists of certain air and water pollution control facilities and cilities functionally related and subordinate to such facilities in furtherance of the regulations of the Natural Resources and Environmental rotection Cabinet of the Commonwealth of Kentucky, and which 1990 Project is an integral part of the Project, hereinafter defined, and which qualifies for financing within the meaning of the Act; and

WHEREAS, the Refunded 1990 Series B Bonds provided financing for a portion of the Company's then existing 84.6465% undivided interest in the 1990 Project, which undivided interest has been reduced to a 75% undivided interest because of subsequent events, and the defeasance and discharge of $8,335,000 principal amount of the Refunded 1990 Series B Bonds; and

WHEREAS, (i) construction of the Project began before September 26, 1985; completion of the Project occurred after September 26, 1985 and original use of the Project commenced with the Company, (ii) a binding contract to incur significant (i.e., 10% of the then reasonably anticipated cost of construction of the Project) expenditures for construction of the Project was entered into before September 26, 1985 and some of such expenditures were incurred on or after September 26, 1985 and (iii) with respect to both (i) and (ii) above, the Project was described in an inducement resolution or other comparable approval adopted by the Fiscal Court of the Issuer before September 26, 1985 (i.e., on February 29, 1980); and

WHEREAS, the 1990 Project has been completed and placed in operation and constitutes an integral part of the Project and the 1990 Project has contributed and does contribute to the control, containment, reduction and abatement of atmospheric pollution and contamination and water pollution in the Commonwealth of Kentucky; and

WHEREAS, under date of November 20, 1990, the Issuer, at the request of the Company, issued its "County of Trimble, Kentucky, Pollution Control Revenue Bonds, 1990 Series B (Louisville Gas and Electric Company Project)" of which $41,665,000 principal amount of such bonds remains outstanding and unpaid (the "Refunded 1990 Series B Bonds), such Refunded 1990 Series B Bonds having been issued to finance the Cost of Construction of the 1990 Project, hereinafter described, and in connection with the issuance of the Refunded 1990 Series B Bonds, the right was reserved to Issuer, upon direction by Company, to redeem the Refunded 1990 Series B Bonds in advance of their maturity; and the Refunded 1990 Series B Bonds are by their terms subject to redemption at the option of Issuer in whole or in part on September 16, 2002 or any date thereafter, at the price of 102% of the principal amount thereof and accrued interest to the date of redemption, as provided in the hereinafter defined 1990 Series B Indenture; and the redemption and discharge of the Refunded 1990 Series B Bonds will result in benefits to the general public and the Company and should be carried out forthwith in the public interest by the issuance of the 2002 Series A Bonds, hereinafter defined, and the application of the proceeds of the 2002 Series A Bonds, together with funds to be provided by Company, for the refunding, payment and discharge of the Refunded 1990 Series B Bonds on or prior to the 90th day after the date of issuance of the 2002 Series Bonds; and

WHEREAS, in respect of the Refunded 1990 Series B Bonds, Issuer entered into a certain Indenture of Trust dated as of November 1, 1990 (the "1990 Series B Indenture"), with Citizens Fidelity Bank and Trust Company, Louisville, Kentucky (now known as J. P. Morgan Trust Company, N.A.), as Trustee, Paying Agent and Bond Registrar (the "Prior Trustee"), and it is provided in Article XV of the 1990 Series B

Indenture that the Refunded 1990 Series B Bonds, or any of them, shall be deemed to have been paid within the meaning of such 1990 Series B Indenture when there shall have been irrevocably deposited with the Prior Trustee, in trust, either cash or Governmental Obligations, as defined in the 1990 Series B Indenture, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal and the applicable redemption premium, if any, on the Refunded 1990 Series B Bonds plus interest thereon to the date of payment and discharge thereof (whether at maturity or upon redemption or otherwise), plus sufficient moneys to pay all necessary and proper fees, compensation and expenses of the Prior Trustee, authenticating agent, bond registrar and any paying agent; together with irrevocable instructions to call and redeem the Refunded 1990 Series B Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Fiscal Court of Issuer on July 15, 2002, and in furtherance of the purposes of the Act, Issuer proposes to issue, sell and deliver a series of its bonds in fully registered form which will be designated "County of Trimble, Kentucky, Pollution Control Revenue Bonds, 2002 Series A (Louisville Gas and Electric Company Project)" (the "2002 Series A Bonds"), the proceeds of which will be lent to Company to cause the outstanding principal amount of the Refunded 1990 Series B Bonds to be refunded, paid and discharged in full on or prior to the 90th day after the date of issuance of the 2002 Series A Bonds; and

WHEREAS, the 2002 Series A Bonds are to be issued under and pursuant to and are secured by an Indenture of Trust by and between Issuer and Deutsche Bank Trust Company Americas, as trustee thereunder, dated as of July 1, 2002 (the "Indenture"); and

WHEREAS, the Natural Resources and Environmental Protection Cabinet of Kentucky, having jurisdiction in the premises, has previously certified that the Project, as designed (which includes the facilities constituting the 1990 Project), is in furtherance of the purposes of abating and controlling atmospheric and liquid pollutants or contaminants; and

WHEREAS, Issuer proposes to lend to Company and Company desires to borrow from Issuer the proceeds from the sale of the 2002 Series A Bonds to cause the outstanding principal amount of the Refunded 1990 Series B Bonds to be refunded, paid and discharged on or prior to the 90th day after the date of issuance of the 2002 Series A Bonds;

NOW, THEREFORE FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER, AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01. Use of Defined Terms. In addition to the words and terms defined elsewhere in this Agreement or in the Indenture or by reference to another document, the words and terms set forth in Sections 1.02 and 1.03 shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.02. Incorporation of Certain Terms by Reference. When and if used in this Agreement, the following terms shall have the meaning set forth in Article I of the Indenture:

"Act"
"Agreement"
"Authorized Denomination"
"Bond Counsel"
"Bond Fund"
"Bond Year"
"Business Day"
"Code"
"Company"
"Company Bonds"
"Company Representative"
"Cost of Construction"
"Cumulative Excess Earnings"
"Excess Earnings"
"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Governmental Obligations"
"Indenture"
"Interest Payment Date"
"Issuer"
"Issuer Representative"
"Loan"
"Net Proceeds"
"No Auction Rate"
"Paying Agent"
"Permitted Investments"

"Plans and Specifications"
"Pollution Control Facilities"
"Prevailing Rating"
"Project"
"1990 Project"
"Project Site"
"Purchase Fund"
"Rating Service"
"Rebate Fund"
"Redemption Date"
"Redemption Demand"
"Refunded 1990 Series B Bonds"
"Release Date"
"2002 Series A Bonds"
"1990 Series B Indenture"
"Supplemental Indenture"
"Tender Agent"
"Thirty-Day 'AA' Composite Commercial Paper Rate
"Trustee"

Section 1.03. Additional Definitions. In addition to the terms whose definitions are incorporated by reference herein pursuant to Section 1.02, the following terms shall have the meanings set forth in this Section unless the use or context clearly indicates otherwise:

" Capitalization " means the total of all the following items appearing on, or included in, the balance sheet of the Company:

(1) liabilities for indebtedness, including short-term debt, long-term debt and current maturities of long-term debt; and

(2) common stock, preferred stock, capital surplus, premium on capital stock, capital in excess of par value and retained earnings (however the foregoing may be designated), less to the extent not otherwise deducted, the cost of shares of capital stock of the Company held in its treasury.

Capitalization shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Debt " shall mean any outstanding debt for money borrowed.

" Determination of Taxability " shall have the meaning ascribed to such term in Section 10.3 of this Agreement.

" Net Tangible Assets " means the amount shown as total assets on the balance sheet of the Company, less the following:

(1) intangible assets including, but without limitation, such items as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset on said balance sheet; and

(2) appropriate adjustments, if any, on account of minority interests.

Net Tangible Assets shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

" Operating Property " means (i) any interest in real property owned by the Company and (ii) any asset owned by the Company that is depreciable in accordance with generally accepted accounting principles.

" Prior Bond Fund " means the "County of Trimble, Kentucky, Pollution Control Revenue Bond Fund, 1990 Series A and Series B (Louisville Gas and Electric Company Project)", created by the 1990 Series B Indenture.

" Prior Trustee " means Citizens Fidelity Bank and Trust Company (now known as J. P. Morgan Trust Company, N.A.), acting as trustee in respect of the Refunded 1990 Series B Bonds.

In addition to the definitions herein, terms used in this agreement and not defined herein shall have the meanings ascribed to such terms in the Indenture.

The words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement. Unless otherwise noted, all Section and Article references are to sections and articles in this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1 Representations, Warranties and Covenants by Issuer. Issuer represents, warrants and covenants that:

(a) Issuer is a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, Issuer has the power to issue the 2002 Series A Bonds, to enter into this Agreement and the Indenture and the transactions contemplated hereby and to carry out its obligations hereunder and thereunder. Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2002 Series A Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2002 Series A Bonds and to execute and deliver this Agreement and the Indenture. Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) Issuer agrees to loan funds derived from the sale of the 2002 Series A Bonds to Company to provide for the refunding, payment and discharge of the outstanding principal amount of the Refunded 1990 Series B Bonds, to the end that air and water pollution be abated and controlled in the Commonwealth.

(c) To accomplish the foregoing, Issuer agrees to issue $41,665,000 aggregate principal amount of its 2002 Series A Bonds following the execution of this Agreement on such terms and conditions as are set forth in the Indenture. The proceeds from the sale of the 2002 Series A Bonds shall be applied exclusively and in whole to refund, pay and discharge the outstanding principal amount of the Refunded 1990 Series B Bonds on or prior to the 90th day after the date of issuance of the 2002 Series A Bonds.

(d) Issuer will cooperate with Company and take all actions necessary for Company to comply with Section 2.2(n), (r) and (u) hereof and take other actions reasonably requested by Company in furtherance of this Agreement.

Section 2.2. Representations, Warranties and Covenants by Company. Company represents, warrants and covenants that:

(a) Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the 2002 Series A Bonds.

(b) Company has full and complete legal power and authority to execute and deliver this Agreement, the Supplemental Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Agreement, the Supplemental Indenture and the First Mortgage Bonds.

(c) The 1990 Project currently refinanced by application of the proceeds of the Refunded 1990 Series B Bonds has been designed and constructed to control, contain, reduce and abate air and water pollution at the Project Site. The 1990 Project was and is necessary for the public health and welfare, and is designed for no significant purpose other than the control of air and water pollution and the 1990 Project constitutes air and water pollution control facilities and facilities functionally related and subordinate to such facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, and the Act.

(d) All of the proceeds of the 2002 Series A Bonds, exclusively of accrued interest, if any, shall be used on or prior to the 90th day after the date of issuance of the 2002 Series A Bonds exclusively and only to redeem, pay and discharge the principal of the Refunded 1990 Series B Bonds, not less than substantially all of the proceeds of the Refunded 1990 Series B Bonds (i.e., at least 95% of the proceeds thereof, including investment income thereon) were used to finance the Cost of Construction of air and water pollution control facilities and facilities functionally related and subordinate to such facilities, and all of such air and water pollution control facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section 167 of the Code.

(e) The Project, as designed, including the 1990 Project which is an integral component of the Project, has been certified by the Department for Natural Resources and Environmental Protection of Kentucky (now the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky), the agency exercising jurisdiction in the premises, to be in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants and water pollution.

(f) The 1990 Project is of the type authorized and permitted by the Act, and the Cost of Construction of the 1990 Project was not less than $41,665,000. All statements of fact contained herein respecting the Project, including the 1990 Project, which is an integral component of the Project, and its authorization by official action of the Issuer, commencement of construction, Project expenditures, including 1990 Project expenditures, and construction and acquisition contracts and related matters are true and correct in all respects and are incorporated herein.

(g) No event of default, and no event of the type described in clauses (a) through (e) of Section 9.1 hereof, has occurred and is continuing and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under this Agreement, the Supplemental Indenture, the First Mortgage Bonds or the transactions contemplated hereby or

thereby. Neither the execution and delivery of this Agreement, Supplemental Indenture, the First Mortgage Bonds, the consummation of the transactions contemplated hereby or by the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of Company under the terms of any instrument or agreement.

(h) Company intends to continue to operate or cause the Project, including the 1990 Project, to be operated as air and water pollution control facilities and facilities functionally related and subordinate to such facilities until all of the 2002 Series A Bonds are paid and discharged.

(i) No portion of the proceeds of 2002 Series A Bonds will be invested at a yield in excess of the yield on the 2002 Series A Bonds except (i) during any permitted temporary period provided by the Code, (ii) proceeds of a reasonably required reserve or replacement fund and (iii) as part of a minor portion of the proceeds of the 2002 Series A Bonds, not in excess of the lesser of 5% of the proceeds of the 2002 Series A Bonds or $100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Section 148 of the Code and applicable tax regulations.

(j) No portion of the proceeds from the sale of the 2002 Series A Bonds will be deposited to the account of any reasonably required reserve or replacement fund or used to pay (i) any costs of issuance of the 2002 Series A Bonds or (ii) any redemption premium or accrued interest on the Refunded 1990 Series B Bonds, but such proceeds will be applied and used solely and exclusively to refund, pay and discharge the outstanding principal amount of the Refunded 1990 Series B Bonds on or prior to the 90th day after the issuance of the 2002 Series A Bonds.

(k) Company will provide any additional moneys, including investment proceeds of the 2002 Series A Bonds, required for the payment and discharge of the Refunded 1990 Series B Bonds, payment of redemption premium, if any, and accrued interest in respect thereto and payment of all underwriting discount and costs of issuance of the 2002 Series A Bonds. Any investment proceeds of the 2002 Series A Bonds shall be used exclusively to pay interest or redemption premium due, if any, on the Refunded 1990 Series B Bonds on the Redemption Date.

(l) Company will cause no investment of 2002 Series A Bond proceeds to be made and will make no other use of or omit to take any action with respect to the proceeds of the 2002 Series A Bonds or any funds reasonably expected to be used to pay the 2002 Series A Bonds which will cause the 2002 Series A Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or would otherwise result in the loss or impairment of the exclusion of the interest on such 2002 Series A Bonds from gross income for federal income tax purposes.

(m) The average maturity of the 2002 Series A Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the date of issuance of the 2002 Series A Bonds) of the Pollution Control Facilities refinanced by the proceeds of the 2002 Series A Bonds.

(n) Company will provide all information requested by the Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 filed by Issuer with respect to the 2002 Series A Bonds and the air and water pollution control facilities constituting the 1990 Project, and such information will be true and correct in all material respects.

(o) Within the meaning of Section 149 of the Code, no portion of the payment of the principal or interest on the 2002 Series A Bonds or the Refunded 1990 Series B Bonds was or shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(p) All of the proceeds of the Refunded 1990 Series B Bonds have been fully expended and the 1990 Project has been completed. All of the actual Cost of Construction of the 1990 Project represents amounts paid or incurred which were chargeable to the capital account of the 1990 Project or would be so chargeable either with a proper election by the Company or but for a proper election by the Company to deduct such amounts. Substantially all (i.e. at least 95%) of the net proceeds of the sale of the Refunded 1990 Series B Bonds (including investment income therefrom), were used to finance Cost of Construction of the 1990 Project as described above, pay costs and expenses of issuing the Refunded 1990 Series B Bonds, within then applicable Code limits, and pay interest and carrying charges on the Refunded 1990 Series B Bonds during the period of construction of the 1990 Project and prior to its in-service date.

(q) All of the depreciable properties which were taken into account in determining the qualifying costs of the 1990 Project constitute properties either (i) used for the control, containment, reduction and abatement of atmospheric pollutants and contaminants and water pollution or (ii) facilities which are functionally related and subordinate to such facilities constituting the 1990 Project. All of such functionally related and subordinate facilities are of a size and character commensurate with the character and size of the air and water pollution control facilities constituting the 1990 Project.

(r) The Company will cause the Issuer to comply in all respects with the requirements of Section 148 of the Code in respect of the rebate of Excess Earnings with respect to the 2002 Series A Bonds to the United States of America.

(s) None of the proceeds of the 2002 Series A Bonds will be applied and none of the proceeds of the Refunded 1990 Series B Bonds were applied to provide any: (i) working capital, (ii) office space (other than office space located on the premises of the Project

where not more than a de minimis amount of the functions to be performed are not directly related to the day-to-day operations of the Project), (iii) airplane, (iv) skybox or other private luxury box, (v) health club facility, (vi) facility primarily used for gambling or (vii) store, the principal business of which is the sale of alcoholic beverages for consumption off premises.

(t) Less than twenty-five percent (25%) of the net proceeds of the Refunded 1990 Series B Bonds were used directly or indirectly to acquire land or any interest therein and no portion of such land, if acquired, was or is to be used for farming purposes. No portion of the proceeds of the Refunded 1990 Series B Bonds was used to acquire existing property or any interest therein with respect to which the Company was not the first user for federal income tax purposes.

(u) Upon the date of issuance of the 2002 Series A Bonds, the Company will have caused the Issuer to comply with the public approval requirements of Section 147 of the Code and at or following the issuance of the 2002 Series A Bonds the Company will cause the Issuer to comply with the information reporting requirements of Section 149 of the Code by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

(v) All of the documents, instruments and written information furnished by Company on behalf of Company to Issuer or Trustee in connection with the issuance of the Bonds are true and correct in all material respects as of the date of delivery thereof and did not, as of the date of delivery thereof, omit or fail to state any material facts necessary to be stated therein to make the information provided not misleading.

(w) The Refunded 1990 Series B Bonds were issued on November 20, 1990.

(x) No construction, reconstruction or acquisition of the Project, of which the 1990 Project is an integral part, was commenced prior to the taking of official action by the Issuer with respect thereto except for preparation of plans and specifications and other preliminary engineering work.

(y) Acquisition, construction and installation of the 1990 Project has been accomplished and the 1990 Project is being utilized substantially in accordance with the purposes of the 1990 Project and in conformity with all applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, which permits, variances and orders have not been withdrawn or otherwise suspended, and consistently with the Act.

(z) The Company has used, is currently using and presently intends to use or operate the 1990 Project in a manner consistent with the purposes of the 1990 Project and the Act until the date on which the 2002 Series A Bonds have been fully paid and knows of no reason why the 1990 Project will not be so operated.

(aa) The proceeds derived from the sale of the 2002 Series A Bonds (other than any accrued interest thereon) will be used exclusively and solely to refund the principal of the Refunded 1990 Series B Bonds. The principal amount of the 2002 Series A Bonds does not exceed the principal amount of the Refunded 1990 Series B Bonds. The redemption of the outstanding principal amount of the Refunded 1990 Series B Bonds with such proceeds of the 2002 Series A Bonds will occur not later than 90 days after the date of issuance of the 2002 Series A Bonds. Any earnings derived from the investment of such proceeds of the 2002 Series A Bonds will be fully needed and used on such redemption date to pay a portion of the interest accrued and payable on the Refunded 1990 Series B Bonds on such date.

(bb) It is not anticipated, as of the date hereof, that there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2002 Series A Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

(cc) On the date of issuance and delivery of the Refunded 1990 Series B Bonds, the Company reasonably expected that all of the proceeds of the Refunded 1990 Series B Bonds would be used to carry out the governmental purposes of such issue within the 3-year period beginning on the date such issue was issued and none of the proceeds of such issue, if any, was invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

Company need not comply with the covenants or representations in this Section if and to the extent that Issuer and Company receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2002 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE III

COMPLETION AND OWNERSHIP OF PROJECT

Section 3.1. Completion and Equipping of Project. Company represents that (a) it has previously caused the Project to be constructed as herein provided on the Project Site in accordance with the Plans and Specifications and (b) the Project was completed as previously evidenced by the filing of a completion certificate by the Company with the trustee in respect of the Refunded 1990 Series B Bonds.

Section 3.2. Agreement as to Ownership of Project. The Company owns a 75% undivided interest in the Project. Issuer and ›mpany agree that title to and ownership of that portion of the Project owned by the Company as to which the 1990 Project is an integral ⌄omponent shall remain in and be the sole property of Company in which Issuer shall have no interest. The Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or

disposition shall not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.3. Use of Project. Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to Article IX of this Agreement or Article IX of the Indenture, to interfere with Company's ownership of the Project or to prevent Company from having possession, custody, use and enjoyment of the Project.

ARTICLE IV

ISSUANCE OF 2002 SERIES A BONDS; APPLICATION OF PROCEEDS; COMPANY TO ISSUE FIRST MORTGAGE BONDS

Section 4.1. Agreement to Issue 2002 Series A Bonds; Application of 2002 Series A Bond Proceeds. In order to provide funds to make the Loan, Issuer will issue, sell and deliver the 2002 Series A Bonds to the initial purchasers thereof and deposit the proceeds thereof with Trustee, as follows:

(i) Into the Bond Fund, a sum equal to the accrued interest, if any, to be paid by the initial purchasers of the 2002 Series A Bonds.

(ii) Into the Prior Bond Fund held by the Prior Trustee, for the benefit of and payment of the Refunded 1990 Series B Bonds, an amount not less than all of the balance of all such proceeds, being the principal amount of the 2002 Series A Bonds.

Section 4.2. Payment and Discharge of Refunded 1990 Series B Bonds. Company covenants and agrees with Issuer that it will, upon the date of issuance of the 2002 Series A Bonds, give irrevocable instructions to the Prior Trustee to call and redeem the Refunded 1990 Series B Bonds in accordance with their terms and will simultaneously deposit into the Prior Bond Fund cash or direct United States obligations ("Governmental Obligations") sufficient, on the date of issuance of the 2002 Series A Bonds, to fully defease and discharge the Refunded 1990 Series B Bonds on such date in accordance with Article VIII of the 1990 Series B Indenture, without reference to any interest earnings to be accrued during the period from the date of issuance of the 2002 Series A Bonds to the redemption date of the Refunded 1990 Series B Bonds. Such matters shall be confirmed by issuance of an appropriate written certificate of the Prior Trustee confirming defeasance and full discharge of the Refunded 1990 Series B Bonds upon the date of issuance of the 2002 Series A Bonds. Such irrevocable instructions, deposit of sufficient cash and Governmental Obligations and issuance by the Prior Trustee of a certificate of defeasance and discharge is a condition precedent to the issuance of the 2002 Series A Bonds.

Section 4.3. Investment of Bond Fund and Rebate Fund Moneys. Subject to the provisions of Section 148 of the Code, any moneys held as a part of the Bond Fund or the Rebate Fund, if applicable, shall be invested or reinvested by Trustee, at the written request of and as specifically directed by Company, in one or more of the Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of Trustee. All moneys invested shall be deemed at all times a part of the fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2002 Series A Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax or other charge in respect of any investments, reinvestments or any liquidation of investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

Section 4.4. Special Arbitrage Certifications.

(a) Company covenants and agrees that it, will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results in interest paid on any of the 2002 Series A Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) or adversely affects the validity of the 2002 Series A Bonds.

(b) Company warrants, represents and certifies to Issuer that the proceeds of the 2002 Series A Bonds will not be used in any manner that would cause the 2002 Series A Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 and other applicable sections of the Code. To the best knowledge and belief of Company, there are no facts, estimates or circumstances that would materially change the foregoing conclusion.

(c) Company hereby covenants that it will at all times comply and cause Issuer to comply with the provisions of Section 148 and other applicable sections of the Code and will restrict the use of the proceeds of the 2002 Series A Bonds, in such manner and to such extent, if any, as may be necessary, and remit Excess Earnings with respect to all of the 2002 Series A Bonds, if any, to the United States of America pursuant to Section 148(f)(2) of the Code and carry out such actions so that the 2002 Series A Bonds will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code. An officer or officers of Issuer having responsibility with respect to the issuance of the 2002 Series A Bonds is or are hereby authorized and directed to give an appropriate certificate of Issuer, for inclusion in the transcript of proceedings for the 2002 Series A Bonds, setting forth the reasonable expectations of Issuer regarding the amount and use of the proceeds of the 2002 Series A Bonds and the facts, estimates and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2002 Series

A Bonds pursuant to said Section 148 of the Code. Company shall provide the Issuer, and Issuer's certificate may be expressly based on, a certificate of Company setting forth the facts, estimates and circumstances and reasonable expectations of Company on the date of delivery of and payment for the 2002 Series A Bonds regarding the amount and use of the proceeds of the 2002 Series A Bonds and related matters. In the event any such representation of Company relied upon by the Issuer is untrue or inaccurate and Issuer thereby suffers costs or damages, Company shall indemnify Issuer for any such costs or damages.

(d) Consistent with the foregoing, Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2002 Series A Bonds, that no use will be made of the proceeds of the sale of the 2002 Series A Bonds which would cause the 2002 Series A Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and that Company and Issuer will, after issuance of the 2002 Series A Bonds, comply with the provisions of the Code at all times, including after the 2002 Series A Bonds are discharged, to the extent Excess Earnings with respect to the 2002 Series A Bonds are required to be rebated to the United States of America pursuant to Section 148(f)(2) of the Code. Pursuant to such covenant, Issuer and Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Section 148 of the Code.

(e) Company warrants, represents and certifies to Issuer that the proceeds of the Refunded 1990 Series B Bonds were applied and invested in compliance with the current requirements of Section 149(g) of the Code and that consequently the 2002 Series A Bonds will not be "hedge bonds" under such Section 149(g) of the Code.

(f) Company hereby covenants and agrees that it will at all times comply with the provisions of Section 148, including Section 148(f) of the Code and with Section 6.06 of the Indenture. Specifically, Company shall carry out, do and perform all acts stipulated to be performed by Company pursuant to such Section 6.06 of the Indenture. Company shall further undertake to assure and cause rebate payments to be calculated and made to the United States of America in accordance with Section 148(f)(2) of the Code from moneys on deposit in the Rebate Fund from time to time after the end of each Computation Period, as defined in the Indenture, and following discharge of the 2002 Series A Bonds. Company also covenants to take all necessary acts and steps as required to cause Issuer to comply with the provisions of Section 7.03 of the Indenture.

Section 4.5 . Opinion of Bond Counsel . Company need not comply with the covenants or representations in Section 4.4 if and to the extent that Issuer and Company (with a copy to Trustee) receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2002 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Section 4.6 . First Mortgage Bonds . Company covenants and agrees with Issuer that it will, for the purpose of providing security for the 2002 Series A Bonds, execute and deliver on the date of issuance of the 2002 Series A Bonds, the First Mortgage Bonds to Trustee in aggregate principal amount not less than the aggregate principal amount of the 2002 Series A Bonds. The First Mortgage Bonds shall mature as to principal identically as in the case of the 2002 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental Indenture, shall bear interest identically as in the case of the 2002 Series A Bonds.

Prior to the Release Date, in the event of a default under Article IX of this Agreement or in the event of a default in payment of the principal of, premium, if any, or interest on the 2002 Series A Bonds as and when the same come due, whether at maturity, by purchase, redemption, acceleration or otherwise, and upon receipt by First Mortgage Trustee of a Redemption Demand from Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable in accordance with the provisions specified in the Supplemental Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2002 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2002 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of Company thereunder terminated and such First Mortgage Bonds shall be surrendered by Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Notwithstanding anything in this Agreement to the contrary, from and after the Release Date, the obligation of the Company to make payment with respect to the principal of and premium, if any, and interest on the First Mortgage Bonds shall be deemed satisfied and discharged as provided in the Supplemental Indenture and the First Mortgage Bonds shall cease to secure in any manner the 2002 Series A Bonds. As a result, on the Release Date, the obligations under this Agreement shall become unsecured general obligations of the Company.

The Company shall notify the Issuer and the Trustee in writing promptly upon the occurrence of the Release Date. Upon receiving written notice of the Release Date from the Company, the Trustee shall deliver for cancellation to the First Mortgage Trustee all of the First Mortgage Bonds.

ARTICLE V

PROVISIONS FOR PAYMENT

Section 5.1 Loan Payments and Other Amounts Payable . (a) Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2002 Series A Bonds or any other date that any payment of interest, premium, if any, purchase price or principal is required to be made in respect of the 2002 Series A Bonds at the times specified in accordance with the more

specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2002 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the 2002 Series A Bonds as provided in the Indenture; provided that such payments by Company to enable the Tender Agent to pay the purchase price of Bonds shall be made within the times required by Section 3.05 of the Indenture.

It is understood and agreed that all payments payable by Company under this subsection (a) of Section 5.1 are assigned by the Issuer to the Trustee, the Paying Agent and the Tender Agent, as applicable, for the benefit of the Bondholders. Company assents to such assignment. Issuer hereby directs Company and Company hereby agrees to pay to Trustee and/or Paying Agent or Tender Agent, as appropriate, at the Principal Office of the Trustee and/or Paying Agent or Tender Agent, as appropriate, all payments payable by Company pursuant to this subsection.

(b) Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2002 Series A Bonds and incurred upon the request of Company.

(c) Company will also pay the agreed upon fees and expenses of Trustee (including those referred to in Section 10.02 of the Indenture), the Bond Registrar, the Tender Agent and the Paying Agent under the Indenture and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Market Agent, the Auction Agent and the Tender Agent, as applicable from time to time, under the Indenture, such amounts to be paid directly to Trustee, the Bond Registrar, the Paying Agent and Tender Agent for their respective own accounts as and when such amounts become due and payable.

The Company further agrees to indemnify and hold harmless the Trustee, Bond Registrar and Paying Agent against any loss, liability or expense, including reasonable attorneys' fees and expenses, incurred by it without negligence or bad faith on its part in connection with the issuance of the 2002 Series A Bonds or the acceptance or administration of the trusts under the Indenture, including the costs of defending itself against any claim or liability in connection therewith.

(d) The Company covenants, for the benefit of the Bondholders, to pay or cause to be paid, to the Tender Agent for deposit in the Purchase Fund, such amounts as shall be necessary to enable the Tender Agent to pay the purchase price of 2002 Series A Bonds delivered to it for purchase, all as more particularly described in Sections 3.03 and 3.05 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price of 2002 Series A Bonds delivered to it for purchase, as provided in the Indenture.

(e) In the event Company should fail to make any of the payments required in this Section 5.1 , the item or installment so in default shall continue as an obligation of Company until the amount in default shall have been fully paid, and Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due to the date of payment.

Section 5.2 . Payments Assigned . As set forth in Section 5.1 hereof, it is understood and agreed that this Agreement and all payments made by Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) or (c) or pursuant to Section 8.2 hereof) are assigned by Issuer to Trustee. Company assents to such assignment and hereby agrees that, as to Trustee, Paying Agent, the Market Agent, the Auction Agent and Tender Agent, as applicable from time to time, its obligation to make such payments shall be absolute, irrevocable and unconditional and shall not be subject to cancellation, termination or abatement or to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by any party, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing by any party. Except as provided above, Issuer hereby directs Company and Company hereby agrees to pay to Trustee, Paying Agent, the Market Agent, the Auction Agent, Bond Registrar or Tender Agent, as appropriate, all said payments payable by Company pursuant to Section 5.1 of this Agreement.

Section 5.3 . Taxes and Other Governmental Charges . Company agrees to pay during the term of this Agreement, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied or charged against or with respect to the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating Company to pay taxes on any interest or principal on the 2002 Series A Bonds disbursed to Bondholders.

Company may, at its expense and in its own name, in good faith contest any such taxes, assessments and other governmental charges and, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments or charges shall be paid forthwith. Issuer will cooperate fully with Company in any such contest. In the event Company shall fail to pay any of the foregoing items required by this Section to be paid by Company, Issuer or Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by Issuer or Trustee shall become an additional obligation of Company to the one making the advancement, which amounts, together with interest thereon Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on ninety-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; provided , however , that no such advancement shall operate to relieve the Company from any default hereunder. Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4. Obligations of Company Unconditional. The obligation of Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.06 of the Indenture shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the 2002 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, Company (i) will not suspend or discontinue any payments pursuant to this Agreement and (ii) except as provided in Article X hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of title to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of Issuer or Trustee to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release Issuer from the performance of any of the agreements on its part herein contained; and in the event Issuer should fail to perform any such agreement on its part, Company may institute such action against Issuer as Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of Company contained in the preceding sentence. Company may, however, at its own cost and expense and in its own name or in the name of Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy and use of the Project, and in such event Issuer hereby agrees to cooperate fully with Company.

Section 5.5. Rebate Fund. Company agrees to make all payments to the Trustee and rebate all amounts to the United States of America as are required of it under Section 6.06 of the Indenture. The obligation of Company to make such payments shall remain in effect and be binding upon Company notwithstanding the release and discharge of the Indenture.

Section 5.6. Redemption of the 2002 Series A Bonds in Advance of Scheduled Maturity. Under the terms of the Indenture, the 2002 Series A Bonds are and will be subject to redemption prior to their scheduled maturity. The Issuer agrees that it shall direct the Trustee to redeem and call 2002 Series A Bonds at the written direction of the Company.

Section 5.7. Cancellation of 2002 Series A Bonds. The cancellation by the Bond Registrar of any 2002 Series A Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2002 Series A Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan repayment equal to the principal amount of the 2002 Series A Bond or Bonds so cancelled.

ARTICLE VI

MAINTENANCE; DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS; INSURANCE

Section 6.1 Maintenance. So long as any 2002 Series A Bonds are Outstanding, as that term is defined in the Indenture, Company will maintain, preserve and keep the Project, or cause the Project to be maintained, preserved and kept, in good repair, working order and condition and will from time to time make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as air and water pollution control and abatement facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, the Code and the Act; provided, however, that Company will have no obligation to maintain, preserve, keep, repair, replace or renew any element or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to Company because of damage or destruction by a cause not within the control of Company, or condemnation of all or substantially all of the Project or the generating facilities to which the element or unit of the Project is an adjunct, or obsolescence (including economic obsolescence) or change in government standards and regulations, or the termination by Company of the operation of the generating facilities to which the element or unit of the Project is an adjunct, and (b) with respect to which Company has furnished to Issuer and Trustee a certificate executed by Company Representative certifying that the maintenance, preservation, keeping, repair, replacement or renewal of such element or unit of the Project is being discontinued for one of the foregoing reasons, which shall be stated therein, and that the discontinuance of such element or unit will not adversely affect the exclusion of interest on any of the 2002 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of this Agreement as part of the Project; provided, however, that Company shall take no actions which will change or alter the basic nature of the Project as air and water pollution control and abatement facilities and solid waste disposal facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, and the Act.

If, prior to full payment of all 2002 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Company or the First Mortgage Trustee receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.1(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2002 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2002 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2002 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2002 Series A Bonds are otherwise subject to optional redemption.

Section 6.2. Insurance. Prior to the Release Date, Company agrees to insure the Project at all times in accordance with the provisions of First Mortgage Indenture. From and after the Release Date, the Company agrees to insure, or self-insure, the Project at all times reasonably in accordance with investor-owned public utility industry general practices and standards.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1 No Warranty of Condition or Suitability by Issuer. Issuer makes no warranty, either express or implied, as to the Project or that it will be suitable for Company's purposes or needs.

Section 7.2. Company to Maintain its Corporate Existence; Conditions under Which Exceptions Permitted. Company agrees that during the term of this Agreement it will maintain its corporate existence and good standing, will continue to be a corporation organized under the laws of the Commonwealth of Kentucky or qualified and admitted to do business in the Commonwealth of Kentucky, and will neither dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge, (i) shall be a corporation organized and existing under the laws of one of the States of the United States of America, (ii) shall be qualified and admitted to do business in the Commonwealth of Kentucky, (iii) shall assume in writing all of the obligations of Company herein and (iv) shall deliver a copy of such assumption to the Issuer and Trustee.

Section 7.3. Financial Statements. Company agrees to furnish Trustee (within 120 days after the close of each fiscal year) with an audited balance sheet and statements of income, retained earnings and changes in cash flows showing the financial condition of Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of Company and its consolidated subsidiary or subsidiaries, if any, for such fiscal year, accompanied by an opinion of its regular independent certified public accountants that such statements fairly represent the financial condition of Company in accordance with generally accepted accounting principles. The requirements of this Section 7.3 shall be satisfied by the submission to Trustee of Company's annual report on Form 10-K. The information so provided to Trustee shall be kept in its files and is not required to be distributed to any Registered Holder or other person. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 7.4. Further Assurances and Corrective Instruments. Issuer and Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5. Issuer Representative. Whenever under the provisions of this Agreement the approval of Issuer is required or Issuer is required to take some action at the request of Company, such approval shall be made or such action shall be taken by Issuer Representative and Company or Trustee shall be authorized to act on any such approval or action, and Issuer shall have no redress against Company or Trustee as a result of any such action taken.

Section 7.6. Company Representative. Whenever under the provisions of this Agreement the approval of Company is required or Company is required to take some action at the request of Issuer, such approval shall be made or such action shall be taken by Company Representative and Issuer or Trustee shall be authorized to act on any such approval or action and Company shall have no redress against Issuer or Trustee as a result of any such action taken.

Section 7.7. Financing Statements. Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the lien of the Indenture and the Supplemental Indenture. Issuer shall cooperate fully with Company in taking any such action. Concurrently with the execution and delivery of the 2002 Series A Bonds, Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such lien, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture, which filings the Company agrees to undertake.

Section 7.8. Company's Performance Under Indenture. The Company agrees, for the benefit of Bondholders, to do and perform all acts and things contemplated in the Indenture to be done and performed by it.

Section 7.9. Negative Pledge. (a) The Company agrees that, subsequent to the Release Date (as defined in the Indenture) and so long as any Bonds remain outstanding, the Company will not issue, assume or guarantee any Debt secured by any mortgage, security interest, pledge or lien (herein referred to as a "mortgage") of or upon any Operating Property of the Company, whether owned at the date of the Indenture or thereafter acquired, and will not permit to exist any Debt secured by a mortgage on any Operating Property created on or prior to the Release Date, without in any such case effectively securing, on the later to occur of the issuance, assumption or guaranty of any such Debt or the Release Date, the Bonds equally and ratably with such Debt; provided, however, that the foregoing restriction shall not apply to Debt secured by any of the following:

(1) mortgages on any property existing at the time of acquisition thereof;

(2) mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with the Company, or at

the time of a sale, lease or other disposition of the properties of such corporation or a division thereof as an entirety or substantially as an entirety to the Company, provided that such mortgage as a result of such merger, consolidation, sale, lease or other disposition is not extended to property owned by the Company immediately prior thereto;

(3) mortgages on property to secure all or part of the cost of acquiring, substantially repairing or altering, constructing, developing or substantially improving such property, or to secure indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided such mortgages are created or assumed contemporaneously with, or within 18 months after, such acquisition or completion of substantial repair or alteration, construction, development or substantial improvement or within six months thereafter pursuant to a commitment for financing arranged with a lender or investor within such 18 month period;

(4) mortgages in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any state thereof, or for the benefit of holders of securities issued by any such entity, to secure any Debt incurred for the purpose of financing all or any part of the purchase price or the cost of substantially repairing or altering, constructing, developing or substantially improving the property subject to such mortgages; or

(5) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any mortgage referred to in the foregoing clauses (1) to (4), inclusive; provided, however, that the principal amount of indebtedness secured thereby and not otherwise authorized by said clauses (1) to (4), inclusive, shall not exceed the principal amount of indebtedness, plus any premium or fee payable in connection with any such extension, renewal or replacement, so secured at the time of such extension, renewal or replacement.

(b) Notwithstanding the provisions of Section 7.9(a) from and after the Release Date and so long as any Bonds remain outstanding, the Company may issue, assume or guarantee Debt, or permit to exist Debt, secured by mortgages which would otherwise be subject to the restrictions of this Section up to an aggregate principal amount that, together with the principal amount of all other Debt of the Company secured by mortgages (other than mortgages permitted by Section 7.9(a) that would otherwise be subject to the foregoing restrictions) does not at the time exceed the greater of 10% of Net Tangible Assets or 10% of Capitalization.

(c) If at any time the Company shall issue, assume or guarantee any Debt secured by any mortgage and if Section 7.9(a) requires that the Bonds be secured equally and ratably with such Debt, the Company will promptly execute, at its expense, any instruments necessary to so equally and ratably secure such Bonds.

ARTICLE VIII

ASSIGNMENT; INDEMNIFICATION; REDEMPTION

Section 8.1 Assignment. This Agreement may be assigned by Company without the necessity of obtaining the consent of either Issuer or Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve Company from primary liability for any of its obligations hereunder, and in the event of any such assignment Company shall remain primarily liable for payments of the amounts specified in Section 5.1 hereof and for performance and observance of the other covenants or agreements on its part herein provided to be performed and observed to the same extent as though no assignment had been made;

(b) The assignee shall assume the obligations of Company hereunder to the extent of the interest assigned;

(c) Company shall, within thirty days after the delivery thereof, furnish or cause to be furnished to Issuer and to Trustee a true and complete copy of each such assignment and assumption of obligation; and

(d) prior to such assignment, the Company shall have obtained an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the 2002 Series A Bonds from gross income for Federal income tax purposes under Section 103(a) of the Code.

Section 8.2. Release and Indemnification Covenants. Company releases Issuer from and covenants and agrees that Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless against, any expense or liability incurred by Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof. If any such claim is asserted, Issuer agrees to give prompt notice to the Company and Company will assume the defense thereof, with full power to litigate, compromise or to settle the same in its sole discretion, it being understood that Issuer will not settle or consent to the settlement of the same without the consent of Company.

Section 8.3. Assignment of Interest in Agreement by Issuer. Any assignment by Issuer to Trustee pursuant to the Indenture or this Agreement of any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 8.4. Redemption of 2002 Series A Bonds. Upon the agreement of Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2002 Series A Bonds subject to redemption, Issuer, at the request of Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the 2002 Series A Bonds outstanding, as may be specified by Company, on the redemption date specified by the Company.

Section 8.5. Reference to 2002 Series A Bonds Ineffective after 2002 Series A Bonds Paid. Upon payment in full of the 2002 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.4 hereof and payment of all fees and charges of the Trustee (including reasonable attorney's fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2002 Series A Bonds, the First Mortgage Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2002 Series A Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1 Events of Default Defined. The following shall be "events of default" under this Agreement and the term "events of default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsections (a) and (d) of Section 5.1 hereof which results in failure to pay principal of, premium or interest on or the purchase price of the 2002 Series A Bonds, and such failure shall cause an event of default under the Indenture.

(b) Failure by Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, is given to Company by Issuer or Trustee, unless Issuer and Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Issuer and Trustee will not unreasonably withhold their consent to an extension of such time if such failure is capable of being cured and corrective action is instituted by Company within the applicable period and is being diligently pursued.

(c) All bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(d) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Company, or of a substantial part of the property or assets of Company, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company or (iii) the winding-up or liquidation of Company; and such proceeding or petition shall continue undismissed or unstayed for 90 days or an order or decree approving or ordering any of the foregoing shall be entered.

(e) Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (d) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing.

The provisions of Section 9.1(b) are subject to the following limitations: If by reason of force majeure Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of Company contained in Sections 2.2(k) and (l), 4.2, 4.4, 4.6 or 7.2 or Article V hereof and the general covenant and obligation of Company to take all necessary actions for the continued exclusion of interest on the 2002 Series A Bonds from gross income for federal and Kentucky income taxes, Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean any cause or event not reasonably within the control of Company, including without limitation the following: acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the Commonwealth of Kentucky or any of their departments, agencies or officials, or any civil or military authority; evacuations and quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines or pipes; or partial or entire failure of utility services. Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Company, and Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Company unfavorable to Company.

Section 9.2. Remedies on Default. Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, Issuer may take any one or more of the following remedial steps:

(a) By written notice to Company, Issuer may declare an amount equal to the principal and accrued interest on the 2002 Series A Bonds then Outstanding, as defined in the Indenture, to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

(b) Issuer may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of Company.

(c) Issuer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Company under this Agreement, including, until the Release Date, any remedies available in respect of the First Mortgage Bonds.

In case there shall be pending a proceeding of the nature described in Section 9.1(d) or (e) above, Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of Trustee allowed in such judicial proceedings relative to Company, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any custodian (including, without limitation a receiver, trustee or liquidator) of Company appointed in connection with such proceedings is hereby authorized to make such payments to Trustee, and to pay to Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Any amounts collected pursuant to action taken under this Section 9.2 (other than the compensation and expenses referred to in the immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2002 Series A Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of Trustee and any paying agents accrued and to accrue through final payment of the 2002 Series A Bonds, and all other liabilities of Company accrued and to accrue hereunder or under the Indenture through final payment of the 2002 Series A Bonds have been paid, such amounts so collected shall be paid to Company.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given Issuer hereunder shall also extend to Trustee, and Trustee and the holders of the 2002 Series A Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 9.4. Agreement to Pay Attorneys' Fees and Expenses. In the event Company should default under any of the provisions of this Agreement and Issuer and/or Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of Company herein contained, Company agrees that it will on demand therefor pay to Issuer and/or Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by Issuer and/or Trustee.

Section 9.5. Waiver of Events of Default. If, after the acceleration of the maturity of the outstanding 2002 Series A Bonds by Trustee pursuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2002 Series A Bonds and the principal of, and premium, if any, on any and all 2002 Series A Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2002 Series A Bond, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2002 Series A Bonds which shall have become due by said declaration, shall have been remedied, and such event of default under the Indenture shall be deemed waived by Trustee in accordance with Section 9.12 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then Company's default hereunder shall be deemed to have been waived by Issuer and no further action or consent by Trustee or Issuer shall be required. In the event any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

PREPAYMENT OF LOAN

Section 10.1 Options to Prepay Loan. Company shall have, and is hereby granted, options to prepay the Loan in whole and to cancel or terminate this Agreement on any Business Day at any time Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by Company to Trustee of such election, as follows:

(a) If in the judgment of Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2002 Series A Bonds upon Company with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem, property, income or other taxes not imposed on the date of this Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) If the Project or a portion thereof or other property of Company in connection with which the Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or other property of Company

in connection with which the Project is used unsatisfactory to Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use;

(d) In the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of the Trimble County Generating Station of the Company shall have occurred which, in the judgment of the Company, render the continued operation of the Trimble County Generating Station or any generating unit at such station uneconomical; or changes in circumstances, after the issuance of the 2002 Series A Bonds including but not limited to changes in clean air and water or other air and water pollution control and solid waste disposal requirements, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) In the event this Agreement shall become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action, whether state or federal, or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) A final order or decree of any court or administrative body after the issuance of the 2002 Series A Bonds shall require the Company to cease a substantial part of its operations at the Trimble County Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such location for a period of six months.

In the case of prepayment pursuant to this Section 10.1 (or if any 2002 Series A Bonds be redeemed in whole or in part pursuant to Section 6.1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with Trustee and available for such purpose, to redeem all 2002 Series A Bonds then outstanding (or, in the case any 2002 Series A Bonds are redeemed in part pursuant to Section 6.1 hereof, such portion of the Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2002 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2002 Series A Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the events mentioned in (a) through (f) above, Company is required to give written notice to Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2 Additional Option to Prepay Loan. Company shall have, and is hereby granted, further options, to the extent that the 2002 Series A Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with Trustee moneys sufficient to pay, together with other funds deposited with Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2002 Series A Bonds then outstanding under the Indenture and, upon depositing with Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2002 Series A Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder, to cancel or terminate the term of this Agreement.

Section 10.3 Obligations to Prepay Loan. Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, prior to the required full payment of the 2002 Series A Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and Company shall take all actions required to mandatorily redeem the 2002 Series A Bonds at the cost of the Company upon the terms specified in this Agreement and in Article IV of the Indenture following the occurrence of a Determination of Taxability, including, but not limited to, prepaying appropriate amounts due on the 2002 Series A Bonds in order to effect such redemption. The 2002 Series A Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this section, a "Determination of Taxability" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2002 Series A Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2002 Series A Bonds, the interest on the 2002 Series A Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2002 Series A Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2002 Series A Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does

not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any 2002 Series A Bond in the computation of minimum or indirect taxes. All of the 2002 Series A Bonds shall be redeemed upon a Determination f Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2002 Series A Bonds of one or more eries or one or more maturities would have the result that interest payable on the remaining 2002 Series A Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the 2002 Series A Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described in this Section 10.3 , the Company shall give notice thereof to the Trustee and the Issuer.

In the case of the mandatory obligation of Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as specified in this Section 10.3 hereof and to provide to Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2002 Series A Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2002 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any paying agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2002 Series A Bonds.

Section 10.4 . Notice of Prepayment; Redemption Procedures . It is understood and agreed by the parties hereto that in order to exercise an option granted in, or to consummate a mandatory prepayment required by, this Article X , Company shall give written notice to Issuer and Trustee which notice shall (i) contain the agreement of Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2002 Series A Bonds equal to the amount of the prepayment, including, in the case of a prepayment under Section 10.2 hereof, any applicable redemption premium in respect of such 2002 Series A Bonds, and any other amounts required under this Agreement and (ii) specify the prepayment date (which must be a Business Day and which shall also be the redemption date), which date shall not be less than 30 days (45 days if the 2002 Series A Bonds are bearing interest at the Semi-annual, Annual or Long Term Rate or in all cases such shorter period as may be acceptable to the Trustee) nor more than 90 days from the date the notice is mailed by Company to Issuer and Trustee.

Section 10.5 . Relative Position of this Article and Indenture . The rights and options granted to Company in this Article, except the tion granted to Company pursuant to Section 10.2 to prepay less than all of the Loan payments, shall be and remain prior and superior to the ndenture and may be exercised whether or not Company is otherwise in default hereunder; provided that such default will not result in nonfulfillment of any condition to the exercise of any such right or option.

Section 10.6 . Concurrent Discharge of First Mortgage Bonds . Prior to the Release Date, in the event any of the 2002 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE XI

MISCELLANEOUS

Section 11.1 . Term of Agreement . This Agreement shall remain in full force and effect from the date hereof to and including the later of October 1, 2032, or until such earlier or later time as all of the 2002 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture), whichever shall be later; provided, however, that this Agreement may be cancelled and terminated prior to said date if Company shall prepay all of the Loan pursuant to Article X hereof; and provided further, however, that all obligations of Company under Article V and Section 8.1 hereof (a) to pay fees and expenses of Trustee, the Tender Agent, the Bond Registrar and any Paying Agent and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2002 Series A Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by Company as to all matters affecting the tax-exempt status of interest on the 2002 Series A Bonds shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2002 Series A Bonds and shall survive the termination of this Agreement and all obligations of Company contained herein relating to indemnification of Issuer, Trustee, Bond Registrar, Authenticating Agent, Tender Agent and any Paying Agent shall survive the termination of this Agreement.

Section 11.2 . Notices . All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Issuer, at the Trimble County Courthouse, P.O. Box 251, Bedford, Kentucky 40006, Attention: County Judge/Executive;

If to Company, at its corporate headquarters, 220 West Main Street, Louisville, Kentucky 40202, Attention: Treasurer, and

If to Trustee, at Corporate Trust & Agency Services, c/o DB Services New Jersey, Inc., 100 Plaza One, Mail Stop 0603, Jersey City,

New Jersey 07311, Attention: Corporate Trust Administration.

If to Paying Agent, Remarketing Agent, Auction Agent, Market Agent or Tender Agent, at such addresses for notices as are set forth in the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by either Issuer or Company to the other shall also be given to Trustee. Issuer, Company and Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon Issuer, Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 hereof.

Section 11.4. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5. Amounts Remaining in Bond Fund, Rebate Fund and Prior Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the 2002 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, shall belong to and be paid to Company by Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied and disbursed strictly and only in accordance with the provisions of Section 6.06 of the Indenture. Following the payment and discharge of the Refunded 1990 Series B Bonds on their redemption date and the making of provision for payment of the Refunded 1990 Series B Bonds not presented for payment any remaining moneys in the Prior Bond Fund shall belong to and be paid to Company by the Prior Trustee.

Section 11.6. Amendments, Changes and Modifications. Subsequent to the issuance of the 2002 Series A Bonds and prior to payment in full of all 2002 Series A Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated, and no provision hereof waived, without the written consent of Trustee, given in accordance with the Indenture.

Section 11.7. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 11.9. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 11.10. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement, as hereinabove provided.

Section 11.11. Payments Due on Other Than Business Days. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be on a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided in this Agreement, and if done on such succeeding Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

(remainder of page left blank intentionally)

IN WITNESS WHEREOF , Issuer and Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first written.

COUNTY OF TRIMBLE, KENTUCKY

(SEAL)

By:_____
RAY CLEM
County Judge/Executive

ATTEST:

_____
SUSAN BARNES
Fiscal Court Clerk

LOUISVILLE GAS AND ELECTRIC COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN McCALL
Secretary

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF TRIMBLE)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of _____, 2002, the foregoing instrument was produced to me in said County by Ray Clem and Susan Barnes, personally known to me and personally known by me to be the County Judge/Executive and Fiscal Court Clerk, respectively, of the COUNTY OF TRIMBLE, KENTUCKY, and acknowledged before me by them and each of them to be their free act and deed as County Judge/Executive and Fiscal Court Clerk of such County, and the act and deed of said County as authorized by an Ordinance of the Fiscal Court of such County.

Witness my hand and seal this _____ day of _____, 2002. My commission expires_____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of _____, 2002, the foregoing instrument was produced to me in said County by Daniel K. Arbough and John R. McCall, personally known to me and personally known by me to be the Treasurer and the Secretary, respectively, of LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

Witness my hand and seal this _____ day of _____, 2002. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

This Instrument Prepared by the
Undersigned, Attorney at Law of
HARPER, FERGUSON & DAVIS
1700 PNC Plaza
500 West Jefferson Street

_____
SPENCER E. HARPER, JR

Exhibit 4(ss)-2

Execution Copy

(2002 Series A – Trimble County)

COUNTY OF TRIMBLE, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

AMENDMENT NO. 1 TO LOAN AGREEMENT IN CONNECTION WITH POLLUTION CONTROL FACILITIES

* * * * *

Dated as of September 1, 2010

* * * * *

NOTICE: The interest of the County of Trimble, Kentucky in and to this Amendment No. 1 to Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Indenture of Trust dated as of July 1, 2002.

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THIS AMENDMENT NO. 1 TO LOAN AGREEMENT, dated as of September 1, 2010, but made effective as of the Effective Date (defined herein) (this "Amendment No. 1 to Loan Agreement"), by and between the COUNTY OF TRIMBLE, KENTUCKY, being a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky.

WITNESSETH:

WHEREAS, the County of Trimble, Kentucky (the "Issuer") constitutes a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), the Issuer has the power to enter into the transactions contemplated by this Amendment No. 1 to Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, the Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act for the abatement and control of air and water pollution and to refund bonds which were previously issued for such purposes; and

WHEREAS, on October 23, 2002, the Issuer, at the request of Louisville Gas and Electric Company (the "Company"), issued its Pollution Control Revenue Bonds, 2002 Series A (Louisville Gas and Electric Company Project) (the "Bonds" or "2002 Series A Bonds") in the original principal amount of $41,665,000, and the Issuer loaned the proceeds of the 2002 Series A Bonds to the Company pursuant to the Loan Agreement dated as of July 1, 2002, between the Issuer and the Company (the "Agreement"); and

WHEREAS, to secure the payment of the 2002 Series A Bonds, the Issuer assigned substantially all of its rights, title and interests in and to the Agreement to Deutsche Bank Trust Company Americas (successor to Bankers Trust Company), as Trustee (the "Trustee"), pursuant to the Indenture of Trust dated as of July 1, 2002, between the Issuer and the Trustee (the "Indenture"); and

WHEREAS, the Company delivered to the Trustee, as security for the Company's payment obligations under the Agreement, $41,665,000 aggregate principal amount of the Company's first mortgage bonds issued under the Company's Indenture dated November 1, 1949, as amended by indentures supplemental thereto (the "1949 Indenture"); and

WHEREAS, the 1949 Indenture was subsequently terminated, the first mortgage bonds issued under the 1949 Indenture to secure the 2002 Series A Bonds were released and the Company's obligations under the Agreement became unsecured; and

WHEREAS, all of the 2002 Series A Bonds remain outstanding and unpaid; and

WHEREAS, the Company intends to enter into that certain Indenture dated as of October 1, 2010 (the "First Mortgage Indenture"), between the Company and The Bank of New York Mellon (the "First Mortgage Trustee"), pursuant to which the Company shall issue certain first mortgage bonds secured by a lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky; and

WHEREAS, in the event the Company grants a lien on and a security interest in its operating property to secure general debt for borrowed money, which the Company intends to do pursuant to the issuance of the first mortgage bonds pursuant to the First Mortgage Indenture, the Agreement obligates the Company to grant an equal and ratable lien on and security interest in its operating property in favor of the Trustee under the Indenture to secure the 2002 Series A Bonds; and

WHEREAS, the Company intends to issue first mortgage bonds (the "First Mortgage Bonds") to the Trustee under the Indenture, thereby creating in favor of the Trustee for the benefit of the holders of the 2002 Series A Bonds an equal and ratable lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky as security for the payment of the 2002 Series A Bonds; and

WHEREAS, pursuant to Section 13.01 of the Indenture, the consent of the holders of the 2002 Series A Bonds is not required for the Issuer and the Company to enter into an amendment to the Agreement in order to conform the Agreement with changes and modifications to the Indenture made pursuant to Section 12.01 of the Indenture; and

WHEREAS, it is now appropriate and necessary that the Agreement be amended pursuant to Section 13.01 of the Indenture in connection with the issuance of the First Mortgage Bonds to the Trustee under the Indenture as additional collateral and security for the payment of the 2002 Series A Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Issuer on September 20, 2010, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to enter into this Amendment No. 1 to Loan Agreement in order to provide additional collateral and security for the 2002 Series A Bonds; and

WHEREAS, the Issuer and the Trustee have entered into that certain Supplemental Indenture No. 1 to Indenture of Trust (the "Supplemental Indenture No. 1") of even date herewith pursuant to Section 12.01 of the Indenture; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amendment No. 1 to Loan Agreement have happened, have existed and have been performed as so required in order to make this Amendment No. 1 to Loan Agreement a

valid and binding loan agreement for the security of the holders of the 2002 Series A Bonds and for payment of all amounts due under the Agreement and this Amendment No. 1 to Loan Agreement in accordance with their respective terms.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND \GREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER AS FOLLOWS :

ARTICLE I

AMENDMENTS TO THE LOAN AGREEMENT

Section 1.1. Amendment of Table of Contents . Section 7.9 of the Table of Contents of the Agreement is hereby deleted in its entirety.

Section 1.2. Amendment of Section 1.02. Incorporation of Certain Terms by Reference . The following defined terms are hereby added to Section 1.02 of the Agreement and shall have the meanings set forth in Section 1.5 of the Supplemental Indenture No. 1:

"Amendment No. 1 to Loan Agreement"
"Effective Date"
"Supplemental Indenture No. 1"

The following defined terms in Section 1.5 of the Supplemental Indenture No. 1 shall amend, restate and supersede the corresponding defined terms set forth in Section 1.02 of the Agreement:

"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Redemption Demand"
"Supplemental First Mortgage _Indenture" in lieu of "Supplemental Indenture"

Section 1.02 of the Agreement is further hereby amended by deleting the definition of "Release Date" and all references to such term in the Agreement.

Section 1.3. Amendment of Section 1.03. Additional Definitions . The following defined terms set forth in Section 1.03 of the Agreement are hereby deleted in their entirety:

"Capitalization"
"Debt"
"Net Tangible Assets"
"Operating Property"

Section 1.4. Amendment of Section 3.2. Agreement as to Ownership of Project . Section 3.2 of the Agreement is hereby amended and restated to read as follows:

> Section 3.2 . Agreement as to Ownership of Project . The Issuer and the Company agree that title to and ownership of the Project shall remain in and be the sole property of the Company in which the Issuer shall have no interest. From and after the Effective Date, the Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2002 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement and the Amendment No. 1 to Loan Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 1.5. Amendment of Section 4.6. First Mortgage Bonds . Section 4.6 of the Agreement is hereby amended and restated to read as follows:

> Section 4.6 . First Mortgage Bonds . The Company covenants and agrees with the Issuer that it will, for the purpose of providing security for the 2002 Series A Bonds, execute and deliver to the Trustee on the Effective Date the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2002 Series A Bonds. The First Mortgage Bonds shall be in full force and effect from and after the Effective Date and shall mature as to principal identically as in the case of the 2002 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental First Mortgage Indenture, shall bear interest identically as in the case of the 2002 Series A Bonds.
>
> Following the Effective Date, upon the occurrence of an event of default under Article IX of this Agreement, as amended by the Amendment No. 1 to Loan Agreement, that has resulted in a default in payment of the principal of, premium, if any, or interest on the 2002 Series A Bonds as and when the same come due, whether at maturity, redemption, acceleration or otherwise, or a default in payment of the purchase price of any 2002 Series A Bond tendered for purchase, the acceleration of the maturity date of the 2002 Series A Bonds (to the extent not already due and payable) as a consequence of such event of

default and the receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable, in accordance with the provisions specified in the Supplemental First Mortgage Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2002 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, the Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of Article VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2002 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of the Company thereunder terminated and such First Mortgage Bonds shall be surrendered by the Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of the Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Section 1.6. Amendment of Section 7.7. Financing Statements. Section 7.7 of the Agreement is hereby amended and restated to read as follows:

Section 7.7. Financing Statements. The Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the respective liens of the Indenture and the First Mortgage Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the First Mortgage Bonds, the Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the respective liens of the Indenture and the First Mortgage Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such liens, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the respective liens of the Indenture and the First Mortgage Indenture, which filings the Company agrees to undertake.

Section 1.7. Deletion of Section 7.9. Negative Pledge. Section 7.9 of the Agreement is hereby deleted in its entirety.

Section 1.8. Amendment of Section 9.1. Events of Default Defined. Section 9.1(c) of the Agreement is hereby amended and restated and subsection (f) is hereby added to Section 9.1, in each case to read as follows:

(c) From and after the Effective Date, all bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

(f) The occurrence of an Event of Default under the Indenture.

Section 1.9. Amendment of Section 9.2. Remedies on Default. Section 9.2(c) of the Agreement is hereby amended and restated to read as follows:

(c) The Trustee, on behalf of the Issuer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement and the Amendment No. 1 to Loan Agreement, including, from and after the Effective Date, any remedies available in respect of the First Mortgage Bonds.

Section 1.10. Amendment of Section 10.6. Concurrent Discharge of First Mortgage Bonds. Section 10.6 of the Agreement is hereby amended and restated to read as follows:

Section 10.6. Concurrent Discharge of First Mortgage Bonds. From and after the Effective Date, in the event any of the 2002 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement and the Amendment No. 1 to Loan Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.13 of the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by the Issuer. The Issuer represents, warrants and covenants that:

(a) The Issuer is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, the Issuer has the power to enter into this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1 and the transactions contemplated hereby and thereby and to carry out its obligations hereunder and thereunder.

(b) To its knowledge, the Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the First Mortgage Bonds or the consummation of the transactions contemplated hereby, and the Issuer has been duly authorized to execute and deliver this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1. The Issuer agrees that it will do or cause to be done in a timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Amendment No. 1 to Loan Agreement.

Section 2.2. Representations, Warranties and Covenants by the Company. The Company represents, warrants and covenants that:

(a) The Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the First Mortgage Bonds.

(b) The Company has full and complete legal power and authority to execute and deliver this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds.

(c) No event of default, and no event of the type described in clauses (a) through (f) of Section 9.1 of the Agreement, as amended by this Amendment No. 1 to Loan Agreement, has occurred and is continuing, and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture or the First Mortgage Bonds, nor the consummation of the transactions contemplated hereby or by the Indenture and the Supplemental Indenture No. 1, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1. Term of Amendment No. 1 to Loan Agreement. This Amendment No. 1 to Loan Agreement shall remain in full force and effect from the date hereof to and including the later of October 1, 2032, or until such time as all of the 2002 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture and the Supplemental Indenture No. 1 and any amendments thereto), whichever shall be later; provided, however, that the Agreement, as amended, may be cancelled and terminated prior to said date in accordance with the provisions of Section 11.1 of the Agreement.

Section 3.2. Ratification. Except as amended and supplemented by Articles I and II hereof, the Issuer and the Company hereby ratify and reaffirm the terms and provisions of the Agreement and their respective representations, warranties, covenants, agreements and obligations set forth therein.

Section 3.3. Effective Date. This Amendment No. 1 to Loan Agreement has been made and entered into as of the date first written above but shall be effective as of the Effective Date.

Section 3.4. Binding Effect. This Amendment No. 1 to Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 of the Agreement.

Section 3.5. Severability. In the event any provision of this Amendment No. 1 to Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 3.6. Execution in Counterparts. This Amendment No. 1 to Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.7. Applicable Law. This Amendment No. 1 to Loan Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 3.8. Captions. The captions or headings in this Amendment No. 1 to Loan Agreement are for convenience only and in no ay define, limit or describe the scope or intent of any provisions, Articles or Sections of this Amendment No. 1 to Loan Agreement.

Section 3.9. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Amendment No. 1 to Loan Agreement or breach thereof shall constitute or give rise to a pecuniary liability of the Issuer or a charge upon its general credit or taxing powers.

(signature page immediately follows)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Amendment No. 1 to Loan Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all of the date first written.

COUNTY OF TRIMBLE, KENTUCKY

(SEAL)

By:_____
RANDY STEVENS
County Judge/Executive

ATTEST:

_____
SUSAN BARNES
Fiscal Court Clerk

LOUISVILLE GAS AND ELECTRIC COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

COUNTY OF TRIMBLE, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

LOAN AGREEMENT IN CONNECTION WITH ENVIRONMENTAL FACILITIES

* * * * *

Dated as March 1, 2007

* * * * *

NOTICE: The interest of the County of Trimble, Kentucky, in and to this Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Indenture of Trust dated as of March 1, 2007

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LOAN AGREEMENT IN CONNECTION
WITH ENVIRONMENTAL FACILITIES

This LOAN AGREEMENT, dated as of March 1, 2007, by and between the COUNTY OF TRIMBLE, KENTUCKY, a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of Kentucky;

W I T N E S S E T H:

WHEREAS, the County of Trimble, Kentucky is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky ("Issuer"), and pursuant to the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes ("Act"), Issuer has the power to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition of air and water pollution control facilities and solid waste disposal facilities, one of the categories of "pollution control facilities", as defined by the Act for the abatement and control of air and water pollution and the disposal and abatement of solid waste and to refund bonds which were previously issued for such purposes; and

WHEREAS, Issuer is further authorized pursuant to the Act to enter into a loan agreement, which may include such provisions as Issuer shall deem appropriate to effect the securing of a financing or refinancing undertaken in respect of Environmental Facilities including the securing of bond insurance; and

WHEREAS, the Act further provides that title to Environmental Facilities shall not be acquired by Issuer in the case of a loan transaction; and

WHEREAS, Louisville Gas and Electric Company, a Kentucky corporation ("Company"), has heretofore, by the issuance of the Refunded 1992 Series A Bonds, hereinafter defined, financed and refinanced all or a portion of the qualified costs of acquisition, construction, installation and equipping of certain air and water pollution control facilities and solid waste disposal facilities to serve the Trimble County Generating Station of Company, which facilities constitute the Project, as defined in the Indenture and as described in Exhibit A hereto (the "Project"), which Project is located within the corporate boundaries of Issuer and consists of certain air and water pollution control facilities and ›lid waste disposal facilities, together with facilities functionally related and subordinate to such facilities in furtherance of the regulations of .ıe Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky, and which Project qualifies for financing and refinancing within the meaning of the Act; and

WHEREAS, the Project has been completed and placed in operation and has contributed and does contribute to the control, containment, reduction and abatement of atmospheric pollution, contamination and water pollution and collection, storage, treatment, processing and final disposal of solid wastes in the Commonwealth of Kentucky; and

WHEREAS, under date of September 17, 1992, the Issuer, at the request of the Company, issued its "County of Trimble, Kentucky Pollution Control Revenue Bonds, 1992 Series A (Louisville Gas and Electric Company Project)", dated September 17, 1992, of which $60,000,000 principal amount of such bonds remains outstanding and unpaid (the "Refunded 1992 Series A Bonds"), such Refunded 1992 Series A Bonds having been issued to currently refinance the Issuer's 1987 Series A Bonds, the proceeds of which currently refinanced the Original Bonds having been issued to finance a portion of the Cost of Construction of the Project, hereinafter described, and in connection with the issuance of the Refunded 1992 Series A Bonds, the right was reserved to Issuer, upon direction by Company, to redeem the Refunded 1992 Series A Bonds in advance of their scheduled maturity; and the Refunded 1992 Series A Bonds bear interest at the Flexible Rate Mode and are by their terms currently subject to redemption at the option of the Issuer in whole or in part on any date, at the price of 100% of the principal amount thereof and accrued interest to the date of redemption, as provided in the hereinafter defined 1992 Series A Indenture; and the immediate redemption and discharge of the Refunded 1992 Series A Bonds will result in benefits to the general public and the Company and should be carried out forthwith in the public interest by the issuance by the Issuer of the 2007 Series A Bonds, hereinafter defined, and the application of the proceeds of the 2007 Series A Bonds, together with funds to be provided by Company, for the refunding, payment and discharge of the Refunded 1992 Series A Bonds on or prior to the 90th day after the date of issuance of the 2007 Series A Bonds; and

WHEREAS, in respect of the Refunded 1992 Series A Bonds, Issuer entered into a certain Indenture of Trust dated as of September 1, 1992 (the "1992 Series A Indenture"), with Security Pacific National Trust Company (New York) (now U.S. Bank National Association), as Trustee, Paying Agent and Bond Registrar (the "Prior Trustee"), and it is provided in Article VIII of the 1992 Series A Indenture that the Refunded 1992 Series A Bonds, or any of them, shall be deemed to have been paid within the meaning of such 1992 Series A Indenture when there shall have been irrevocably deposited with the Prior Trustee, in trust, either cash or Governmental Obligations, as defined in the 1992 Series A Indenture, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal and the applicable redemption premium, if any, on the Refunded 1992 Series A Bonds plus interest thereon to the date of payment and discharge thereof (whether at maturity or upon redemption or otherwise), plus sufficient moneys to pay all necessary and proper ›s, compensation and expenses of the Prior Trustee, authenticating agent, bond registrar and any paying agent; together with irrevocable ..ıstructions to call and redeem the Refunded 1992 Series A Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by Fiscal Court of Issuer on April 6, 2007, and in furtherance of the purposes of the Act, Issuer proposes to issue, sell and deliver a series of its bonds in fully registered form

which will be designated "County of Trimble, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project)" (the "2007 Series A Bonds"), the proceeds of which will be lent to Company to cause the outstanding principal amount of the Refunded 1992 Series A Bonds to be refunded, paid and discharged in full on or prior to the 90th day after the date of issuance of the 2007 Series A Bonds; and

WHEREAS , the 2007 Series A Bonds are to be issued under and pursuant to and are secured by an Indenture of Trust by and between Issuer and Deutsche Bank Trust Company Americas, as trustee thereunder, dated as of March 1, 2007 (the "Indenture"); and

WHEREAS , the Natural Resources and Environmental Protection Cabinet of Kentucky having jurisdiction in the premises, as applicable, has previously certified that the Project, as designed, is in furtherance of the purposes of abating and controlling atmospheric pollutants or contaminants and water pollution; and

WHEREAS , Issuer proposes to lend to Company and Company desires to borrow from Issuer the proceeds from the sale of the 2007 Series A Bonds to cause the outstanding principal amount of the Refunded 1992 Series A Bonds to be refunded, paid and discharged on or prior to the 90th day after the date of issuance of the 2007 Series A Bonds;

NOW, THEREFORE FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER, AS FOLLOWS :

ARTICLE I

DEFINITIONS

Section 1.1 . Use of Defined Terms . In addition to the words and terms defined elsewhere in this Agreement or in the Indenture or by reference to another document, the words and terms set forth in Section 1.2 and Section 1.3 shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.2. Incorporation of Certain Terms by Reference . When and if used in this Agreement, the following terms shall have the meaning set forth in ARTICLE I of the Indenture:

"Act"
"Agreement"
"Authorized Denomination"
"Bond Counsel"
"Bond Insurer"
"Bond Fund"
"Bond Year"
"Business Day"
"Code"
"Company"
"Company Bonds"
"Company Representative"
"Cost of Construction"
"Cumulative Excess Earnings"
"Environmental Facilities"
"Excess Earnings"
"Governmental Obligations"
"Indenture"
"Initial Broker-Dealers"
"Interest Payment Date"
"Issuer"
"Issuer Representative"
"Loan"
"Net Proceeds"
"No Auction Rate"
"Paying Agent"
"Permitted Investments"
"Plans and Specifications"
"Pollution Control Facilities"
"Prevailing Rating"
"Project"
"Project Site"
"Purchase Date"
"Purchase Fund"
"Rating Service"
"Rebate Fund"
"Redemption Date"

"Refunded 1992 Series A Bonds"
"1987 Series A Bonds"
"1992 Series A Indenture"
"2007 Series A Bonds"
"Tender Agent"
"Trustee"

Section 1.3. Additional Definitions. In addition to the terms whose definitions are incorporated by reference herein pursuant to Section 1.2, the following terms shall have the meanings set forth in this Section unless the use or context clearly indicates otherwise:

"Capitalization" means the total of all the following items appearing on, or included in, the balance sheet of the Company:

(1) liabilities for indebtedness, including short-term debt, long-term debt and current maturities of long-term debt; and

(2) common stock, preferred stock, capital surplus, premium on capital stock, capital in excess of par value and retained earnings (however the foregoing may be designated), less to the extent not otherwise deducted, the cost of shares of capital stock of the Company held in its treasury.

Capitalization shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

"Debt" shall mean any outstanding debt for money borrowed.

"Determination of Taxability" shall have the meaning ascribed to such term in Section 10.3 of this Agreement.

"Net Tangible Assets" means the amount shown as total assets on the balance sheet of the Company, less the following:

(1) intangible assets including, but without limitation, such items as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset on said balance sheet; and

(2) appropriate adjustments, if any, on account of minority interests.

Net Tangible Assets shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which the Company is engaged and that are approved by the independent accountants regularly retained by the Company, and shall be determined as of the date that is the end of the most recent fiscal quarter prior to the happening of an event for which such determination is being made.

"Operating Property" means (i) any interest in real property owned by the Company and (ii) any asset owned by the Company that is depreciable in accordance with generally accepted accounting principles.

"Original Bonds" means "County of Trimble, Kentucky, Pollution Control Revenue Bonds, 1982 Series B (Louisville Gas and Electric Company", dated September 15, 1982.

"Prior Bond Fund" means the "County of Trimble, Kentucky, Pollution Control Revenue Bond Fund, 1992 Series A (Louisville Gas and Electric Company Project)" created by the 1992 Series A Indenture.

"Prior Trustee" means Security Pacific National Trust Company (New York) (now known as U.S. Bank National Association), acting as trustee in respect of the Refunded 1992 Series A Bonds.

In addition to the definitions herein, terms used in this agreement and not defined herein shall have the meanings ascribed to such terms in the Indenture.

The words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement. Unless otherwise noted, all Section and Article references are to sections and articles in this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by Issuer. Issuer represents, warrants and covenants that:

(a) Issuer is a public body corporate and politic duly created and existing as a county and de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, Issuer has the power and duty to issue the 2007 Series A Bonds, to enter into this Agreement and the Indenture and the transactions contemplated hereby and to carry out its obligations hereunder and

thereunder. Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2007 Series A Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2007 Series A Bonds and to execute and deliver this Agreement and the Indenture. Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) Issuer agrees to loan funds derived from the sale of the 2007 Series A Bonds to Company to provide for the refunding, payment and discharge of the outstanding principal amount of the Refunded 1992 Series A Bonds, to assist the Company to restructure its debt structure and to the end that air and water pollution be abated and controlled and solid waste disposed of at the Project Site in the Commonwealth.

(c) To accomplish the foregoing, Issuer agrees to issue $60,000,000 aggregate principal amount of its 2007 Series A Bonds following the execution of this Agreement on such terms and conditions as are set forth in the Indenture. The proceeds from the sale of the 2007 Series A Bonds shall be applied exclusively and in whole, together with other funds to be made available by the Company, to refund, pay and discharge the outstanding principal amount of the Refunded 1992 Series A Bonds on or prior to the 90th day after the date of issuance of the 2007 Series A Bonds.

(d) Issuer will cooperate with Company and take all actions necessary for Company to comply with Section 2.2(n) , (aa) and (bb) hereof and take other actions reasonably requested by Company in furtherance of this Agreement.

(e) The Project Site is located within the boundaries of Issuer.

(f) An Ordinance of the Fiscal Court of the Issuer adopted on second reading on April 6, 2007 has been in continuous effect since the date of adoption thereof.

Section 2.2 . Representations, Warranties and Covenants by Company . Company represents, warrants and covenants that:

(a) Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the 2007 Series A Bonds.

(b) Company has full and complete legal power and authority to execute and deliver this Agreement and has by proper corporate action duly authorized the execution and delivery of this Agreement.

(c) The Project currently refinanced by application of the proceeds of the Refunded 1992 Series A Bonds and Company funds was designed and constructed to collect, contain, reduce and abate air and water pollution and dispose of solid waste at the Project Site. The Project was and is necessary for the public health and welfare, and has been designed for no material purpose except to control and abate atmospheric pollutants and contaminants and water pollutants and disposal of solid waste at the Project Site. The Project constitutes air and water pollution control facilities and solid waste disposal facilities under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, and the Act.

(d) All of the proceeds of the 2007 Series A Bonds, exclusive of accrued interest, if any, shall be used on or prior to the 90th day after the date of issuance of the 2007 Series A Bonds exclusively and only to redeem, pay and discharge the principal of the Refunded 1992 Series A Bonds, which currently refunded the Original Bonds, not less than substantially all of the net proceeds of the Original Bonds (i.e., at least 90% of the net proceeds thereof, including investment income thereon) were used to finance the Cost of Construction of air and water pollution control facilities and solid waste disposal facilities, together with facilities functionally related and subordinate to such facilities, and all of such air and water pollution control facilities and solid waste disposal facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section 167 of the Code. Company will provide any additional moneys required to pay and discharge the Refunded 1992 Series A Bonds within 90 days following the date of issuance of the 2007 Series A Bonds.

(e) The Project, as designed, has been previously certified by the Department for Natural Resources and Environmental Protection of Kentucky (now the Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky), the agency exercising jurisdiction in the premises, to be in furtherance of the purpose of abating or controlling atmospheric pollutants or contaminants and water pollution.

(f) The Company will not use or cause to be used any of the funds provided by the Issuer hereunder (including the earnings on any of such funds) in such a manner as to, or take or omit to take any action with respect to the use of such funds which would, impair the exclusion of the interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes. The Project is of the type authorized and permitted by the Act, and the Cost of Construction of the Project was not less than $60,000,000.

(g) No event of default, and no event of the type described in clauses (a) through (d) of Section 9.1 hereof, has occurred and is continuing and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under this Agreement or the transactions contemplated hereby. Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby or by the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof

conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of Company under the terms of any instrument or agreement.

(h) Company intends to continue to operate or cause the Project to be operated as Environmental Facilities until all of the 2007 Series A Bonds are paid and discharged.

(i) No portion of the proceeds of 2007 Series A Bonds will be invested at a yield in excess of the yield on the 2007 Series A Bonds except (i) during any permitted temporary period provided by the Code, (ii) proceeds of a reasonably required reserve or replacement fund and (iii) as part of a minor portion of the proceeds of the 2007 Series A Bonds, not in excess of the lesser of 5% of the proceeds of the 2007 Series A Bonds or $100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Section 148 of the Code and applicable tax regulations.

(j) No portion of the proceeds from the sale of the 2007 Series A Bonds will be deposited to the account of any reasonably required reserve or replacement fund or used to pay (i) any costs of issuance of the 2007 Series A Bonds or (ii) any redemption premium or accrued interest on the Refunded 1992 Series A Bonds, but such proceeds will be applied and used solely and exclusively to refund, pay and discharge the outstanding principal amount of the Refunded 1992 Series A Bonds on or prior to the 90th day after the issuance of the 2007 Series A Bonds.

(k) Company will provide any additional moneys, including investment proceeds of the 2007 Series A Bonds, required for the payment and discharge of the Refunded 1992 Series A Bonds, payment of redemption premium, if any, and accrued interest in respect thereto and payment of all underwriting discount and costs of issuance of the 2007 Series A Bonds. Any investment proceeds of the 2007 Series A Bonds shall be used exclusively to pay interest or redemption premium due, if any, on the Refunded 1992 Series A Bonds on the Redemption Date.

(l) Company will cause no investment of 2007 Series A Bond proceeds to be made and will make no other use of or omit to take any action with respect to the proceeds of the 2007 Series A Bonds or any funds reasonably expected to be used to pay the 2007 Series A Bonds which will cause the 2007 Series A Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or would otherwise result in the loss or impairment of the exclusion of the interest on such 2007 Series A Bonds from gross income for federal income tax purposes.

(m) The average maturity of the 2007 Series A Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the date of issuance of the 2007 Series A Bonds) of the Environmental Facilities refinanced by the proceeds of the 2007 Series A Bonds.

(n) Company will provide all information requested by the Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 filed by Issuer with respect to the 2007 Series A Bonds and the Environmental Facilities constituting the Project, and such information will be true and correct in all material respects.

(o) Within the meaning of Section 149 of the Code, no portion of the payment of the principal or interest on the 2007 Series A Bonds or the Refunded 1992 Series A Bonds was or shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(p) All of the proceeds of the Refunded 1992 Series A Bonds have been fully expended and the Project has been completed and placed in service. All of the actual Cost of Construction of the Project represents amounts paid or incurred which were chargeable to the capital account of the Project or would be so chargeable either with a proper election by the Company or but for a proper election by the Company to deduct such amounts. Substantially all (i.e. at least 90%) of the net proceeds of the sale of the Original Bonds (including investment income therefrom), were used to finance Cost of Construction of the Project as described above, pay costs and expenses of issuing the Original Bonds, within Code limits, and pay interest and carrying charges on the Original Bonds during the period of construction of the Project and prior to its in-service date.

(q) All of the depreciable properties which were taken into account in determining the qualifying costs of the Project constitute properties either (i) used for control, containment, reduction and abatement of atmospheric pollution, contamination and water pollution and collection, storage, treatment, processing and final disposal of solid wastes or (ii) facilities which are functionally related and subordinate to such facilities constituting the Project. All of such functionally related and subordinate facilities are of a size and character commensurate with the character and size of the air and water pollution control facilities and solid waste disposal facilities constituting the Project.

(r) Within the meaning of Section 147(e) of the Code, no portion of the proceeds of the 2007 Series A Bonds shall be used and none of the proceeds of the Original Bonds were used to provide any airplane, skybox or other private luxury box, any health club facility, any facilities used primarily for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off the premises.

(s) None of the proceeds of the 2007 Series A Bonds shall be applied to payment of costs of the issuance of the 2007 Series A Bonds.

(t) Less than twenty-five percent (25%) of the net proceeds of the Original Bonds were used directly or indirectly to acquire land or any interest therein and no portion of such land, if acquired, was or is to be used for farming purposes. No portion of the proceeds of the Original Bonds was used to acquire existing property or any interest therein with respect to which the Company was not the first user for federal

income tax purposes.

(u) The Refunded 1992 Series A Bonds were issued on September 17, 1992.

(v) No construction, reconstruction or acquisition of the Project was commenced prior to the taking of official action by the Issuer with respect thereto except for preparation of plans and specifications and other preliminary engineering work.

(w) Acquisition, construction and installation of the Project has been accomplished and the Project is being utilized substantially in accordance with the purposes of the Project and in conformity with all applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, which permits, variances and orders have not been withdrawn or otherwise suspended, and consistently with the Act.

(x) The Company has used, is currently using and presently intends to use or operate the Project in a manner consistent with the purposes of the Project and the Act until the date on which the 2007 Series A Bonds have been fully paid and knows of no reason why the Project will not be so operated

(y) The proceeds derived from the sale of the 2007 Series A Bonds (other than any accrued interest thereon) will be used exclusively and solely to refund the principal of the Refunded 1992 Series A Bonds. The principal amount of the 2007 Series A Bonds does not exceed the principal amount of the Refunded 1992 Series A Bonds. The redemption of the outstanding principal amount of the Refunded 1992 Series A Bonds with such proceeds of the 2007 Series A Bonds will occur not later than 90 days after the date of issuance of the 2007 Series A Bonds. Any earnings derived from the investment of such proceeds of the 2007 Series A Bonds will be fully needed and used on such redemption date to pay a portion of the interest accrued and payable on the Refunded 1992 Series A Bonds on such date.

(z) Company reasonably expects that (i) all of the spendable proceeds of the 2007 Series A Bonds will be used for the governmental purpose of the issue within three years from date of issuance of such 2007 Series A Bonds and (ii) none of the proceeds of such 2007 Series A Bonds will be invested in nonpurpose obligations having a substantially guaranteed yield for three years or more.

(aa) The Company will cause the Issuer to comply in all respects with the requirements of Section 148 of the Code in respect of the rebate of Excess Earnings with respect to the 2007 Series A Bonds to the United States of America.

(bb) Upon the date of issuance of the 2007 Series A Bonds, the Company will have caused the Issuer to comply with the public approval requirements of Section 147 of the Code and at or following the issuance of the 2007 Series A Bonds the Company will cause the Issuer to comply with the information reporting requirements of Section 149 of the Code by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

(cc) All of the documents, instruments and written information furnished by Company on behalf of Company to Issuer or Trustee in connection with the issuance of the Bonds are true and correct in all material respects as of the date of delivery thereof and will not, as of the date of delivery thereof, omit or fail to state any material facts necessary to be stated therein to make the information provided not misleading.

(dd) It is not anticipated, as of the date hereof, that there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2007 Series A Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

(ee) On the date of issuance and delivery of the Original Bonds, the Company reasonably expected that all of the proceeds of the Original Bonds would be used to carry out the governmental purposes of such issue within the 3-year period beginning on the date such issue was issued and none of the proceeds of such issue, if any, was invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

(ff) Company covenants to perform and observe all provisions of the Indenture required to be performed or observed by it.

(gg) Except for (i) $31,000,000 Louisville/Jefferson County Metro Government, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project) (the "Louisville Metro 2007 Series A Bonds"), the entire proceeds of each of which will separately currently refund a separate series of bonds of the County of Jefferson, Kentucky and (ii) $35,200,000 Louisville/Jefferson County Metro Government, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series B (Louisville Gas and Electric Company Project) (the "Louisville Metro 2007 Series B Bonds"), the entire proceeds of each of which will separately currently refund a separate series of bonds of the County of Jefferson, Kentucky, (such (i) Louisville Metro 2007 Series A Bonds, (ii) Louisville Metro 2007 Series B Bonds and (iii) the Bonds, defined hereby collectively as the "2007 Bonds"), there are no other obligations heretofore issued or to be issued by or on behalf of any state, territory or possession of the United States, or any political subdivision of any of the foregoing, or of the District of Columbia, which (i) were sold less than 15 days prior to or after the date of sale of the Bonds; (ii) were sold pursuant to the same plan of financing with the Bonds; and (iii) are reasonably expected to be paid from substantially the same source of funds as the Bonds, determined without regard to guarantees from parties unrelated to the obligor as is applicable to the 2007 Bonds. Accordingly, the Company acknowledges and agrees that, pursuant to Treasury Regulation 1.150-1(c), the 2007 Bonds will automatically be treated as a single issue of bonds and, to the extent required by law, elects pursuant to Treasury Regulation 1.150-1(c) that, for purposes of computation of the maturity of the 2007 Bonds, such 2007 Bonds shall be treated as a single issue of bonds.

Company need not comply with the covenants or representations in this Section if and to the extent that Issuer and Company receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE III

COMPLETION AND OWNERSHIP OF PROJECT

Section 3.1. Completion and Equipping of Project. Company represents that it has previously caused the Project to be constructed, completed and placed in service as herein provided on the Project Site in accordance with the Plans and Specifications as previously evidenced by the filing of a completion certificate by the Company with the Prior Trustee in respect of the Refunded 1992 Series A Bonds.

Section 3.2. Agreement as to Ownership of Project. Issuer and Company agree that title to and ownership of the Project shall remain in and be the sole property of Company in which Issuer shall have no interest. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2007 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.3. Use of Project. Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to ARTICLE IX of this Agreement or ARTICLE IX of the Indenture, to interfere with Company's ownership of the Project or to prevent Company from having possession, custody, use and enjoyment of the Project.

ARTICLE IV

ISSUANCE OF 2007 SERIES A BONDS; APPLICATION OF PROCEEDS

Section 4.1. Agreement to Issue 2007 Series A Bonds; Application of 2007 Series A Bond Proceeds. In order to provide funds to make the Loan, Issuer will issue, sell and deliver the 2007 Series A Bonds to the initial purchasers thereof and deposit the proceeds thereof with Trustee, as follows:

(a) Into the Bond Fund, a sum equal to the accrued interest, if any, to be paid by the initial purchasers of the 2007 Series A Bonds.

(b) Into the Prior Bond Fund held by the Prior Trustee, for the benefit of and payment of the Refunded 1992 Series A Bonds, an amount not less than all of the balance of all such proceeds, being the principal amount of the 2007 Series A Bonds.

Section 4.2. Payment and Discharge of Refunded 1992 Series A Bonds. Company covenants and agrees with Issuer that it will, upon the date of issuance of the 2007 Series A Bonds, give irrevocable instructions to the Prior Trustee to call and redeem the Refunded 1992 Series A Bonds in accordance with their terms and will simultaneously deposit into the Prior Bond Fund cash or direct United States obligations ("Governmental Obligations") sufficient on the date of issuance of the 2007 Series A Bonds, to fully defease and discharge the Refunded 1992 Series A Bonds on such date in accordance with ARTICLE VIII of the 1992 Series A Indenture, without reference to any interest earnings to be accrued during the period from the date of issuance of the 2007 Series A Bonds to the redemption date of the Refunded 1992 Series A Bonds. Such matters shall be confirmed by issuance of an appropriate written certificate of the Prior Trustee confirming defeasance and full discharge of the Refunded 1992 Series A Bonds upon the date of issuance of the 2007 Series A Bonds. Such irrevocable instructions, deposit of sufficient cash and Governmental Obligations and issuance by the Prior Trustee of a certificate of defeasance and discharge is a condition precedent to the issuance of the 2007 Series A Bonds.

Section 4.3. Investment of Bond Fund and Rebate Fund Moneys. Subject to the provisions of Section 148 of the Code, any moneys held as a part of the Bond Fund or the Rebate Fund, shall be invested or reinvested by Trustee, at the written request of and as specifically directed by Company, in one or more of the Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of Trustee. All moneys invested shall be deemed at all times a part of the fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2007 Series A Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax or other charge in respect of any investments, reinvestments or any liquidation of investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

Section 4.4. Special Arbitrage Certifications.

(a) Company covenants and agrees that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results or would result in interest paid on any of the 2007 Series A Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) or adversely affects the validity of the 2007 Series A Bonds.

(b) Company warrants, represents and certifies to Issuer that the proceeds of the 2007 Series A Bonds will not be used in any manner that would cause the 2007 Series A Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 and other applicable sections of the

Code. To the best knowledge and belief of Company, there are no facts, estimates or circumstances that would materially change the foregoing conclusion.

(c) Company hereby covenants that it will at all times comply and cause Issuer to comply with the provisions of Section 148 and ther applicable sections of the Code and will restrict the use of the proceeds of the 2007 Series A Bonds, in such manner and to such extent, if ny, as may be necessary, and remit Excess Earnings with respect to all of the 2007 Series A Bonds, if any, to the United States of America pursuant to Section 148(f)(2) of the Code and carry out such actions so that the 2007 Series A Bonds will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code. An officer or officers of Issuer having responsibility with respect to the issuance of the 2007 Series A Bonds is or are hereby authorized and directed to give an appropriate certificate of Issuer, for inclusion in the transcript of proceedings for the 2007 Series A Bonds, setting forth the reasonable expectations of Issuer regarding the amount and use of the proceeds of the 2007 Series A Bonds and the facts, estimates and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2007 Series A Bonds pursuant to said Section 148 of the Code. Company shall provide the Issuer, and Issuer's certificate may be expressly based on, a certificate of Company setting forth the facts, estimates and circumstances and reasonable expectations of Company on the date of delivery of and payment for the 2007 Series A Bonds regarding the amount and use of the proceeds of the 2007 Series A Bonds and related matters. In the event any such representation of Company relied upon by the Issuer is untrue or inaccurate and Issuer thereby suffers costs or damages, Company shall indemnify Issuer for any such costs or damages.

(d) Consistent with the foregoing, Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2007 Series A Bonds, that no use will be made of the proceeds of the sale of the 2007 Series A Bonds which would cause the 2007 Series A Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and that Company and Issuer will, after issuance of the 2007 Series A Bonds, comply with the provisions of the Code at all times, including after the 2007 Series A Bonds are discharged, to the extent Excess Earnings with respect to the 2007 Series A Bonds are required to be rebated to the United States of America pursuant to Section 148(f)(2) of the Code. Pursuant to such covenant, Issuer and Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Section 148 of the Code.

(e) Company warrants, represents and certifies to Issuer that the proceeds of the Refunded 1992 Series A Bonds were applied and invested in compliance with the current requirements of Section 149(g) of the Code and that consequently the 2007 Series A Bonds will not be "hedge bonds" under such Section 149(g) of the Code.

(f) Company hereby covenants and agrees that it will at all times comply with the provisions of Section 148, including Section 148 (f) of the Code and with Section 6.06 of the Indenture. Specifically, Company shall carry out, do and perform all acts stipulated to be performed by Company pursuant to such Section 6.06 of the Indenture. Company shall further undertake to assure and cause rebate payments to be calculated and made to the United States of America in accordance with Section 148(f)(2) of the Code from moneys on deposit in the Rebate Fund from time to time after the end of each Computation Period, as defined in the Indenture, and following discharge of the 2007 Series A onds. Company also covenants to take all necessary acts and steps as required to cause Issuer to comply with the provisions of Sections 7.02 nd 7.03 of the Indenture.

Section 4.5. Opinion of Bond Counsel. Company need not comply with the covenants or representations in Section 4.4 if and to the extent that Issuer and Company (with a copy to Trustee) receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE V

PROVISIONS FOR PAYMENT

Section 5.1. Loan Payments and Other Amounts Payable.

(a) Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2007 Series A Bonds or any other date that any payment of interest, premium, if any, purchase price or principal is required to be made in respect of the 2007 Series A Bonds at the times specified in accordance with the more specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2007 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the 2007 Series A Bonds as provided in the Indenture; provided that such payments by Company to enable the Tender Agent to pay the purchase price of Bonds shall be made within the times required by Section 3.05 of the Indenture. It is understood and agreed that all payments payable by Company under this subsection (a) of Section 5.1 are assigned by the Issuer to the Trustee, the Paying Agent and the Tender Agent, as applicable, for the benefit of the Bondholders. Company assents to such assignment. Issuer hereby directs Company and Company hereby agrees to pay to Trustee and/or Paying Agent or Tender Agent, as appropriate, at the Principal Office of the Trustee and/or Paying Agent or Tender Agent, as appropriate, all payments payable by Company pursuant to this subsection.

(b) Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2007 Series A Bonds and incurred pon the request of Company.

(c) Company will also pay the agreed upon fees and expenses of Trustee (including those referred to in Section 10.02 of the Indenture), the Bond Registrar, the Tender Agent and the Paying Agent under the Indenture and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent, the Initial Broker-Dealers, the Auction Agent and the Tender Agent, as applicable from time to

time, under the Indenture, such amounts to be paid directly to Trustee, the Bond Registrar, the Paying Agent, the Tender Agent, the Initial Broker-Dealers and the Auction Agent for their respective own accounts as and when such amounts become due and payable.

(d) The Company further agrees to hold harmless the Trustee, Bond Registrar and Paying Agent against any loss, liability or xpense, including reasonable attorneys' fees and expenses, incurred by it without negligence or bad faith on its part in connection with the ssuance of the 2007 Series A Bonds or the acceptance or administration of the trusts under the Indenture, including the costs of defending itself against any claim or liability in connection therewith.

(e) The Company covenants, for the benefit of the Bondholders, if applicable, to pay or cause to be paid, to the Tender Agent for deposit in the Purchase Fund, such amounts as shall be necessary to enable the Tender Agent to pay the purchase price of 2007 Series A Bonds delivered to it for purchase, all as more particularly described in Sections 3.03 and 3.05 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price of 2007 Series A Bonds delivered to it for purchase, as provided in the Indenture.

(f) In the event Company should fail to make any of the payments required in this Section 5.1 , the item or installment so in default shall continue as an obligation of Company until the amount in default shall have been fully paid, and Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due to the date of payment.

Section 5.2. Payments Assigned . As set forth in Section 5.1 hereof, it is understood and agreed that this Agreement and all payments made by Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) and (c) or pursuant to Section 8.2 hereof) are assigned by Issuer to Trustee. Company assents to such assignment and hereby agrees that, as to Trustee, Paying Agent, Initial Broker-Dealers, Auction Agent and Tender Agent, as applicable from time to time, its obligation to make such payments shall be absolute, irrevocable and unconditional and shall not be subject to cancellation, termination or abatement or to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by any party, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing by any party. Except as provided above, Issuer hereby directs Company and Company hereby agrees to pay directly to Trustee, Paying Agent, Initial Broker-Dealers, Auction Agent, Bond Registrar, Tender Agent and Issuer, as appropriate, all said payments payable by Company pursuant to Section 5.1 of this Agreement.

Section 5.3. Taxes and Other Governmental Charges . Company agrees to pay during the term of this Agreement, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied or charged against or with respect to the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating Company to pay taxes on any interest or principal on the 2007 Series A Bonds disbursed to Bondholders.

Company may, at its expense and in its own name, in good faith contest any such taxes, assessments and other governmental charges and, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments or charges shall be paid forthwith. Issuer will cooperate fully with Company in any such contest. In the event Company shall fail to pay any of the foregoing items required by this Section to be paid by Company, Issuer or Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by Issuer or Trustee shall become an additional obligation of Company to the one making the advancement, which amounts, together with interest thereon Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on ninety-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; provided , however , that no such advancement shall operate to relieve the Company from any default hereunder. Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4. Obligations of Company Unconditional . The obligation of Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.06 of the Indenture shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the 2007 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, Company (i) will not suspend or discontinue any payments pursuant to this Agreement and (ii) except as provided in ARTICLE X hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of title to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of Issuer or Trustee to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release Issuer from the performance of any of the agreements on its part herein contained; and in the event Issuer should fail to perform any such agreement on its part, Company may institute such action against Issuer as Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of Company contained in the preceding sentence. Company may, however, at its own cost and expense and in its own name or in the name of Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy and use of the Project, and in such event Issuer hereby agrees to cooperate fully with Company.

Section 5.5. Rebate Fund . Company agrees to make all payments to the Trustee and rebate all amounts to the United

States of America as are required of it under Section 6.06 of the Indenture. The obligation of Company to make such payments shall remain in effect and be binding upon Company notwithstanding the release and discharge of the Indenture.

Section 5.6. Redemption of the 2007 Series A Bonds in Advance of Scheduled Maturity. Under the terms of the Indenture, the 2007 Series A Bonds are and will be subject to redemption prior to their scheduled maturity. The Issuer agrees that it shall direct the Trustee to redeem and call 2007 Series A Bonds at the written direction of the Company.

Section 5.7. Cancellation of 2007 Series A Bonds. The cancellation by the Bond Registrar of any 2007 Series A Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2007 Series A Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan repayment equal to the principal amount of the 2007 Series A Bond or Bonds so cancelled.

ARTICLE VI

MAINTENANCE; DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS; INSURANCE

Section 6.1. Maintenance. So long as any 2007 Series A Bonds are Outstanding, as that term is defined in the Indenture, Company will maintain, preserve and keep the Project, or cause the Project to be maintained, preserved and kept, in good repair, working order and condition and will from time to time make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as Environmental Facilities; provided, however, that Company will have no obligation to maintain, preserve, keep, repair, replace or renew any element or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to Company because of damage or destruction by a cause not within the control of Company, or condemnation of all or substantially all of the Project or the generating facilities to which the element or unit of the Project is an adjunct, or obsolescence (including economic obsolescence) or change in government standards and regulations, or the termination by Company of the operation of the generating facilities to which the element or unit of the Project is an adjunct, and (b) with respect to which Company has furnished to Issuer and Trustee a certificate executed by Company Representative certifying that the maintenance, preservation, keeping, repair, replacement or renewal of such element or unit of the Project is being discontinued for one of the foregoing reasons, which shall be stated therein, and that the discontinuance of such element or unit will not adversely affect the exclusion of interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of this Agreement as part of the Project; provided, however, that Company shall take no actions which will change or alter the basic nature of the Project as Environmental Facilities.

If, prior to full payment of all 2007 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer or the Company receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.1(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2007 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2007 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2007 Series A Bonds are otherwise subject to optional redemption.

Section 6.2. Insurance. The Company agrees to insure, or self-insure, the Project at all times reasonably in accordance with investor-owned public utility industry general practices and standards.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1. No Warranty of Condition or Suitability by Issuer. Issuer makes no warranty, either express or implied, as to the Project or that it will be suitable for Company's purposes or needs.

Section 7.2. Company to Maintain its Corporate Existence; Conditions under Which Exceptions Permitted. Company agrees that during the term of this Agreement it will maintain its corporate existence and good standing, will continue to be a corporation organized under the laws of the Commonwealth of Kentucky or qualified and admitted to do business in the Commonwealth of Kentucky, and will neither dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge, (i) shall be a corporation or other business organization organized and existing under the laws of the United States or one of the States of the United States of America or the District of Columbia, (ii) shall be qualified and admitted to do business in the Commonwealth of Kentucky, (iii) shall assume in writing all of the obligations and covenants of Company herein and (iv) shall deliver a copy of such assumption to the Issuer and Trustee.

Section 7.3. Financial Statements. Company agrees to furnish Trustee (within 120 days after the close of each fiscal

year) with an audited balance sheet and statements of income, retained earnings and changes in cash flows showing the financial condition of Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of Company and its consolidated subsidiary or subsidiaries, if any, for such fiscal year, accompanied by an opinion of its regular independent certified public accountants that such statements fairly represent the financial condition of Company in accordance with generally accepted ccounting principles. The information so provided to Trustee shall be kept in its files and is not required to be distributed to any Registered lolder or other person. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 7.4. Further Assurances and Corrective Instruments. Issuer and Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5. Issuer Representative. Whenever under the provisions of this Agreement the approval of Issuer is required or Issuer is required to take some action at the request of Company, such approval shall be made or such action shall be taken by Issuer Representative and Company or Trustee shall be authorized to act on any such approval or action, and Issuer shall have no redress against Company or Trustee as a result of any such action taken.

Section 7.6. Company Representative. Whenever under the provisions of this Agreement the approval of Company is required or Company is required to take some action at the request of Issuer, such approval shall be made or such action shall be taken by Company Representative and Issuer or Trustee shall be authorized to act on any such approval or action and Company shall have no redress against Issuer or Trustee as a result of any such action taken.

Section 7.7. Financing Statements. Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the lien of the Indenture. Issuer shall cooperate fully with Company in taking any such action. Concurrently with the execution and delivery of the 2007 Series A Bonds, Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such lien, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture, which filings the Company agrees to undertake.

Section 7.8. Company's Performance Under Indenture. The Company agrees, for the benefit of Bondholders to do ,nd perform all acts and things contemplated in the Indenture to be done and performed by it.

Section 7.9. Negative Pledge.

(a) The Company agrees that so long as any 2007 Series A Bonds remain outstanding, the Company will not issue, assume or guarantee any Debt secured by any mortgage, security interest, pledge or lien (herein referred to as a "mortgage") of or upon any Operating Property of the Company, whether owned at the date of the Indenture or thereafter acquired, and will not permit to exist any Debt secured by a mortgage on any Operating Property, without in any such case effectively securing the 2007 Series A Bonds equally and ratably with such Debt; provided, however, that the foregoing restriction shall not apply to Debt secured by any of the following:

(i) mortgages on any property existing at the time of acquisition thereof;

(ii) mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with the Company, or at the time of a sale, lease or other disposition of the properties of such corporation or a division thereof as an entirety or substantially as an entirety to the Company, provided that such mortgage as a result of such merger, consolidation, sale, lease or other disposition is not extended to property owned by the Company immediately prior thereto;

(iii) mortgages on property to secure all or part of the cost of acquiring, substantially repairing or altering, constructing, developing or substantially improving such property, or to secure indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided such mortgages are created or assumed contemporaneously with, or within 18 months after, such acquisition or completion of substantial repair or alteration, construction, development or substantial improvement or within six months thereafter pursuant to a commitment for financing arranged with a lender or investor within such 18 month period;

(iv) mortgages in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any state thereof, or for the benefit of holders of securities issued by any such entity, to secure any Debt incurred for the purpose of financing all or any part of the purchase price or the cost of substantially repairing or altering, constructing, developing or substantially improving the property subject to such mortgages; or

(v) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any mortgage referred to in the foregoing clauses (1) to (4), inclusive; provided, however, that the principal amount of indebtedness secured thereby and not otherwise authorized by said clauses (1) to (4), inclusive, shall not exceed the principal amount of indebtedness, plus any premium or fee payable in connection with any such extension, renewal or replacement, so secured at the time of

such extension, renewal or replacement.

(b) Notwithstanding the provisions of Section 7.9(a) and so long as any 2007 Series A Bonds remain outstanding, the Company may issue, assume or guarantee Debt, or permit to exist Debt, secured by mortgages which would otherwise be subject to the restrictions of this Section up to an aggregate principal amount that, together with the principal amount of all other Debt of the Company secured by mortgages (other than mortgages permitted by Section 7.9(a) that would otherwise be subject to the foregoing restrictions) does not at the time exceed the greater of 10% of Net Tangible Assets or 10% of Capitalization.

(c) Notwithstanding the provisions of Section 7.9(a) and Section 7.9(b) , the Company will not issue, assume, guarantee or permit to exist any debt of the Company secured by a mortgage, the creditor of which controls, is controlled by, or is under common control with, the Company.

(d) If at any time the Company shall issue, assume or guarantee any Debt secured by any mortgage and if Section 7.9(a) requires that the 2007 Series A Bonds be secured equally and ratably with such Debt, the Company will promptly execute, at its expense, any instruments necessary to so equally and ratably secure such 2007 Series A Bonds.

ARTICLE VIII

ASSIGNMENT; INDEMNIFICATION; REDEMPTION

Section 8.1. Assignment . This Agreement may be assigned by Company without the necessity of obtaining the consent of either Issuer or Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve Company from primary liability for any of its obligations hereunder, and in the event of any such assignment Company shall remain primarily liable for payments of the amounts specified in Section 5.1 hereof and for performance and observance of the other covenants or agreements on its part herein provided to be performed and observed to the same extent as though no assignment had been made;

(b) The assignee shall assume the obligations of Company hereunder to the extent of the interest assigned;

(c) Company shall, within thirty days after the delivery thereof, furnish or cause to be furnished to Issuer and to Trustee a true and complete copy of each such assignment and assumption of obligation; and

(d) prior to such assignment, the Company shall have obtained an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the 2007 Series A Bonds from gross income for Federal income tax purposes under Section 103 (a) of the Code.

Section 8.2. Release and Indemnification Covenants . Company releases Issuer from and covenants and agrees that Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless against, any expense or liability incurred by Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof. If any such claim is asserted, Issuer agrees to give prompt notice to the Company and Company will assume the defense thereof, with full power to litigate, compromise or to settle the same in its sole discretion, it being understood that Issuer will not settle or consent to the settlement of the same without the consent of Company.

Section 8.3. Assignment of Interest in Agreement by Issuer . Any assignment by Issuer to Trustee pursuant to the Indenture or this Agreement of any moneys receivable under this Agreement shall be subject and subordinate to this Agreement.

Section 8.4. Redemption of 2007 Series A Bonds . Upon the agreement of Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2007 Series A Bonds subject to redemption, Issuer, at the request of Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the 2007 Series A Bonds outstanding, as may be specified by Company, on the redemption date specified by the Company.

Section 8.5. Reference to 2007 Series A Bonds Ineffective after 2007 Series A Bonds Paid . Upon payment in full of the 2007 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.4 hereof and payment of all fees and charges of the Trustee (including reasonable attorney's fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2007 Series A Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2007 Series A Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1 .

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default Defined . The following shall be "events of default" under this Agreement and the term "events of default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under subsections (a) and (e) of Section 5.1 hereof which results

in failure to pay principal of, premium or interest on or the purchase price of the 2007 Series A Bonds, and such failure shall cause an event of default under the Indenture.

(b) Failure by Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, is given to Company by Issuer or Trustee, unless Issuer and Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Issuer and Trustee will not unreasonably withhold their consent to an extension of such time if such failure is capable of being cured and corrective action is instituted by Company within the applicable period and is being diligently pursued.

(c) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Company, or of a substantial part of the property or assets of Company, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company or (iii) the winding-up or liquidation of Company; and such proceeding or petition shall continue undismissed or unstayed for 90 days or an order or decree approving or ordering any of the foregoing shall be entered.

(d) Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (d) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Company or for a substantial part of the property or assets of Company, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing.

(e) The occurrence of an Event of Default under the Indenture.

The provisions of Section 9.1(b) are subject to the following limitations: If by reason of force majeure Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of Company contained in Section 2.2(k) and (l) , Section 4.2 , Section 4.4 or Section 7.2 or ARTICLE V hereof and the general covenant and obligation of Company to take all necessary actions for the continued exclusion of interest on the 2007 Series A Bonds from gross income for federal and Kentucky income taxes, Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean any cause or event not reasonably within the control of Company, including without limitation the following: acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies, including terrorists; orders of any kind of the government of the United States of the Commonwealth of Kentucky or any of their departments, agencies or officials, or any civil or military authority; evacuations and quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines or pipes; or partial or entire failure of utility services. Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Company, and Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Company unfavorable to Company.

Section 9.2. Remedies on Default . Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, the Trustee, on behalf of the Issuer at the direction of the Bond Insurer, may take any one or more of the following remedial steps:

(a) By written notice to Company, the Trustee, on behalf of the Issuer at the direction of the Bond Insurer, may declare an amount equal to the principal and accrued interest on the 2007 Series A Bonds then Outstanding, as defined in the Indenture, to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

(b) The Trustee, on behalf of the Issuer at the direction of the Bond Insurer, may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of Company.

(c) The Trustee, on behalf of the Issuer at the direction of the Bond Insurer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Company under this Agreement.

In case there shall be pending a proceeding of the nature described in Section 9.1(c) or (d) above, Trustee, upon direction by the Bond Insurer or the Bond Insurer itself, shall be entitled and empowered, by intervention in such proceeding or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of Trustee allowed in such judicial proceedings relative to Company, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any custodian (including, without limitation a receiver, trustee or liquidator) of Company appointed in connection with such proceedings is hereby authorized to make such payments to Trustee, and to pay to Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Any amounts collected pursuant to action taken under this Section (other than the compensation and expenses referred to in the immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2007 Series A Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of Trustee and any paying agents accrued and to accrue through final payment of the 2007 Series A Bonds, and all other liabilities of Company accrued and to accrue hereunder or under the Indenture through final payment of the 2007 Series A Bonds have been paid, such amounts so collected shall be paid to Company.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given Issuer hereunder shall also extend to Trustee, and Trustee and the holders of the 2007 Series A Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 9.4. Agreement to Pay Reasonable Attorneys' Fees and Expenses. In the event Company should default under any of the provisions of this Agreement and Issuer and/or Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligation or agreement on the part of Company herein contained, Company agrees that it will on demand therefor pay to Issuer and/or Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by Issuer and/or Trustee.

Section 9.5. Waiver of Events of Default. If, after the acceleration of the maturity of the outstanding 2007 Series A Bonds by Trustee pursuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2007 Series A Bonds and the principal of, and premium, if any, on any and all 2007 Series A Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2007 Series A Bond, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2007 Series A Bonds which shall have become due by said declaration, shall have been remedied, and such event of default under the Indenture shall be deemed waived by Trustee in accordance with Section 9.11 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then Company's default hereunder shall be deemed to have been waived by Issuer and no further action or consent by Trustee or Issuer shall be required. In the event any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

PREPAYMENT OF LOAN

Section 10.1. Options to Prepay Loan. Company shall have, and is hereby granted, options to prepay the Loan in whole and to cancel or terminate this Agreement on any Business Day at any time Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by Company to Trustee of such election, as follows:

(a) If in the judgment of Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2007 Series A Bonds upon Company with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem, property, income or other taxes not imposed on the date of this Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project;

(b) If the Project or a portion thereof or other property of Company in connection with which the Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or other property of Company in connection with which the Project is used unsatisfactory to Company for its intended use;

(d) In the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of the Trimble County Generating Station of the Company shall have occurred which, in the judgment of the Company, render the continued operation of the Trimble County Generating Station or any generating unit at such station uneconomical; or changes in circumstances, after the issuance of the 2007 Series A Bonds including but not limited to changes in clean air and water or other air and water pollution control requirements or solid waste disposal requirements, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) In the event this Agreement shall become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action, whether state or federal, or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(f) A final order or decree of any court or administrative body after the issuance of the 2007 Series A Bonds shall require the Company to cease a substantial part of its operations at the Trimble County Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such location for a period of six months.

In the case of prepayment pursuant to this Section (or if any 2007 Series A Bonds be redeemed in whole or in part pursuant to Section .1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with Trustee and available for such purpose, to redeem all 2007 Series A Bonds then outstanding (or, in the case any 2007 Series A Bonds are redeemed in part pursuant to Section 6.1 hereof, such portion of the 2007 Series A Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2007 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2007 Series A Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the events mentioned in (a) through (f) above, Company is required to give written notice to Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2. Additional Option to Prepay Loan. Company shall have, and is hereby granted, further options, to the extent that the 2007 Series A Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with Trustee moneys sufficient to pay, together with other funds deposited with Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2007 Series A Bonds then outstanding under the Indenture and, upon depositing with Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2007 Series A Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder, to cancel or terminate the term of this Agreement.

Section 10.3. Obligations to Prepay Loan. Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, prior to the required full payment of the 2007 Series A Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and Company shall take all actions required to mandatorily redeem the 2007 Series A Bonds at the cost of the Company upon the terms specified in this Agreement and in ARTICLE IV of the Indenture following the occurrence of a Determination of Taxability, including, but not limited to, prepaying appropriate amounts due on the 2007 Series A Bonds in order to effect such redemption. The 2007 Series A Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this Section, a "Determination of Taxability" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2007 Series A Bond or from the Company or the suer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the ompany participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2007 Series A Bonds, the interest on the 2007 Series A Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2007 Series A Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2007 Series A Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any 2007 Series A Bond in the computation of minimum or indirect taxes. All of the 2007 Series A Bonds shall be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2007 Series A Bonds of one or more series or one or more maturities would have the result that interest payable on the remaining 2007 Series A Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the 2007 Series A Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described in this Section, the Company shall give notice thereof to the Trustee and the Issuer.

In the case of the mandatory obligation of Company to prepay the Loan or any part thereof after the occurrence of a Determination of axability, Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as ecified in this Section hereof and to provide to Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2007 Series A Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2007 Series A Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any paying agents and all other liabilities of Company accrued and to accrue

hereunder to the date of redemption of the 2007 Series A Bonds.

Section 10.4. Notice of Prepayment; Redemption Procedures. It is understood and agreed by the parties hereto that in order to exercise an option granted in, or to consummate a mandatory prepayment required by, this Article, Company shall give written notice to Issuer and Trustee which notice shall (i) contain the agreement of Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2007 Series A Bonds equal to the amount of the prepayment, including, in the case of a prepayment under Section 10.2 hereof, any applicable redemption premium in respect of such 2007 Series A Bonds, and any other amounts required under this Agreement and (ii) specify the prepayment date (which must be a Business Day and which shall also be the redemption date), which date shall not be less than 30 days (45 days if the 2007 Series A Bonds are bearing interest at the Semi-annual, Annual or Long Term Rate or in all cases such shorter period as may be acceptable to the Trustee) nor more than 90 days from the date the notice is mailed by Company to Issuer and Trustee.

Section 10.5. Relative Position of this Article and Indenture. The rights and options granted to Company in this Article, except the option granted to Company pursuant to Section 10.2 to prepay less than all of the Loan payments, shall be and remain prior and superior to the Indenture and may be exercised whether or not Company is otherwise in default hereunder; provided that such default will not result in nonfulfillment of any condition to the exercise of any such right or option.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Term of Agreement. This Agreement shall remain in full force and effect from the date hereof to and including the later of June 1, 2033, or until such earlier or later time as all of the 2007 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture), whichever shall be later; provided, however, that this Agreement may be cancelled and terminated prior to said date if Company shall prepay all of the Loan pursuant to ARTICLE X hereof; and provided further, however, that all obligations of Company under ARTICLE V and Section 8.1 hereof (a) to pay the agreed fees and expenses of Trustee, the Bond Insurer, the Tender Agent, the Bond Registrar and any Paying Agent and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2007 Series A Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by Company as to all matters affecting the tax-exempt status of interest on the 2007 Series A Bonds shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2007 Series A Bonds and shall survive the termination of this Agreement and all obligations of Company contained herein relating to indemnification of Issuer, Trustee, Bond Registrar, Authenticating Agent, Tender Agent and any Paying Agent shall survive the termination of this Agreement.

Section 11.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Issuer, at 123 Church Street, P. O. Box 251, Bedford, Kentucky 40006, Attention: County Judge/Executive;

If to Company, at its corporate headquarters, 220 West Main Street, Louisville, Kentucky 40202, Attention: Treasurer, and

If to Trustee, at 60 Wall Street, 27 th Floor, Mailstop NYC60-2715, New York, New York 10005, Attn: Trust & Securities Services (Municipal Group).

If to Bond Insurer, at One State Street Plaza, New York, New York 10004, Attn: Surveillance Department, Global Utilities.

If to Paying Agent, Remarketing Agents or Tender Agent, at such addresses for notices as are set forth in the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by either Issuer or Company to the other shall also be given to Trustee. Issuer, Company and Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.3. Binding Effect; Bond Counsel Opinions. This Agreement shall inure to the benefit of and shall be binding upon Issuer, Company and their respective successors and assigns, subject, however, to the limitations contained in Section 7.2, Section 8.1 and Section 8.3 hereof.

Section 11.4. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5. Amounts Remaining in Bond Fund and Rebate Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the 2007 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, shall belong to and be paid to Company by Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied and disbursed strictly and only in accordance with the provisions of Section 6.06 of the Indenture. Following the payment and discharge of the Refunded 1992 Series A Bonds on their redemption date and the making of provision for payment of the Refunded 1992 Series A Bonds not presented for payment, any remaining moneys in the Prior Bond Fund shall belong to and be paid to Company by the Prior Trustee.

Section 11.6. Amendments, Changes and Modifications. Subsequent to the issuance of the 2007 Series A Bonds and prior to payment in full of all 2007 Series A Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated, and no provision hereof waived, without the written consent of Trustee, given in accordance with the Indenture.

Section 11.7. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 11.9. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 11.10. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except with respect to the Project and the application of the revenues of this Agreement, as hereinabove provided.

Section 11.11. Payments Due on Other Than Business Days. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be on a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided in this Agreement, and if done on such succeeding Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

Section 11.12. The Bond Insurer shall be a third party beneficiary of the provisions of this Agreement.

(remainder of page left blank intentionally)

IN WITNESS WHEREOF , Issuer and Company have caused this Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first written.

COUNTY OF TRIMBLE, KENTUCKY

(SEAL)

By:_____
RANDY STEVENS
County Judge/Executive

ATTEST:

_____
SUSAN BARNES
Fiscal Court Clerk

LOUISVILLE GAS AND ELECTRIC COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF TRIMBLE)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of April, 2007, the foregoing instrument was produced to me in said County by Randy Stevens and Susan Barnes, personally known to me and personally known by me to be the County Judge/Executive and Fiscal Court Clerk, respectively, of the COUNTY OF TRIMBLE, KENTUCKY, and acknowledged before me by them and each of them to be their free act and deed as County Judge/Executive and Fiscal Court Clerk of such County, and the act and deed of said County as authorized by an Ordinance of the Fiscal Court of such County.

Witness my hand and seal this _____ day of April, 2007. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of April, 2007, the foregoing instrument was produced to me in said County by Daniel K. Arbough and John R. McCall, personally known to me and personally known by me to be the Treasurer and the Secretary, respectively, of LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

Witness my hand and seal this _____ day of April, 2007. My commission expires _____.

(SEAL)

_____
Notary Public
State at Large, Kentucky

This Instrument Prepared by the
Undersigned, Attorney at Law of
STOLL KEENON OGDEN PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202

_____
SPENCER E. HARPER, JR.

Exhibit 4(tt)-2

Execution Copy

(2007 SERIES A – TRIMBLE COUNTY)

COUNTY OF TRIMBLE, KENTUCKY

AND

LOUISVILLE GAS AND ELECTRIC COMPANY

A Kentucky Corporation

* * * * *

AMENDMENT NO. 1 TO LOAN AGREEMENT IN CONNECTION WITH ENVIRONMENTAL FACILITIES

* * * * *

Dated as of September 1, 2010

* * * * *

NOTICE: The interest of the County of Trimble, Kentucky in and to this Amendment No. 1 to Loan Agreement has been assigned to Deutsche Bank Trust Company Americas, as Trustee, under the Indenture of Trust dated as of March 1, 2007.

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THIS AMENDMENT NO. 1 TO LOAN AGREEMENT, dated as of September 1, 2010, but made effective as of the Effective Date (defined herein) (this "Amendment No. 1 to Loan Agreement"), by and between the COUNTY OF TRIMBLE, KENTUCKY, being a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky.

WITNESSETH:

WHEREAS, the County of Trimble, Kentucky (the "Issuer") constitutes a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and pursuant to the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), the Issuer has the power to enter into the transactions contemplated by this Amendment No. 1 to Loan Agreement and to carry out its obligations hereunder; and

WHEREAS, the Issuer is authorized pursuant to the Act to issue negotiable bonds and lend the proceeds from the sale of such bonds to a utility company to finance and refinance the acquisition and construction of "pollution control facilities" as defined by the Act for the abatement and control of air and water pollution and abatement of solid wastes and to refund bonds which were previously issued for such purposes; and

WHEREAS, on April 26, 2007, the Issuer, at the request of Louisville Gas and Electric Company (the "Company"), issued its Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project) (the "Bonds" or "2007 Series A Bonds") in the original principal amount of $60,000,000, and the Issuer loaned the proceeds of the 2007 Series A Bonds to the Company pursuant to the Loan Agreement dated as of March 1, 2007, between the Issuer and the Company (the "Agreement"); and

WHEREAS, to secure the payment of the 2007 Series A Bonds, the Issuer assigned substantially all of its rights, title and interests in and to the Agreement to Deutsche Bank Trust Company Americas, as Trustee (the "Trustee"), pursuant to the Indenture of Trust dated as of March 1, 2007, between the Issuer and the Trustee (the "Indenture"); and

WHEREAS, all of the 2007 Series A Bonds remain outstanding and unpaid; and

WHEREAS, the Company intends to enter into that certain Indenture dated as of October 1, 2010 (the "First Mortgage Indenture"), between the Company and The Bank of New York Mellon (the "First Mortgage Trustee"), pursuant to which the Company shall issue certain first mortgage bonds secured by a lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky; and

WHEREAS, in the event the Company grants a lien on and a security interest in its operating property to secure general debt for borrowed money, which the Company intends to do pursuant to the issuance of the first mortgage bonds pursuant to the First Mortgage Indenture, the Agreement obligates the Company to grant an equal and ratable lien on and security interest in its operating property in favor of the Trustee under the Indenture to secure the 2007 Series A Bonds; and

WHEREAS, the Company intends to issue first mortgage bonds (the "First Mortgage Bonds") to the Trustee under the Indenture, thereby creating in favor of the Trustee for the benefit of the holders of the 2007 Series A Bonds an equal and ratable lien on and security interest in the operating property of the Company located in the Commonwealth of Kentucky as security for the payment of the 2007 Series A Bonds; and

WHEREAS, pursuant to Section 13.01 of the Indenture, the consent of the holders of the 2007 Series A Bonds is not required for the Issuer and the Company to enter into an amendment to the Agreement in order to conform the Agreement with changes and modifications to the Indenture made pursuant to Section 12.01 of the Indenture; and

WHEREAS, it is now appropriate and necessary that the Agreement be amended pursuant to Section 13.01 of the Indenture in connection with the issuance of the First Mortgage Bonds to the Trustee under the Indenture as additional collateral and security for the payment of the 2007 Series A Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Issuer on September 20, 2010, and in furtherance of the purposes of the Act and at the request of the Company, the Issuer has determined to enter into this Amendment No. 1 to Loan Agreement in order to provide additional collateral and security for the 2007 Series A Bonds; and

WHEREAS, the Issuer and the Trustee have entered into that certain Supplemental Indenture No. 1 to Indenture of Trust (the "Supplemental Indenture No. 1") of even date herewith pursuant to Section 12.01 of the Indenture; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the Issuer to happen, exist and be performed precedent to and in the execution and delivery of this Amendment No. 1 to Loan Agreement have happened, have existed and have been performed as so required in order to make this Amendment No. 1 to Loan Agreement a valid and binding loan agreement for the security of the holders of the 2007 Series A Bonds and for payment of all amounts due under the Agreement and this Amendment No. 1 to Loan Agreement in accordance with their respective terms.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER CONTAINED, THE PARTIES HERETO AGREE EACH WITH THE OTHER AS FOLLOWS:

ARTICLE I

AMENDMENTS TO THE LOAN AGREEMENT

Section 1.1. Amendment of Table of Contents. The title to Article IV of the Table of Contents of the Agreement is hereby amended and restated and Sections 4.6 and 10.6 are added to the Table of Contents:

ARTICLE IV ISSUANCE OF 2007 SERIES A BONDS; APPLICATION OF PROCEEDS; COMPANY TO ISSUE FIRST MORTGAGE BONDS

Section 4.6. First Mortgage Bonds

Section 10.6 Concurrent Discharge of First Mortgage Bonds

The Table of Contents is further amended by deleting Section 7.9 in its entirety.

Section 1.2. Amendment of Section 1.2. Incorporation of Certain Terms by Reference. The following defined terms are hereby added to Section 1.2 of the Agreement and shall have the meanings set forth in Section 1.5 of the Supplemental Indenture No. 1:

"Amendment No. 1 to Loan Agreement"
"Effective Date"
"First Mortgage Bonds"
"First Mortgage Indenture"
"First Mortgage Trustee"
"Redemption Demand"
"Supplemental First Mortgage Indenture"
"Supplemental Indenture No. 1"

Section 1.3. Amendment of Section 1.3. Additional Definitions. The following defined terms set forth in Section 1.3 of the Agreement are hereby deleted in their entirety:

"Capitalization"
"Debt"
"Net Tangible Assets"
"Operating Property"

Section 1.4. Amendment of Section 3.2. Agreement as to Ownership of Project. Section 3.2 of the Agreement is hereby amended and restated to read as follows:

Section 3.2. Agreement as to Ownership of Project. The Issuer and the Company agree that title to and ownership of the Project shall remain in and be the sole property of the Company in which the Issuer shall have no interest. From and after the Effective Date, the Project is acknowledged to be subject to the lien of the First Mortgage Indenture. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2007 Series A Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement and the Amendment No. 1 to Loan Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 1.5. Addition of Section 4.6. First Mortgage Bonds. The Agreement is hereby amended by the addition of Section 4.6 thereto to read as follows:

Section 4.6. First Mortgage Bonds. The Company covenants and agrees with the Issuer that it will, for the purpose of providing security for the 2007 Series A Bonds, execute and deliver to the Trustee on the Effective Date the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2007 Series A Bonds. The First Mortgage Bonds shall be in full force and effect from and after the Effective Date and shall mature as to principal identically as in the case of the 2007 Series A Bonds and, upon the giving of a Redemption Demand to the First Mortgage Trustee and completion of other conditions precedent set forth in the Supplemental First Mortgage Indenture, shall bear interest identically as in the case of the 2007 Series A Bonds.

Following the Effective Date, upon the occurrence of an event of default under ARTICLE IX of this Agreement as amended by the Amendment No. 1 to Loan Agreement, that has resulted in a default in payment of the principal of, premium, if any, or interest on the 2007 Series A Bonds as and when the same come due, whether at maturity, redemption, acceleration or otherwise, or a default in payment of the purchase price of any 2007 Series A Bond tendered for purchase, the acceleration of the maturity date of the 2007 Series A Bonds (to the extent not already due and payable) as a consequence of such event of default and the receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee, the First Mortgage Bonds shall bear interest, and principal and interest thereon will be payable, in accordance with the provisions specified in the Supplemental First Mortgage Indenture.

Upon payment of the principal of, premium, if any, and interest on any of the 2007 Series A Bonds, whether at maturity or prior to maturity by redemption or otherwise, and the surrender thereof to, and cancellation thereof by, the Trustee, or upon provision for the payment thereof having been made in accordance with the provisions of ARTICLE VIII of the Indenture, First Mortgage Bonds in an amount equal to the aggregate principal amount of the 2007 Series A Bonds so surrendered and cancelled or for the payment of which provision has been made shall be deemed fully paid and the obligations of the Company thereunder terminated and such First Mortgage Bonds shall be surrendered by the Trustee to the First Mortgage Trustee, and shall be cancelled by the First Mortgage Trustee. All of the First Mortgage Bonds shall be registered in the name of the Trustee and shall be non-transferable, except to effect transfers to any successor trustee under the Indenture.

Section 1.6. Amendment of Section 6.1. Maintenance. The third paragraph of Section 6.1 of the Agreement is hereby amended and restated to read as follows:

If, prior to full payment of all 2007 Series A Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Company or the First Mortgage Trustee receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.l(b) or (c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of 2007 Series A Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2007 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2007 Series A Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2007 Series A Bonds are otherwise subject to optional redemption.

Section 1.7. Amendment of Section 7.7. Financing Statements. Section 7.7 of the Agreement is hereby amended and restated to read as follows:

Section 7.7. Financing Statements. The Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the respective liens of the Indenture and the First Mortgage Indenture. The Issuer shall cooperate fully with the Company in taking any such action. Concurrently with the execution and delivery of the First Mortgage Bonds, the Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the respective liens of the Indenture and the First Mortgage Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such liens, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the respective liens of the Indenture and the First Mortgage Indenture, which filings the Company agrees to undertake.

Section 1.8. Deletion of Section 7.9. Negative Pledge. Section 7.9 of the Agreement is hereby deleted in its entirety.

Section 1.9. Amendment of Section 8.5. References to 2007 Series A Bonds Ineffective after 2007 Series A Bonds Paid. Section 8.5 of the Agreement is hereby amended and restated to read as follows:

Section 8.5. Reference to 2007 Series A Bonds Ineffective after 2007 Series A Bonds Paid. Upon payment in full of the 2007 Series A Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.4 hereof and payment of all fees and charges of the Trustee (including reasonable attorneys fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2007 Series A Bonds, the First Mortgage Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2007 Series A Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

Section 1.10. Amendment of Section 9.1. Events of Default Defined. Section 9.1 of the Agreement is hereby amended by the addition of subsection (f) thereto to read as follows:

(f) From and after the Effective Date, all bonds outstanding under the First Mortgage Indenture shall, if not already due, have become immediately due and payable whether by declaration of the First Mortgage Trustee or otherwise, and such acceleration shall not have been rescinded or annulled by the First Mortgage Trustee.

Section 1.11. Amendment of Section 9.2. Remedies on Default. Section 9.2(c) of the Agreement is hereby amended and restated to read as follows:

(c) The Trustee, on behalf of the Issuer at the direction of the Bond Insurer, may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement, and the Amendment No. 1 to Loan Agreement, including, from and after the Effective Date, any remedies available in respect of the First Mortgage Bonds.

Section 1.12. Addition of Section 10.6. Concurrent Discharge of First Mortgage Bonds. The Agreement is hereby amended by the addition of Section 10.6 thereto to read as follows:

Section 10.6. Concurrent Discharge of First Mortgage Bonds. From and after the Effective Date, in the event any of the 2007 Series A Bonds shall be paid and discharged pursuant to any provisions of this Agreement and the Amendment No. 1 to Loan Agreement, so that same are not thereafter Outstanding, as the term "Outstanding" is defined in the Indenture, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, Trustee shall deliver to First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.15 of the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants by the Issuer. The Issuer represents, warrants and covenants that:

(a) The Issuer is a public body corporate and politic duly created and existing as a de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, the Issuer has the power to enter into this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1 and the transactions contemplated hereby and thereby and to carry out its obligations hereunder and thereunder.

(b) To its knowledge, the Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the First Mortgage Bonds or the consummation of the transactions contemplated hereby, and the Issuer has been duly authorized to execute and deliver this Amendment No. 1 to Loan Agreement and the Supplemental Indenture No. 1. The Issuer agrees that it will do or cause to be done in a timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Amendment No. 1 to Loan Agreement.

Section 2.2. Representations, Warranties and Covenants by the Company. The Company represents, warrants and covenants that:

(a) The Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Kentucky, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business, and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the First Mortgage Bonds.

(b) The Company has full and complete legal power and authority to execute and deliver this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds to be issued pursuant thereto, and has by proper corporate action duly authorized the execution and delivery of this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the Supplemental First Mortgage Indenture and the First Mortgage Bonds.

(c) No event of default, and no event of the type described in clauses (a) through (f) of Section 9.1 of the Agreement, as amended by this Amendment No. 1 to Loan Agreement, has occurred and is continuing, and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute an event of default or a default under any agreement or instrument to which the Company is a party or by which the Company is or may be bound or to which any of the property or assets of the Company is or may be subject which would impair in any material respect its ability to carry out its obligations under the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture, the First Mortgage Bonds or the transactions contemplated hereby or thereby. Neither the execution and delivery of the Agreement, this Amendment No. 1 to Loan Agreement, the First Mortgage Indenture or the First Mortgage Bonds, nor the consummation of the transactions contemplated hereby or by the Indenture and the Supplemental Indenture No. 1, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, conflicts with or results in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Company is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1. Term of Amendment No. 1 to Loan Agreement. This Amendment No. 1 to Loan Agreement shall remain in full force and effect from the date hereof to and including the later of June 1, 2033, or until such time as all of the 2007 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture and the Supplemental Indenture No. 1 and any amendments thereto), whichever shall be later; provided, however, that the Agreement, as amended, may be cancelled and terminated prior to said date in accordance with the provisions of Section 11.1 of the Agreement.

Section 3.2. Ratification. Except as amended and supplemented by Articles I and II hereof, the Issuer and the Company hereby ratify and reaffirm the terms and provisions of the Agreement and their respective representations, warranties, covenants, agreements and obligations set forth therein.

Section 3.3. Effective Date. This Amendment No. 1 to Loan Agreement has been made and entered into as of the date first written above but shall be effective as of the Effective Date.

Section 3.4. Binding Effect. This Amendment No. 1 to Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.2, 8.1 and 8.3 of the Agreement.

Section 3.5. Severability. In the event any provision of this Amendment No. 1 to Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 3.6. Execution in Counterparts. This Amendment No. 1 to Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.7. Applicable Law. This Amendment No. 1 to Loan Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 3.8. Captions. The captions or headings in this Amendment No. 1 to Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Amendment No. 1 to Loan Agreement.

Section 3.9. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Amendment No. 1 to Loan Agreement or breach thereof shall constitute or give rise to a pecuniary liability of the Issuer or a charge upon its general credit or taxing powers.

(signature page immediately follows)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Amendment No. 1 to Loan Agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all of the date first written.

COUNTY OF TRIMBLE, KENTUCKY

(SEAL)

By:_____
RANDY STEVENS
County Judge/Executive

ATTEST:

_____
SUSAN BARNES
Fiscal Court Clerk

LOUISVILLE GAS AND ELECTRIC COMPANY

(SEAL)

By:_____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

_____
JOHN R. McCALL
Secretary

EXECUTION COPY

AMENDMENT NO. 3
TO THE CREDIT AND SECURITY AGREEMENT

This AMENDMENT NO. 3 TO THE CREDIT AND SECURITY AGREEMENT (this " Amendment "), dated as of December 23, 2010, is by and among PPL RECEIVABLES CORPORATION, as Borrower (the " Borrower "), PPL ELECTRIC UTILITIES CORPORATION, as Servicer (the " Servicer "), VICTORY RECEIVABLES CORPORATION (" Victory "), as a Lender, and THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., NEW YORK BRANCH, as Liquidity Bank (in such capacity, the " Liquidity Bank ") and as Agent (in such capacity, the " Agent "). Capitalized terms used but not otherwise defined herein shall have the respective meanings assigned thereto in the Agreement (as defined below), including terms and definitions incorporated by reference therein.

WHEREAS, the parties hereto have entered into that certain Credit and Security Agreement, dated as of August 5, 2008 (as amended, supplemented and otherwise modified from time to time and as may be further amended, supplemented and otherwise modified from time to time, the " Agreement "); and

WHEREAS, the parties hereto desire to amend the Agreement as herein set forth;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendments to the Agreement . The Agreement is hereby amended as follows:

1.1 Section 9.1(i)(i) of the Agreement is amended by replacing the percentage "6.00%" where it appears therein with the percentage "7.50%".

1.2 Section 9.1(i)(ii) of the Agreement is amended by replacing the percentage "2.50%" where it appears therein with the percentage "3.00%".

SECTION 2. Representations and Warranties of the Originator . Each of the Borrower and the Servicer, as to itself, hereby presents and warrants to Victory, the Liquidity Bank and the Agent as follows:

2.1 The representations and warranties of such Person contained in Article V of the Agreement (as amended hereby) are true and correct as of the date hereof (unless stated to relate solely to an earlier date, in which case such representations and warranties were true and correct as of such earlier date).

2.2 This Amendment and the Agreement (as amended hereby) constitute the legal, valid and binding obligation of such Person enforceable against such Person in accordance with their respective terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

2.3 Upon giving effect to this Amendment, no Amortization Event or Unmatured Amortization Event has occurred and is continuing, except the "Subject Trigger Breaches" and "Subject Amortization Events" as defined in Waiver Agreement, dated the date hereof, by and among the Borrower, the Servicer, Victory and the Agent.

SECTION 3. Conditions to Effectiveness . This Amendment shall become effective as of the date hereof upon receipt by the Agent of the counterparts of this Amendment executed by each of the parties hereto.

SECTION 4. Effect of Amendment; Ratification . Except as specifically amended hereby, the Agreement is hereby ratified and confirmed in all respects, and all of its provisions shall remain in full force and effect. After this Amendment becomes effective, all references in the Agreement (or in any other Transaction Document) to "this Agreement", "hereof", "herein", or words of similar effect, in each case referring to the Agreement, shall be deemed to be references to the Agreement as amended hereby. This Amendment shall not be deemed to expressly or impliedly waive, amend, or supplement any provision of the Agreement other than as specifically set forth herein.

SECTION 5. Counterparts; Delivery . This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, and each counterpart shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or other electronic means shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 6. GOVERNING LAW . THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK BUT OTHERWISE WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES).

SECTION 7. Section Headings. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or the Agreement or any provision hereof or thereof.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

PPL RECEIVABLES CORPORATION,
as Borrower

By_____
Name:
Title:

PPL ELECTRIC UTILITIES CORPORATION,
as Servicer

By_____
Name:
Title:

VICTORY RECEIVABLES CORPORATION,
as Lender

By_____
Name:
Title:

THE BANK OF TOKYO-MITSUBISHI UFJ.
LTD., NEW YORK BRANCH, as a Liquidity Bank

By_____
Name:
Title:

THE BANK OF TOKYO-MITSUBISHI UFJ.
LTD., NEW YORK BRANCH, as Agent

By_____
Name:
Title:

Exhibit 10(p)-2

[Letterhead of PPL Energy Supply, LLC]

Wells Fargo Bank, National Association
301 South College Street – 15 th Floor, MAC:D1053-150
Charlotte, North Carolina 28288
Attention: Rick Price

Wells Fargo Bank, National Association
1525 W WT Harris Boulevard
Charlotte, North Carolina 28262
Attention: Syndications Agency Services

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attention: Jason Kyrwood

November 17, 2010

Re: Notice of Optional Reduction of Commitments

Ladies and Gentlemen:

In accordance with Section 2.08(a)(ii) of that certain $4,000,000,000 Revolving Credit Agreement (the "Credit Agreement"), dated as of October 19, 2010, among PPL Energy Supply, LLC, The Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Agent and Swingline Lender, and the other Agents, Arrangers and Bookrunners named therein (capitalized terms used and not otherwise defined herein are used with the meanings given such terms in the Credit Agreement), Borrower hereby notifies the Administrative Agent that, effective beginning December 1, 2010, the aggregate amount of the Commitments will be permanently reduced by $1,000,000,000 (One Billion Dollars), such that upon the effectiveness of such reduction, the aggregate amount of the Commitments shall be $3,000,000,000 (Three Billion Dollars).

Very truly yours,

/S/ JAMES E. ABEL
Vice President and Treasurer

Exhibit 10(w)

Prepared by and after recording please return to:
PPL Services Corporation
Two North Ninth Street (GENTW4)
Allentown, PA 18101
Attention: Ronald J. Reybitz, Esq.

Tax Parcel Identification Nos.: 3-23-17 and 3-23-27

OPEN-END MORTGAGE, SECURITY AGREEMENT AND FIXTURE FILING

FROM

PPL Montour, LLC

(" Mortgagor ")

Address of Mortgagor:
PPL Montour, LLC
Two North Ninth Street
Allentown, Pennsylvania 18101
Attn: Credit Department

TO

WILMINGTON TRUST FSB
as Collateral Agent
(" Mortgagee ")

Address of Mortgagee:
Wilmington Trust FSB
1100 North Market Street
Wilmington, Delaware 19890-0001
Attention: Jim Hanley

Date: October 26, 2010

THIS MORTGAGE IS AN OPEN-END MORTGAGE AND SECURES FUTURE ADVANCES

(All notices to be given to Mortgagee pursuant to 42 Pa. C.S.A. § 8143 shall be given as set forth in Section 3.05 of this Mortgage.)

TABLE OF CONTENTS

OPEN-END MORTGAGE, SECURITY AGREEMENT AND FIXTURE FILING

(MAXIMUM PRINCIPAL OBLIGATIONS NOT TO EXCEED $800,000,000.00)

THIS OPEN-END MORTGAGE, SECURITY AGREEMENT AND FIXTURE FILING, dated as of October 26, 2010, is made by PPL Montour, LLC, a Delaware limited liability company (" Mortgagor "), whose address is PPL Montour, LLC, c/o PPL Energy Supply, LLC, Two North Ninth Street (GENTW14), Allentown, Pennsylvania 18101-1179, Attention: Treasurer, in favor of WILMINGTON TRUST FSB, as Collateral Agent (together with its successors in such capacity, " Mortgagee "), whose address is Wilmington Trust FSB, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Jim Hanley.

RECITALS

Mortgagor is the owner of a fee simple estate in the parcel(s) of real property located in Montour County, Pennsylvania, described in Schedule A attached hereto (the " Land "). Mortgagor, PPL EnergyPlus, a Pennsylvania limited liability company (the " Company "), PPL Energy Supply, LLC, a Delaware limited liability company, PPL Brunner Island, LLC, a Delaware limited liability company (" PPL Brunner Island "), Mortgagee, as Collateral Agent, and certain Secured Counterparties (as such term is defined in the Common Agreement) from time to time parties thereto, have entered into a Secured Energy Marketing and Trading Facility Common Agreement dated as of November 1, 2010 (the " Common Agreement ") in order to establish a secured energy marketing and trading facility (the " Facility ") with one or more Secured Counterparties.

Under the Facility, the Company and the Secured Counterparties from time to time will enter into transactions involving the purchase and sale of electrical energy, generating capacity, fuel and other energy related commodities and other Energy Transactions (as such term is defined in the Common Agreement) pursuant to the Secured Counterparty ISDA Agreements (as such term is defined in the Common Agreement).

As an inducement to the Secured Counterparties to enter into the Facility, Mortgagor has agreed to (i) guarantee, jointly and severally with others, payment of the Guaranteed Obligations (hereinafter defined) for the benefit of the Mortgagee and the Secured Counterparties, and has further agreed to secure its obligations under such guaranty, and (ii) directly secure the Directly Secured Obligations, without duplication of amounts due under (i) and (ii), by the execution and delivery of this Mortgage, the execution and delivery of which has been duly authorized by Mortgagor, provided, however, that at no time shall the outstanding amount secured hereby exceed the Maximum Obligation Amount (as defined herein).

CERTAIN DEFINITIONS AND RULES OF CONSTRUCTION

Mortgagor and Mortgagee agree that, unless the context otherwise specifies or requires, the following terms shall have the meanings herein specified. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Common Agreement.

" Chattels " means all tangible personal property of every kind and description, other than the Excepted Property (hereinafter defined), which are now or at any time hereafter attached to, installed or erected on or placed or situated in or upon, forming a part of, appurtenant to, used in the construction or operation of or in connection with, or arising from the use or operation of or in connection with, or arising from the use or enjoyment of all or any portion of, the Premises, including, without limitation: (i) all equipment and fixtures (in each case, as defined in the Uniform Commercial Code); (ii) all pumping plants, pipes, flumes and ditches and all water stock relating to the Premises; and (iii) all substitutions and replacements of, and accessions and additions to, any of the foregoing.

" Common Agreement " is defined in the Recitals hereto.

" Directly Secured Obligations " means all payment obligations that are now or may hereafter become due and payable from the Company (i) to any Secured Counterparty in connection with the Energy Transactions pursuant to such Secured Counterparty's ISDA Agreement and (ii) to Mortgagee pursuant to the Facility Documents.

" Event of Default " has the meaning given such term in the Common Agreement.

" Guaranty " means that certain Guaranty dated the date hereof executed jointly and severally by Mortgagor and PPL Brunner Island and delivered to Mortgagee, as Collateral Agent, pursuant to the Common Agreement.

" Guaranteed Obligations " means the payment obligations of Mortgagor under the Guaranty.

" Improvements " means all structures or buildings, and replacements thereof, now or hereafter located upon the Land, all plant equipment, all apparatus, machinery and fixtures of every kind and nature whatsoever forming part of said structures, buildings, or wells, including, without limitation, all fixtures now or hereafter affixed to the Premises, including all improvements of every kind and description now or hereafter erected or placed thereon and any and all power and transmission lines, substations, machinery, motors, elevators, boilers, equipment (including, without limitation, all equipment for the generation or distribution of air, water, heat, electricity, light, fuel or refrigeration or for ventilating or air conditioning purposes or for sanitary or drainage purposes or for the removal of dust, refuse or garbage), partitions, appliances, furniture, furnishings, building service equipment, telephones and telephone equipment, building materials, supplies, and other property of every kind and description now or hereafter placed, attached, affixed or installed in such buildings, structures or improvements and all replacements,

repairs, additions, accessions or substitutions thereto or therefor; all of such fixtures whether now or hereafter placed thereon being hereby declared to be real property and a part of the "Improvements".

" Maximum Obligation Amount " means $800,000,000 plus certain permitted expenses and interest as more particularly enumerated in Section 3.15 hereof.

" Premises " means the Land, including all of the easements, rights, privileges and appurtenances thereunto belonging or in anywise appertaining, and all of the estate, right, title, interest, claim or demand whatsoever of Mortgagor therein and in the streets and ways adjacent thereto, now or hereafter acquired, and as used herein shall, unless the context otherwise requires, be deemed to include the Improvements.

" Premises Documents " means all reciprocal easement agreements, declarations of covenants, conditions or restrictions, and any similar such agreements or declarations, now or hereafter affecting the Premises or any part thereof.

" Protective Advance Rate " means 2% over the rate per annum that would then be applicable to Base Rate Loans under the Parent's Revolving Credit Agreement dated as of October 19, 2010, or any successor credit agreement.

" Secured Counterparties " is defined in the Recitals hereto.

" without duplication " means that the underlying amounts recoverable as Guaranteed Obligations and Directly Secured Obligations may only be recovered once as one or the other of Guaranteed Obligations and Directly Secured Obligations and such recovery shall be in lieu of recovery under the other category.

" Uniform Commercial Code " means the Uniform Commercial Code as in effect from time to time in the Commonwealth of Pennsylvania.

Except as expressly indicated otherwise, this Mortgage shall be interpreted in accordance with the rules of construction set forth in Section 1.02 of the Common Agreement.

GRANTING CLAUSE

NOW, THEREFORE, Mortgagor, in consideration of the premises and in order to secure, without duplication, the payment, performance, and observance of the Guaranteed Obligations and the Directly Secured Obligations, and intending to be legally bound, hereby gives, grants, bargains, sells, warrants, aliens, remises, releases, conveys, assigns, transfers, mortgages, hypothecates, deposits, pledges, sets over and confirms unto Mortgagee, and grants to Mortgagee a security interest in, all its estate, right, title and interest in, to and under any and all of the following described property (hereinafter, the " Mortgaged Property ") whether now owned or held or hereafter acquired, subject, however, to any Permitted Liens:

(i) the Premises;

(ii) the Improvements;

(iii) the Chattels;

(iv) the Premises Documents;

(v) all engineering, drainage, soil and other studies and tests; water, sewer, gas, electrical and telephone taps and connections; surveys, drawings, plans and specifications; and subdivision, zoning and platting materials; in each case to the extent the foregoing relate to the Premises and/or the Improvements, and to the degree such documents still exist and are in the possession of Mortgagor; and

(vi) all proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, including, without limitation, proceeds of insurance and condemnation awards.

Expressly excepting and excluding, however, from the lien and operation of this Mortgage, the following property of Mortgagor, whether now owned or hereafter acquired (collectively, the " Excepted Property "):

(i) all revenues, income and earnings, all accounts, accounts receivable, rights to payment, payment intangibles and unbilled revenues; and all rents, tolls, issues, products and profits; and all claims, credits, demands and judgments, except to the extent any of the foregoing represent proceeds of the conversion of Mortgaged Property (whether by sale or other disposition, casualty or condemnation, and in any case not resulting from the ownership and operation of the Mortgaged Property by the Mortgagor in the ordinary course) into cash or liquidation claims, as described in clause (vi) above following an Event of Default;

(ii) all governmental and other licenses, permits, franchises, consents and allowances; and all patents, patent licenses and other patent rights; patent applications, trade names, trademarks, copyrights and other intellectual property; and all claims, credits, choses in action, commercial tort claims and other intangible property and general intangibles including, but not limited to, computer software;

(iii) all automobiles, buses, trucks, truck cranes, tractors, trailers and similar vehicles and movable equipment; all

rolling stock, rail cars and other railroad equipment; all vessels, boats, barges, and other marine equipment; all airplanes, helicopters, aircraft engines and other flight equipment; all parts, accessories and supplies used in connection with any of the foregoing; and all personal property of such character that the perfection of a security interest therein or other lien thereon is not governed by the Uniform Commercial Code as in effect in the jurisdiction in which such property is located or with respect to which such Uniform Commercial Code refers to another statute for perfection;

(iv) all fuel, whether or not any such fuel is in a form consumable in the operation of the Mortgaged Property, including separate components of any fuel in the forms in which such components exist at any time before, during or after the period of the use thereof as fuel, all hand and other portable tools and equipment; all materials, supplies, inventory and other items of personal property which are consumable (otherwise than by ordinary wear and tear) in their use in the operation of the Mortgaged Property; all furniture and furnishings; and computers and data processing, data storage, data transmission, telecommunications and other facilities, equipment and apparatus, which, in any case, are used primarily for administrative or clerical purposes or are otherwise not necessary for the operation or maintenance of any of the Mortgaged Property;

(v) all coal, ore, gas, oil and other minerals and all timber, and all rights and interests in any of the foregoing, whether or not such minerals or timber shall have been mined or extracted or otherwise separated from the land;

(vi) all electric energy and capacity, gas (natural or artificial), steam, water and other products generated, produced, manufactured, purchased or otherwise acquired by Mortgagor, and all contracts, operating or other agreements, and rights in respect of the sale, production, generation, manufacturing or purchase of the foregoing;

(vii) all real property, leaseholds, gas rights, wells, gathering, tap or other pipe lines, or facilities, equipment or apparatus, in any case used or to be used primarily for the production or gathering of natural gas; and

(viii) all property which is the subject of a lease agreement designating Mortgagor as lessee and all right, title and interest of Mortgagor in and to such property and in, to and under such lease agreement, whether or not such lease agreement is intended as security;

TO HAVE AND TO HOLD unto Mortgagee, its successors and assigns forever,

PROVIDED, ALWAYS, that upon the earlier of (a) termination of the Facility pursuant to Section 2.05(d) of the Common Agreement and (b) reduction of the Facility Limit to zero pursuant to Section 7.04(b) of the Common Agreement, then, and in either case, the Mortgaged Property hereby conveyed and all rights and interests therein and thereto shall revert to Mortgagor and the estate, right, title and interest of Mortgagee therein shall thereupon cease, determine and become void, and in either case, subject to the requirements set forth in Section 7.04(b) of the Common Agreement, Mortgagee shall execute and deliver to Mortgagor, at Mortgagor's cost, an appropriate release and discharge of this Mortgage in form to be recorded.

ARTICLE I

COVENANTS OF MORTGAGOR

Mortgagor covenants and agrees as follows:

Section 1.01. Title. Mortgagor has full power and lawful authority to mortgage the Mortgaged Property in the manner and form herein done or intended hereafter to be done. Mortgagor will preserve its title to the Mortgaged Property, subject, however, to Permitted Liens and to the provisions of Sections 5.03(f), 5.03(j), and 7.04 of the Common Agreement, and will forever warrant and defend the same to Mortgagee and will forever warrant and defend the validity and priority of the lien hereof against the claims of all persons and parties whomsoever.

Section 1.02. Further Assurances. Mortgagor will, at its sole cost and expense, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignment, transfers and assurances as Mortgagee may (at the request of the Required Secured Counterparties) from time to time reasonably require, for the better assuring, conveying, assigning, transferring and confirming unto Mortgagee the property and rights hereby conveyed or assigned or intended now or hereafter so to be, or which Mortgagor may be or may hereafter become bound to convey or assign to Mortgagee, or for carrying out the intention or facilitating the performance of the terms hereof, or for filing, registering or recording this Mortgage and, on demand, will execute and deliver, and hereby authorizes Mortgagee (at the request of the Required Secured Counterparties) to execute, if required, and file in Mortgagor's name, to the extent it may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments, to evidence or perfect more effectively Mortgagee's security interest in and the lien hereof upon the Chattels and other personal property encumbered hereby.

Section 1.03. Filing and Recording of Documents. (a) Mortgagor forthwith upon the execution and delivery hereof, and thereafter from time to time, will cause this Mortgage and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect the lien hereof upon, and the interest of Mortgagee in, the Mortgaged Property.

(b) Filing and Recording Fees and Other Charges. Mortgagor will pay all filing, registration or recording fees, and all expenses incident to the execution and acknowledgment hereof, any mortgage supplemental hereto, and any instrument of further assurance, and any expenses (including reasonable attorneys' fees and disbursements) incurred by Mortgagee in connection with the Facility Documents, and will pay all federal, state, county and municipal stamp taxes and other taxes, duties, imposts, assessments and charges arising out of or in

connection with this Mortgage, any mortgage supplemental hereto, or any instrument of further assurance.

Section 1.04. After-Acquired Property. All right, title and interest of Mortgagor in and to all extensions, improvements, betterments, renewals, substitutes and replacements of, and all additions and appurtenances to, the Mortgaged Property, hereafter acquired by, or released to, Mortgagor or constructed, assembled or placed by Mortgagor on the Premises, and all conversions of the security constituted hereby, immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case, without any further mortgage, conveyance, assignment or other act by Mortgagor, shall become subject to the lien hereof as fully and completely, and with the same effect, as though now owned by Mortgagor and specifically described in the Granting Clause hereof, but at any and all times Mortgagor will execute and deliver to Mortgagee any and all such further assurances, mortgages, conveyances or assignments thereof as Mortgagee may reasonably require for the purpose of expressly and specifically subjecting the same to the lien hereof.

Section 1.05. Protective Advances by Mortgagee. Subject to the provisions of Section 3.15 hereof, if Mortgagor shall fail to perform any of the covenants contained herein, Mortgagee may (at the request of the Required Secured Counterparties) make advances to perform the same on its behalf and all sums so advanced shall be a lien upon the Mortgaged Property and shall be secured hereby; provided that notwithstanding anything in this Agreement to the contrary, the Mortgagee shall have no obligation whatsoever to make any such advance, and any such advance by the Mortgagee shall be made at the Mortgagee's sole discretion. Mortgagor will repay on demand all sums so advanced on its behalf together with interest thereon at the Protective Advance Rate. The provisions of this Section shall not prevent any default in the observance of any covenant contained herein from constituting an Event of Default.

ARTICLE II

EVENTS OF DEFAULT AND REMEDIES

Section 2.01. Events of Default and Certain Remedies. If an Event of Default shall have occurred and be continuing beyond any applicable grace, notice, or cure periods, then and in every such case, to the extent permitted and pursuant to the procedures provided by applicable law:

(a) Mortgagee may (at the request of the Required Secured Counterparties) exercise any or all of its remedies under the Facility Documents; and

(b) Mortgagee, without entry, personally or by its agents or attorneys, insofar as applicable, may (at the request of the Required Secured Counterparties):

(i) institute proceedings for the complete or partial foreclosure hereof; or

(ii) take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in any of the Facility Documents, including, without limitation, this Mortgage, or in aid of the execution of any power herein granted, or for any foreclosure hereunder, or for the enforcement of any other appropriate legal or equitable remedy or otherwise as Mortgagee shall elect.

(c) Any judgment for foreclosure of this Mortgage shall bear interest at the Protective Advance Rate.

Section 2.02. Other Matters Concerning Sales. (a) Mortgagee may adjourn from time to time any sale by it to be made hereunder or by virtue hereof by announcement at the time and place appointed for such sale or for such adjourned sale or sales; and, except as otherwise provided by any applicable provision of law, Mortgagee, without further notice or publication, may make such sale at the time and place to which the same shall be so adjourned.

(b) Upon the completion of any sale or sales made by Mortgagee under or by virtue of this Article II, Mortgagee, or an officer of any court empowered to do so, shall execute and deliver to the accepted purchaser or purchasers a good and sufficient instrument or instruments conveying, assigning and transferring all estate, right, title and interest in and to the property and rights sold. Mortgagor, if requested by Mortgagee, shall ratify and confirm any such sale or sales by executing and delivering to Mortgagee or to such purchaser or purchasers all such instruments as may be advisable, in the judgment of Mortgagee, for the purpose, and as may be designated in such request. Any such sale or sales made under or by virtue of this Article II, whether made under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, shall operate to divest all the estate, right, title, interest, claim and demand whatsoever, whether at law or in equity, of Mortgagor in and to the properties and rights so sold, and shall be a perpetual bar both at law and in equity against Mortgagor and against any and all persons claiming or who may claim the same, or any part thereof from, through or under Mortgagor.

(c) In the event of any sale or sales made under or by virtue of this Article II (whether made under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale), all sums required to be paid by Mortgagor pursuant hereto or to the Guaranty immediately thereupon shall, anything in any of said documents to the contrary notwithstanding, become due and payable.

(d) The purchase money, proceeds or avails of any sale or sales made under or by virtue of this Article II, together with any other sums which then may be held by Mortgagee hereunder, whether under the provisions of this Article II or otherwise, shall be applied in accordance with the terms and provisions of Section 7.05 of the Common Agreement.

(e) Upon any sale or sales made under or by virtue of this Article II, whether made under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, Mortgagee may (at the request of the Required Secured Counterparties), subject to Section 7.02(b) of the Common Agreement, bid for and acquire the Mortgaged Property or any part thereof and in lieu of paying cash therefor

may make settlement for the purchase price by crediting upon the obligations secured hereby the net sales price after deducting therefrom the expenses of the sale and the costs of the action and any other sums which Mortgagee is authorized to deduct hereunder.

Section 2.03. Payment of Amounts Due. (a) In case an Event of Default shall have happened and be continuing, then, Mortgagor will be liable to Mortgagee for the whole amount of the Guaranteed Obligations and the Directly Secured Obligations, without duplication (up to the Maximum Obligation Amount) which then shall have become due and payable (minus that portion of the Guaranteed Obligations and the Directly Secured Obligations paid by PPL Brunner Island or recovered under its Mortgage), and the sums required to be paid by Mortgagor pursuant to any provision hereof or of the Guaranty, and in addition thereto such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to Mortgagee's agents and counsel and any expenses incurred by Mortgagee hereunder (minus such sums and further amounts paid by PPL Brunner Island or recovered under its Mortgage) . In the event Mortgagor shall fail forthwith to pay all such amounts as required, Mortgagee shall be entitled and empowered to institute such action or proceedings at law or in equity as may be advised by its counsel for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against Mortgagor and collect, out of the property of Mortgagor wherever situated, as well as out of the Mortgaged Property, in any manner provided by law, moneys adjudged or decreed to be payable.

(b) Mortgagee shall be entitled to recover judgment as aforesaid either before, after or during the pendency of any proceedings for the enforcement of the provisions hereof; and the right of Mortgagee to recover such judgment shall not be affected by any entry or sale hereunder, or by the exercise of any other right, power or remedy for the enforcement of the provisions hereof, or the foreclosure of the lien hereof; and in the event of a sale of the Mortgaged Property, and of the application of the proceeds of sale, as herein provided, to the payment of the Guaranteed Obligations and the Directly Secured Obligations hereby secured, Mortgagee shall be entitled to enforce payment of, and to receive all amounts then remaining due and unpaid upon, the Guaranteed Obligations and the Directly Secured Obligations, without duplication (minus that portion of the Guaranteed Obligations paid by PPL Brunner Island or recovered under its Mortgage), and to enforce payment of all other charges, payments and costs due hereunder or under the Guaranty (minus that portion of such other charges, payments and costs that have been paid by PPL Brunner Island or recovered under its Mortgage), and shall be entitled to recover judgment for any portion of the Guaranteed Obligations and the Directly Secured Obligations (up to the Maximum Obligation Amount) remaining unpaid. In case of proceedings against Mortgagor in insolvency or bankruptcy or any proceedings for its reorganization or involving the liquidation of its assets, then Mortgagee shall be entitled to prove the whole amount of the Guaranteed Obligations and the Directly Secured Obligations, without duplication, to the full amount thereof, and all other payments, charges and costs due hereunder, without deducting therefrom any proceeds obtained from the sale of the whole or any part of the Mortgaged Property, provided , however , that in no case shall Mortgagee receive a greater amount than the outstanding Guaranteed Obligations and Directly Secured Obligations, without duplication (minus that portion of the Guaranteed Obligations and Directly Secured Obligations paid by PPL Brunner Island or recovered under its Mortgage) from the aggregate amount of the proceeds of the sale of the Mortgaged Property and the distribution from the estate of Mortgagor and provided, further, that in no event shall Mortgagor be liable for more than the Maximum Obligation Amount.

(c) No recovery of any judgment by Mortgagee and no levy of an execution under any judgment upon the Mortgaged Property or upon any other property of Mortgagor shall affect in any manner or to any extent, the lien hereof upon the Mortgaged Property or any part thereof, or any liens, rights, powers or remedies of Mortgagee hereunder, but such liens, rights, powers and remedies of Mortgagee shall continue unimpaired as before.

(d) Any moneys thus collected by Mortgagee under this Section 2.03 shall be applied by Mortgagee in accordance with the provisions of clause (d) of Section 2.02.

Section 2.04. Actions; Receivers. After the happening of any Event of Default and immediately upon the commencement of any action, suit or other legal proceedings by Mortgagee to obtain judgment for the Guaranteed Obligations or Directly Secured Obligations and other sums required to be paid by Mortgagor pursuant to any provision hereof or of the Guaranty, or of any other nature in aid of the enforcement of the Guaranteed Obligations or of the Guaranty or of any Facility Document, to the fullest extent permitted and pursuant to procedures provided by applicable law and subject to obtaining any consent or approval required to be obtained in connection therewith from any Governmental Authority, Mortgagor will if required by Mortgagee, consent to the appointment of a receiver or receivers of all or part of the Mortgaged Property. After the happening of any Event of Default and during its continuance, or upon the commencement of any proceedings to foreclose this Mortgage or to enforce the specific performance hereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of Mortgagee, Mortgagee shall be entitled, as a matter of right, to the fullest extent permitted and pursuant to procedures provided by applicable law (and subject to obtaining any consent or approval required to be obtained from any Governmental Authority), if Mortgagee shall so elect, without the giving of notice to any other party and without regard to the adequacy or inadequacy of any security for the Guaranteed Obligations and Directly Secured Obligations secured hereby, forthwith either before or after declaring the Guaranteed Obligations or Directly Secured Obligations to be due and payable, to the appointment of such a receiver or receivers. No such appointment of any receiver, liquidator or trustee of Mortgagor, or of any of its property, including the Mortgaged Property or any part thereof, shall deprive Mortgagee of any rights hereunder.

Section 2.05. Remedies Cumulative. No remedy herein conferred upon or reserved to Mortgagee is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law, in equity or by statute. No delay or omission of Mortgagee to exercise any right or power accruing upon any Event of Default shall impair any such right or power, or shall be construed to be a waiver of any such Event of Default or any acquiescence therein; and every power and remedy given hereby to Mortgagee may be exercised from time to time as often as may be deemed expedient by Mortgagee. Nothing herein or in any other Facility Document shall affect the obligation of Mortgagor to pay the Guaranteed Obligations or the Directly Secured Obligations in the manner and at the time and place respectively expressed in the Guaranty or the other Facility Documents.

Section 2.06. Moratorium Laws; Right of Redemption. To the fullest extent permitted by applicable law, Mortgagor will not at any time insist upon, or plead, or in any manner whatever claim or take any benefit or advantage of any stay or extension or moratorium law, any

exemption from execution or sale of the Mortgaged Property or any part thereof, wherever enacted, now or at any time hereafter in force, which may affect the covenants and terms of performance hereof, nor claim, take or insist upon any benefit or advantage of any law now or hereafter in force providing for the valuation or appraisal of the Mortgaged Property, or any part thereof, prior to any sale or sales thereof which may be made pursuant to any provision herein, or pursuant to any decree, judgment or order of any court of competent jurisdiction; nor, after any such sale or sales, claim or exercise any right under any statute heretofore or hereafter enacted to redeem the property so sold or any part thereof and Mortgagor hereby expressly waives all benefit or advantage of any such law or laws, and covenants not to hinder, delay or impede the execution of any power herein granted or delegated to Mortgagee, but to suffer and permit the execution of every power as though no such law or laws had been made or enacted. Mortgagor, for itself and all who may claim under it, waives, to the extent that it lawfully may, all right to have the Mortgaged Property marshaled upon any foreclosure hereof.

ARTICLE III

MISCELLANEOUS

Section 3.01. Security Agreement; Fixture Filing. (a) This Mortgage constitutes a security agreement under the Uniform Commercial Code with respect that portion of the Mortgaged Property which is personal property subject to the Uniform Commercial Code. Mortgagee agrees that it will proceed with respect to any personal property covered by this Mortgage in accordance with its rights with respect to the real property pursuant to Section 9-604(a)(2) of the Uniform Commercial Code, and that the provisions of Part 6 of Article 9 of the Uniform Commercial Code other than Section 9-604 shall not apply.

(b) Certain portions of the Mortgaged Property are or will become "fixtures" (as that term is defined in the Uniform Commercial Code) on the Land, and this Mortgage, upon being filed for record in the real estate records of the county wherein such fixtures are situated, shall operate also as a financing statement filed as a fixture filing in accordance with the applicable provisions of the Uniform Commercial Code upon such portions of the Mortgaged Property that are or become fixtures. The real property to which the fixtures relate is described in Schedule A hereto. The record owner of the real property described in Schedule A hereto is Mortgagor. The name, type of organization and jurisdiction of organization of the debtor for purposes of this financing statement are the name, type of organization and jurisdiction of organization of Mortgagor set forth in the first paragraph of this Mortgage, and the name of the secured party for purposes of this financing statement is the name of Mortgagee set forth in the first paragraph of this Mortgage. The mailing address of Mortgagor/debtor is the address of Mortgagor set forth in the first paragraph of this Mortgage. The mailing address of Mortgagee/secured party from which information concerning the security interest hereunder may be obtained is the address of Mortgagee set forth in the first paragraph of this Mortgage. Mortgagor's organizational identification number is Delaware 3132237. Mortgagee agrees that it will proceed with respect to any personal property covered by this Mortgage in accordance with its rights with respect to the real property pursuant to Section 9-604(b)(2) of the Uniform Commercial Code, and that the provisions of Part 6 of Article 9 of the Uniform Commercial Code other than Section 9-604 shall not apply. Mortgagee waives its rights under Section 9-604(c) of the Uniform Commercial code.

(c) Notwithstanding anything to the contrary set forth herein, the Excepted Property shall be excluded from such security interest.

Section 3.02. Application of Certain Payments. Subject to Section 7.05 of the Common Agreement, in the event that all or any part of the Mortgaged Property is encumbered by one or more mortgages held by Mortgagee, Mortgagor hereby irrevocably authorizes and directs Mortgagee to apply any payment received by Mortgagee in respect of any of the Guaranteed Obligations and Directly Secured Obligations secured hereby or by any other such mortgage to the payment of such of said obligations as Mortgagee shall elect in its sole and absolute discretion, and Mortgagee shall have the right to apply any such payment in reduction of the Guaranteed Obligations and Directly Secured Obligations in such order and amounts as Mortgagee shall elect in its sole and absolute discretion without regard to the priority of the mortgage securing the obligations so repaid or to contrary directions from Mortgagor or any other party.

Section 3.03. Severability. In the event any one or more of the provisions contained herein or in any other Facility Document shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, but this Mortgage shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein.

Section 3.04. Modifications and Waivers in Writing. No provision hereof may be changed, waived, discharged or terminated orally or by any other means except an instrument in writing signed by the Mortgagor and Mortgagee. To the maximum extent permitted by law, any agreement hereafter made by Mortgagor and Mortgagee relating hereto shall be superior to the rights of the holder of any intervening or subordinate lien or encumbrance.

Section 3.05. Notices. (a) All notices, demands, consents, approvals and statements required or permitted hereunder shall be in writing and shall given in accordance with the terms and provisions of the Guaranty.

(b) All notices given to Mortgagee by any person or entity (other than by Mortgagor) pursuant to Pa. C.S.A. § 8143(b), (c) or (d) shall be in writing and shall be delivered personally or sent by United States registered or certified mail, return receipt requested, to Mortgagee at Wilmington Trust FSB, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Jim Hanley.

(c) Without limiting, in any manner, any of Mortgagee's other rights and remedies under this Mortgage, the Common Agreement, or the Guaranty, if (i) Mortgagor shall at any time deliver or cause to be delivered to Mortgagee a notice pursuant to 42 Pa. C.S.A. §8143 electing to limit the obligations secured by this Mortgage or (ii) Mortgagee shall receive or be served with any notice pursuant to 42 Pa. C.S.A. §8143(b) or (d), then, in any such case, Mortgagee's rights under Section 1.05 to make advances or extend credit under this Mortgage shall thereupon immediately cease and be of no further force or effect, anything contained in this Mortgage or the Guaranty to the contrary

notwithstanding.

Section 3.06. Successors and Assigns. All of the grants, covenants, terms, provisions and conditions herein shall run with the land and shall apply to, bind and inure to the benefit of, the respective successors and assigns of Mortgagor and Mortgagee.

Section 3.07. Limitation on Interest. Anything herein or in any other Facility Document to the contrary notwithstanding, the obligations of Mortgagor hereunder and under the Guaranty shall be subject to the limitation that payments of interest shall not be required to the extent that receipt of any such payment by Mortgagee and/or any Secured Counterparty would be contrary to provisions of law applicable to Mortgagee and/or such Secured Counterparty limiting the maximum rate of interest that may be charged or collected by Mortgagee and/or such Secured Counterparty.

Section 3.08. Substitute Mortgages. Mortgagor and Mortgagee (at the request of the Required Secured Counterparties) shall, upon their mutual agreement to do so, execute such documents as may be necessary in order to effectuate the modification hereof, including the execution of substitute mortgages, so as to create two (2) or more liens on the Mortgaged Property in such amounts as may be mutually agreed upon but in no event to exceed, in the aggregate, the Maximum Obligation Amount; in such event, Mortgagor covenants and agrees to pay the reasonable fees and expenses of Mortgagee and its counsel in connection with any such modification.

Section 3.09. No Merger of Interests. Unless expressly provided otherwise, in the event that ownership hereof and title to the fee and/or leasehold estates in the Premises encumbered hereby shall become vested in the same person or entity, this Mortgage shall not merge in said title but shall continue to be and remain a valid and subsisting lien on said estates in the Premises for the amount secured hereby.

Section 3.10. CERTAIN WAIVERS. MORTGAGOR HEREBY EXPRESSLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW IN CONNECTION WITH ANY FORECLOSURE OR SIMILAR ACTION OR PROCEDURE BROUGHT BY MORTGAGEE OR ANY SECURED COUNTERPARTY ASSERTING AN EVENT OF DEFAULT HEREUNDER, ANY AND EVERY RIGHT IT MAY HAVE TO (I) INJUNCTIVE RELIEF, (II) A TRIAL BY JURY, AND (III) HAVE THE SAME CONSOLIDATED WITH ANY OTHER OR SEPARATE SUIT, ACTION OR PROCEEDING. NOTHING IN THIS SECTION SHALL PREVENT OR PROHIBIT MORTGAGOR FROM INSTITUTING OR MAINTAINING A SEPARATE ACTION AGAINST MORTGAGEE OR ANY SECURED COUNTERPARTY WITH RESPECT TO ANY ASSERTED CLAIM.

Section 3.11. Satisfaction or Assignment of Mortgage; Release. (a) Upon the earlier of (a) termination of the Facility pursuant to Section 2.05(d) of the Common Agreement, and (b) reduction of the Facility Limit to zero pursuant to Section 7.04(b) of the Common Agreement, Mortgagee shall, subject to the requirements of Section 7.04(b) of the Common Agreement, deliver a satisfaction or release of this Mortgage or, at Mortgagor's option to be exercised in writing, an assignment hereof, in either case in proper form for recording. Mortgagor covenants and agrees to pay Mortgagee's reasonable fees and expenses (including reasonable attorneys' fees and expenses) in connection with ıy such satisfaction, release or assignment.

(b) If any of the Mortgaged Property shall be sold, transferred or otherwise disposed of by Mortgagor in a transaction permitted by the Common Agreement, then Mortgagee, at the request and sole expense of Mortgagor, subject to Section 5.03(j) of the Common Agreement, shall execute and deliver to Mortgagor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Mortgaged Property. Mortgagor shall deliver to Mortgagee, at least five (5) Business Days prior to the date of the proposed release, a written request for release identifying the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by Mortgagor stating that such transaction is in compliance with, and permitted by, the Common Agreement and the other Facility Documents.

Section 3.12. Multiple Security. If (a) the Premises shall consist of one or more parcels, whether or not contiguous and whether or not located in the same county, or (b) in addition to this Mortgage, Mortgagee shall now or hereafter hold one or more additional mortgages, liens, deeds of trust or other security (directly or indirectly) for the Guaranteed Obligations or the Directly Secured Obligations upon other property in the State in which the Premises are located (whether or not such property is owned by Mortgagor or by others), or (c) both the circumstances described in clauses (a) and (b) shall be true, then to the fullest extent permitted by law, Mortgagee may, at its election, commence or consolidate in a single foreclosure action all foreclosure proceedings against all such collateral securing the Guaranteed Obligations or Directly Secured Obligations (including the Mortgaged Property), which action may be brought or consolidated in the courts of any county in which any of such collateral is located. Mortgagor acknowledges that the right to maintain a consolidated foreclosure action is a specific inducement to the Secured Counterparties to enter into the Facility guaranteed by the Guaranty, and Mortgagor expressly and irrevocably waives any objections to the commencement or consolidation of the foreclosure proceedings in a single action and any objections to the laying of venue or based on the grounds of forum non conveniens which it may now or hereafter have. Mortgagor further agrees that if Mortgagee shall be prosecuting one or more foreclosure or other proceedings against a portion of the Mortgaged Property or against any collateral other than the Mortgaged Property, which collateral directly or indirectly secures the Guaranteed Obligations or the Directly Secured Obligations, or if Mortgagee shall have obtained a judgment of foreclosure and sale or similar judgment against such collateral, then, whether or not such proceedings are being maintained or judgments were obtained in or outside the State in which the Premises are located, Mortgagee may commence or continue foreclosure proceedings and exercise its other remedies granted in this Mortgage against all or any part of the Mortgaged Property, and Mortgagor, to the fullest extent permitted by law, waives any objections to the commencement or continuation of a foreclosure of this Mortgage or exercise of any other remedies hereunder based on such other proceedings or judgments, and waives any right to seek to dismiss, stay, remove, transfer or consolidate either any action under this Mortgage or such other proceedings on such basis. Neither the ·ommencement nor continuation of proceedings to foreclose this Mortgage nor the exercise of any other rights hereunder nor the recovery of any ıgment by Mortgagee in any such proceedings shall prejudice, limit or preclude Mortgagee's right to commence or continue one or more ıoreclosure or other proceedings or obtain a judgment against any other collateral (either in or outside the State in which the Premises are located) which directly or indirectly secures the Guaranty, and Mortgagor, to the fullest extent permitted by law, expressly waives any objections to the commencement of, continuation of, or entry of a judgment in such other proceedings or exercise of any remedies in such proceedings

based upon any action of judgment connected to this Mortgage, and Mortgagor also waives any right to seek to dismiss, stay, remove, transfer or consolidate either such other proceedings or any action under this Mortgage on such basis. It is expressly understood and agreed that to the fullest extent permitted by law, Mortgagee may, at its election, cause the sale of all collateral which is the subject of a single foreclosure action at either a single sale or at multiple sales conducted simultaneously and take such other measures as are appropriate in order to effect the agreement of the parties to dispose of and administer all collateral securing the Guaranty (directly or indirectly) in the most economical and least time-consuming manner.

Section 3.13. Governing Law, etc. This Mortgage shall be governed by and construed and interpreted in accordance with the laws of the Commonwealth of Pennsylvania, except that Mortgagor expressly acknowledges that by their terms the Guaranty and certain other Facility Documents shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflict of law.

Section 3.14. Security and Priority of Advances. This Mortgage secures, and the obligations secured hereby include, (i) all advances made by Mortgagee with respect to any of the Mortgaged Property for the payment of taxes and similar such impositions, maintenance charges or costs incurred for the protection of any of the Mortgaged Property or the lien of this Mortgage, pursuant to Section 1.05, whether made before or after a judgment for foreclosure of this Mortgage shall have been entered, and (ii) all expenses incurred by Mortgagee by reason of an Event of Default. As provided in 42 Pa. C.S.A. § 8144, this Mortgage shall constitute a lien on the Mortgaged Property from the time this Mortgage is placed of record for, among other things, all such advances and expenses, plus interest thereon, regardless of the time when such advances are made or such expenses are incurred.

Section 3.15. Open-End Mortgage; Maximum Amount Secured. This Mortgage is an "open-end mortgage" as set forth in 42 Pa. Con. Stat. Ann. § 8143, and this Mortgage is given to secure the obligations of the Mortgagor under, or in respect of, the Guaranty to which Mortgagor is a party and the obligations of the Company referenced as Directly Secured Obligations, up to that amount which is equal to the amount of the aggregate maximum permitted principal obligations provided under the terms of the Guaranty and shall secure not only obligations with respect to presently existing obligations under the foregoing documents and agreements, but also any and all other obligations now owing or which may hereafter be owing by Mortgagor to the Mortgagee, however incurred, whether interest, discount or otherwise, and whether the same shall be deferred, accrued or capitalized, including future advances and re-advances, pursuant to the Guaranty, advances for the payment of taxes and assessments and municipal claims, maintenance charges, costs incurred for the protection of the property or the lien of this Mortgage, expenses incurred by Mortgagee by reason of default by Mortgagor under this Mortgage, or for any other permissible purpose, whether such advances are obligatory or are to be made at the option of Mortgagee, or otherwise, to the same extent as if such future advances were made on the date of the execution of this Mortgage. The lien of this Mortgage shall be valid as to all obligations secured hereby, including future advances, from the time of its filing for record in the recorder's office of the county in which the property is located, and the lien of all present and future advances shall relate back to the date of this Mortgage. This Mortgage is intended to and shall be valid and have priority over all subsequent liens and encumbrances, including statutory liens, excepting solely taxes and assessments levied on the real estate, to the extent of the maximum amount secured hereby. The amount of principal obligations that may be secured by this Mortgage may increase or decrease from time to time. Notwithstanding anything in the foregoing or elsewhere in this Mortgage to the contrary, the maximum amount of outstanding principal obligations which shall be secured by this Mortgage shall not exceed $800,000,000.00, exclusive of accrued and unpaid interest and unpaid balances of advances and other extensions of credit secured by this Mortgage made for the payment of taxes, assessments, maintenance charges and costs incurred for the protection of the property within the meaning of 42 Pa. C.S.A. § 8143(f), and expenses incurred by the Mortgagee by reason of the default by the Mortgagor under the Guaranty and other costs and advances to the fullest extent permitted by the terms of 42 Pa. C.S.A. § 8144.

Section 3.16. Conflicts. In the event of any conflict between the provisions of this Mortgage and the provisions of the Common Agreement, the provisions of the Common Agreement shall prevail.

Section 3.17. No Fraudulent Transfer. Anything contained in this Mortgage to the contrary notwithstanding, the obligations of the Mortgagor hereunder shall be limited to a maximum aggregate amount equal to the greatest amount (not in excess of the Maximum Obligation Amount) that would not render Mortgagor's obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any provision of applicable state law.

Section 3.18. Mortgagee Exculpatory Provisions.

The parties hereto hereby acknowledge and agree that the indemnity and exculpatory provisions of the Common Agreement (including without limitation Article VIII thereof) shall apply to the Mortgagee for any and all actions or inactions whatsoever of the Mortgagee under this Agreement.

This Mortgage has been duly executed by Mortgagor, intending to be legally bound, on the date first above written.

MORTGAGOR:

PPL MONTOUR, LLC

Name:
Title:

STATE OF)
) ss.:
COUNTY OF)

On this, the ___ day of _____, 2010, before me_____, the undersigned officer, personally appeared _____, who acknowledged himself to be the _____ of _____ a Delaware limited liability company, and that he as such _____, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the general partner on behalf of the limited liability partnership by himself as _____.

In Witness Whereof, I hereunto set my hand and official seal.

Notary Public

My commission expires:

[Seal]

This instrument prepared by:

Ronald J. Reybitz, Esq.
PPL Services Corporation
two North Ninth Street
Allentown, PA 18101
Phone: 610 / 774-2929

CERTIFICATE OF MORTGAGEE'S ADDRESS

The undersigned certifies that the address of Mortgagee is:

Wilmington Trust FSB
1100 North Market Street
Wilmington, Delaware 19890-0001

_____
Authorized Agent of Mortgagee

SCHEDULE A

DESCRIPTION OF REAL PROPERTY

Exhibit 10(x)

Prepared by and after recording please return to:
PPL Services Corporation
Two North Ninth Street (GENTW4)
Allentown, PA 18101
Attention: Ronald J. Reybitz, Esq.

Tax Parcel Identification Nos.: 26-000-NI-0176, 26-000-NI-0176A and 26-000-OI-0065

OPEN-END MORTGAGE, SECURITY AGREEMENT AND FIXTURE FILING

FROM

PPL Brunner Island, LLC

(" Mortgagor ")

Address of Mortgagor: PPL Brunner Island, LLC
Two North Ninth Street
Allentown, Pennsylvania 18101
Attn: Credit Department

TO

WILMINGTON TRUST FSB
as Collateral Agent
(" Mortgagee ")

Address of Mortgagee: Wilmington Trust FSB
1100 North Market Street
Wilmington, Delaware 19890-0001
Attention: Jim Hanley

Date: October 26, 2010

THIS MORTGAGE IS AN OPEN-END MORTGAGE AND SECURES FUTURE ADVANCES

(All notices to be given to Mortgagee pursuant to 42 Pa. C.S.A. § 8143 shall be given as set forth in Section 3.05 of this Mortgage.)

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OPEN-END MORTGAGE, SECURITY AGREEMENT AND FIXTURE FILING

(MAXIMUM PRINCIPAL OBLIGATIONS NOT TO EXCEED $800,000,000.00)

THIS OPEN-END MORTGAGE, SECURITY AGREEMENT AND FIXTURE FILING, dated as of October 26, 2010, is made by PPL Brunner Island, LLC, a Delaware limited liability company (" Mortgagor "), whose address is PPL Brunner Island, LLC, c/o PPL Energy Supply, LLC, Two North Ninth Street (GENTW14), Allentown, Pennsylvania 18101-1179, Attention: Treasurer, in favor of WILMINGTON TRUST FSB, as Collateral Agent (together with its successors in such capacity, " Mortgagee "), whose address is Wilmington Trust FSB, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Jim Hanley.

RECITALS

Mortgagor is the owner of a fee simple estate in the parcel(s) of real property located in York County, Pennsylvania, described in Schedule A attached hereto (the " Land "). Mortgagor, PPL EnergyPlus, a Pennsylvania limited liability company (the " Company "), PPL Energy Supply, LLC, a Delaware limited liability company, PPL Montour, LLC, a Delaware limited liability company (" PPL Montour "), Mortgagee, as Collateral Agent, and certain Secured Counterparties (as such term is defined in the Common Agreement) from time to time parties thereto, have entered into a Secured Energy Marketing and Trading Facility Common Agreement dated as of November 1, 2010 (the " Common Agreement ") in order to establish a secured energy marketing and trading facility (the " Facility ") with one or more Secured Counterparties.

Under the Facility, the Company and the Secured Counterparties from time to time will enter into transactions involving the purchase and sale of electrical energy, generating capacity, fuel and other energy related commodities and other Energy Transactions (as such term is defined in the Common Agreement) pursuant to the Secured Counterparty ISDA Agreements (as such term is defined in the Common Agreement).

As an inducement to the Secured Counterparties to enter into the Facility, Mortgagor has agreed to (i) guarantee, jointly and severally with others, payment of the Guaranteed Obligations (hereinafter defined) for the benefit of the Mortgagee and the Secured Counterparties, and has further agreed to secure its obligations under such guaranty, and (ii) directly secure the Directly Secured Obligations, without duplication of amounts due under (i) and (ii), by the execution and delivery of this Mortgage, the execution and delivery of which has been duly authorized by Mortgagor, provided, however, that at no time shall the outstanding amount secured hereby exceed the Maximum Obligation Amount (as defined herein).

CERTAIN DEFINITIONS AND RULES OF CONSTRUCTION

Mortgagor and Mortgagee agree that, unless the context otherwise specifies or requires, the following terms shall have the meanings herein specified. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Common Agreement.

" Chattels " means all tangible personal property of every kind and description, other than the Excepted Property (hereinafter defined), which are now or at any time hereafter attached to, installed or erected on or placed or situated in or upon, forming a part of, appurtenant to, used in the construction or operation of or in connection with, or arising from the use or operation of or in connection with, or arising from the use or enjoyment of all or any portion of, the Premises, including, without limitation: (i) all equipment and fixtures (in each case, as defined in the Uniform Commercial Code); (ii) all pumping plants, pipes, flumes and ditches and all water stock relating to the Premises; and (iii) all substitutions and replacements of, and accessions and additions to, any of the foregoing.

" Common Agreement " is defined in the Recitals hereto.

" Directly Secured Obligations " means all payment obligations that are now or may hereafter become due and payable from the Company (i) to any Secured Counterparty in connection with the Energy Transactions pursuant to such Secured Counterparty's ISDA Agreement and (ii) to Mortgagee pursuant to the Facility Documents.

" Event of Default " has the meaning given such term in the Common Agreement.

" Guaranty " means that certain Guaranty dated the *date hereof executed jointly and severally by* Mortgagor and PPL Montour and delivered to Mortgagee, as Collateral Agent, pursuant to the Common Agreement.

" Guaranteed Obligations " means the payment obligations of Mortgagor under the Guaranty.

" Improvements " means all structures or buildings, and replacements thereof, now or hereafter located upon the Land, all plant equipment, all apparatus, machinery and fixtures of every kind and nature whatsoever forming part of said structures, buildings, or wells, including, without limitation, all fixtures now or hereafter affixed to the Premises, including all improvements of every kind and description now or hereafter erected or placed thereon and any and all power and transmission lines, substations, machinery, motors, elevators, boilers, equipment including, without limitation, all equipment for the generation or distribution of air, water, heat, electricity, light, fuel or refrigeration or for ventilating or air conditioning purposes or for sanitary or drainage purposes or for the removal of dust, refuse or garbage), partitions, appliances, furniture, furnishings, building service equipment, telephones and telephone equipment, building materials, supplies, and other property of every kind and description now or hereafter placed, attached, affixed or installed in such buildings, structures or improvements and all replacements,

repairs, additions, accessions or substitutions thereto or therefor; all of such fixtures whether now or hereafter placed thereon being hereby declared to be real property and a part of the "Improvements".

" Maximum Obligation Amount " means $800,000,000 plus certain permitted expenses and interest as more particularly enumerated in Section 3.15 hereof.

" Premises " means the Land, including all of the easements, rights, privileges and appurtenances thereunto belonging or in anywise appertaining, and all of the estate, right, title, interest, claim or demand whatsoever of Mortgagor therein and in the streets and ways adjacent thereto, now or hereafter acquired, and as used herein shall, unless the context otherwise requires, be deemed to include the Improvements.

" Premises Documents " means all reciprocal easement agreements, declarations of covenants, conditions or restrictions, and any similar such agreements or declarations, now or hereafter affecting the Premises or any part thereof.

" Protective Advance Rate " means 2% over the rate per annum that would then be applicable to Base Rate Loans under the Parent's Revolving Credit Agreement dated as of October 19, 2010, or any successor credit agreement.

" Secured Counterparties " is defined in the Recitals hereto.

" without duplication " means that the underlying amounts recoverable as Guaranteed Obligations and Directly Secured Obligations may only be recovered once as one or the other of Guaranteed Obligations and Directly Secured Obligations and such recovery shall be in lieu of recovery under the other category.

" Uniform Commercial Code " means the Uniform Commercial Code as in effect from time to time in the Commonwealth of Pennsylvania.

Except as expressly indicated otherwise, this Mortgage shall be interpreted in accordance with the rules of construction set forth in Section 1.02 of the Common Agreement.

GRANTING CLAUSE

NOW, THEREFORE, Mortgagor, in consideration of the premises and in order to secure, without duplication, the payment, performance, and observance of the Guaranteed Obligations and the Directly Secured Obligations, and intending to be legally bound, hereby gives, grants, bargains, sells, warrants, aliens, remises, releases, conveys, assigns, transfers, mortgages, hypothecates, deposits, pledges, sets over and confirms unto Mortgagee, and grants to Mortgagee a security interest in, all its estate, right, title and interest in, to and under any and all of the following described property (hereinafter, the " Mortgaged Property ") whether now owned or held or hereafter acquired, subject, however, to any Permitted Liens:

(i) the Premises;

(ii) the Improvements;

(iii) the Chattels;

(iv) the Premises Documents;

(v) all engineering, drainage, soil and other studies and tests; water, sewer, gas, electrical and telephone taps and connections; surveys, drawings, plans and specifications; and subdivision, zoning and platting materials; in each case to the extent the foregoing relate to the Premises and/or the Improvements, and to the degree such documents still exist and are in the possession of Mortgagor; and

(vi) all proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, including, without limitation, proceeds of insurance and condemnation awards.

Expressly excepting and excluding, however, from the lien and operation of this Mortgage, the following property of Mortgagor, whether now owned or hereafter acquired (collectively, the " Excepted Property "):

(i) all revenues, income and earnings, all accounts, accounts receivable, rights to payment, payment intangibles and unbilled revenues; and all rents, tolls, issues, products and profits; and all claims, credits, demands and judgments, except to the extent any of the foregoing represent proceeds of the conversion of Mortgaged Property (whether by sale or other disposition, casualty or condemnation, and in any case not resulting from the ownership and operation of the Mortgaged Property by the Mortgagor in the ordinary course) into cash or liquidation claims, as described in clause (vi) above following an Event of Default;

(ii) all governmental and other licenses, permits, franchises, consents and allowances; and all patents, patent licenses and other patent rights; patent applications, trade names, trademarks, copyrights and other intellectual property; and all claims, credits, choses in action, commercial tort claims and other intangible property and general intangibles including, but not limited to, computer software;

(iii) all automobiles, buses, trucks, truck cranes, tractors, trailers and similar vehicles and movable equipment; all

rolling stock, rail cars and other railroad equipment; all vessels, boats, barges, and other marine equipment; all airplanes, helicopters, aircraft engines and other flight equipment; all parts, accessories and supplies used in connection with any of the foregoing; and all personal property of such character that the perfection of a security interest therein or other lien thereon is not governed by the Uniform Commercial Code as in effect in the jurisdiction in which such property is located or with respect to which such Uniform Commercial Code refers to another statute for perfection;

(iv) all fuel, whether or not any such fuel is in a form consumable in the operation of the Mortgaged Property, including separate components of any fuel in the forms in which such components exist at any time before, during or after the period of the use thereof as fuel, all hand and other portable tools and equipment; all materials, supplies, inventory and other items of personal property which are consumable (otherwise than by ordinary wear and tear) in their use in the operation of the Mortgaged Property; all furniture and furnishings; and computers and data processing, data storage, data transmission, telecommunications and other facilities, equipment and apparatus, which, in any case, are used primarily for administrative or clerical purposes or are otherwise not necessary for the operation or maintenance of any of the Mortgaged Property;

(v) all coal, ore, gas, oil and other minerals and all timber, and all rights and interests in any of the foregoing, whether or not such minerals or timber shall have been mined or extracted or otherwise separated from the land;

(vi) all electric energy and capacity, gas (natural or artificial), steam, water and other products generated, produced, manufactured, purchased or otherwise acquired by Mortgagor, and all contracts, operating or other agreements, and rights in respect of the sale, production, generation, manufacturing or purchase of the foregoing;

(vii) all real property, leaseholds, gas rights, wells, gathering, tap or other pipe lines, or facilities, equipment or apparatus, in any case used or to be used primarily for the production or gathering of natural gas; and

(viii) all property which is the subject of a lease agreement designating Mortgagor as lessee and all right, title and interest of Mortgagor in and to such property and in, to and under such lease agreement, whether or not such lease agreement is intended as security;

TO HAVE AND TO HOLD unto Mortgagee, its successors and assigns forever,

PROVIDED, ALWAYS, that upon the earlier of (a) termination of the Facility pursuant to Section 2.05(d) of the Common Agreement and (b) reduction of the Facility Limit to zero pursuant to Section 7.04(b) of the Common Agreement, then, and in either case, the Mortgaged Property hereby conveyed and all rights and interests therein and thereto shall revert to Mortgagor and the estate, right, title and interest of Mortgagee therein shall thereupon cease, determine and become void, and in either case, subject to the requirements set forth in Section 7.04(b) of the Common Agreement, Mortgagee shall execute and deliver to Mortgagor, at Mortgagor's cost, an appropriate release and discharge of this Mortgage in form to be recorded.

ARTICLE I

COVENANTS OF MORTGAGOR

Mortgagor covenants and agrees as follows:

Section 1.01. Title. Mortgagor has full power and lawful authority to mortgage the Mortgaged Property in the manner and form herein done or intended hereafter to be done. Mortgagor will preserve its title to the Mortgaged Property, subject, however, to Permitted Liens and to the provisions of Sections 5.03(f), 5.03(j), and 7.04 of the Common Agreement, and will forever warrant and defend the same to Mortgagee and will forever warrant and defend the validity and priority of the lien hereof against the claims of all persons and parties whomsoever.

Section 1.02. Further Assurances. Mortgagor will, at its sole cost and expense, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignment, transfers and assurances as Mortgagee may (at the request of the Required Secured Counterparties) from time to time reasonably require, for the better assuring, conveying, assigning, transferring and confirming unto Mortgagee the property and rights hereby conveyed or assigned or intended now or hereafter so to be, or which Mortgagor may be or may hereafter become bound to convey or assign to Mortgagee, or for carrying out the intention or facilitating the performance of the terms hereof, or for filing, registering or recording this Mortgage and, on demand, will execute and deliver, and hereby authorizes Mortgagee (at the request of the Required Secured Counterparties) to execute, if required, and file in Mortgagor's name, to the extent it may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments, to evidence or perfect more effectively Mortgagee's security interest in and the lien hereof upon the Chattels and other personal property encumbered hereby.

Section 1.03. Filing and Recording of Documents. (a) Mortgagor forthwith upon the execution and delivery hereof, and thereafter from time to time, will cause this Mortgage and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect the lien hereof upon, and the interest of Mortgagee in, the Mortgaged Property.

(b) Filing and Recording Fees and Other Charges. Mortgagor will pay all filing, registration or recording fees, and all expenses incident to the execution and acknowledgment hereof, any mortgage supplemental hereto, and any instrument of further assurance, and any expenses (including reasonable attorneys' fees and disbursements) incurred by Mortgagee in connection with the Facility Documents, and will pay all federal, state, county and municipal stamp taxes and other taxes, duties, imposts, assessments and charges arising out of or in

connection with this Mortgage, any mortgage supplemental hereto, or any instrument of further assurance.

Section 1.04. After-Acquired Property. All right, title and interest of Mortgagor in and to all extensions, improvements, betterments, renewals, substitutes and replacements of, and all additions and appurtenances to, the Mortgaged Property, hereafter acquired by, or released to, Mortgagor or constructed, assembled or placed by Mortgagor on the Premises, and all conversions of the security constituted hereby, immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case, without any further mortgage, conveyance, assignment or other act by Mortgagor, shall become subject to the lien hereof as fully and completely, and with the same effect, as though now owned by Mortgagor and specifically described in the Granting Clause hereof, but at any and all times Mortgagor will execute and deliver to Mortgagee any and all such further assurances, mortgages, conveyances or assignments thereof as Mortgagee may reasonably require for the purpose of expressly and specifically subjecting the same to the lien hereof.

Section 1.05. Protective Advances by Mortgagee. Subject to the provisions of Section 3.15 hereof, if Mortgagor shall fail to perform any of the covenants contained herein, Mortgagee may (at the request of the Required Secured Counterparties) make advances to perform the same on its behalf and all sums so advanced shall be a lien upon the Mortgaged Property and shall be secured hereby; provided that notwithstanding anything in this Agreement to the contrary, the Mortgagee shall have no obligation whatsoever to make any such advance, and any such advance by the Mortgagee shall be made at the Mortgagee's sole discretion. Mortgagor will repay on demand all sums so advanced on its behalf together with interest thereon at the Protective Advance Rate. The provisions of this Section shall not prevent any default in the observance of any covenant contained herein from constituting an Event of Default.

ARTICLE II

EVENTS OF DEFAULT AND REMEDIES

Section 2.01. Events of Default and Certain Remedies. If an Event of Default shall have occurred and be continuing beyond any applicable grace, notice, or cure periods, then and in every such case, to the extent permitted and pursuant to the procedures provided by applicable law:

(a) Mortgagee may (at the request of the Required Secured Counterparties) exercise any or all of its remedies under the Facility Documents; and

(b) Mortgagee, without entry, personally or by its agents or attorneys, insofar as applicable, may (at the request of the Required Secured Counterparties):

(i) institute proceedings for the complete or partial foreclosure hereof; or

(ii) take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in any of the Facility Documents, including, without limitation, this Mortgage, or in aid of the execution of any power herein granted, or for any foreclosure hereunder, or for the enforcement of any other appropriate legal or equitable remedy or otherwise as Mortgagee shall elect.

(c) Any judgment for foreclosure of this Mortgage shall bear interest at the Protective Advance Rate.

Section 2.02. Other Matters Concerning Sales. (a) Mortgagee may adjourn from time to time any sale by it to be made hereunder or by virtue hereof by announcement at the time and place appointed for such sale or for such adjourned sale or sales; and, except as otherwise provided by any applicable provision of law, Mortgagee, without further notice or publication, may make such sale at the time and place to which the same shall be so adjourned.

(b) Upon the completion of any sale or sales made by Mortgagee under or by virtue of this Article II, Mortgagee, or an officer of any court empowered to do so, shall execute and deliver to the accepted purchaser or purchasers a good and sufficient instrument or instruments conveying, assigning and transferring all estate, right, title and interest in and to the property and rights sold. Mortgagor, if requested by Mortgagee, shall ratify and confirm any such sale or sales by executing and delivering to Mortgagee or to such purchaser or purchasers all such instruments as may be advisable, in the judgment of Mortgagee, for the purpose, and as may be designated in such request. Any such sale or sales made under or by virtue of this Article II, whether made under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, shall operate to divest all the estate, right, title, interest, claim and demand whatsoever, whether at law or in equity, of Mortgagor in and to the properties and rights so sold, and shall be a perpetual bar both at law and in equity against Mortgagor and against any and all persons claiming or who may claim the same, or any part thereof from, through or under Mortgagor.

(c) In the event of any sale or sales made under or by virtue of this Article II (whether made under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale), all sums required to be paid by Mortgagor pursuant hereto or to the Guaranty immediately thereupon shall, anything in any of said documents to the contrary notwithstanding, become due and payable.

(d) The purchase money, proceeds or avails of any sale or sales made under or by virtue of this Article II, together with any other sums which then may be held by Mortgagee hereunder, whether under the provisions of this Article II or otherwise, shall be applied in accordance with the terms and provisions of Section 7.05 of the Common Agreement.

(e) Upon any sale or sales made under or by virtue of this Article II, whether made under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, Mortgagee may (at the request of the Required Secured Counterparties), subject to Section 7.02(b) of the Common Agreement, bid for and acquire the Mortgaged Property or any part thereof and in lieu of paying cash therefor

may make settlement for the purchase price by crediting upon the obligations secured hereby the net sales price after deducting therefrom the expenses of the sale and the costs of the action and any other sums which Mortgagee is authorized to deduct hereunder.

Section 2.03. Payment of Amounts Due. (a) In case an Event of Default shall have happened and be continuing, then, Mortgagor will be liable to Mortgagee for the whole amount of the Guaranteed Obligations and the Directly Secured Obligations, without duplication (up to the Maximum Obligation Amount) which then shall have become due and payable (minus that portion of the Guaranteed Obligations and the Directly Secured Obligations paid by PPL Montour or recovered under its Mortgage), and the sums required to be paid by Mortgagor pursuant to any provision hereof or of the Guaranty, and in addition thereto such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to Mortgagee's agents and counsel and any expenses incurred by Mortgagee hereunder (minus such sums and further amounts paid by PPL Montour or recovered under its Mortgage) . In the event Mortgagor shall fail forthwith to pay all such amounts as required, Mortgagee shall be entitled and empowered to institute such action or proceedings at law or in equity as may be advised by its counsel for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against Mortgagor and collect, out of the property of Mortgagor wherever situated, as well as out of the Mortgaged Property, in any manner provided by law, moneys adjudged or decreed to be payable.

(b) Mortgagee shall be entitled to recover judgment as aforesaid either before, after or during the pendency of any proceedings for the enforcement of the provisions hereof; and the right of Mortgagee to recover such judgment shall not be affected by any entry or sale hereunder, or by the exercise of any other right, power or remedy for the enforcement of the provisions hereof, or the foreclosure of the lien hereof; and in the event of a sale of the Mortgaged Property, and of the application of the proceeds of sale, as herein provided, to the payment of the Guaranteed Obligations and the Directly Secured Obligations hereby secured, Mortgagee shall be entitled to enforce payment of, and to receive all amounts then remaining due and unpaid upon, the Guaranteed Obligations and the Directly Secured Obligations, without duplication (minus that portion of the Guaranteed Obligations paid by PPL Montour or recovered under its Mortgage), and to enforce payment of all other charges, payments and costs due hereunder or under the Guaranty (minus that portion of such other charges, payments and costs that have been paid by PPL Montour or recovered under its Mortgage), and shall be entitled to recover judgment for any portion of the Guaranteed Obligations and the Directly Secured Obligations (up to the Maximum Obligation Amount) remaining unpaid. In case of proceedings against Mortgagor in insolvency or bankruptcy or any proceedings for its reorganization or involving the liquidation of its assets, then Mortgagee shall be entitled to prove the whole amount of the Guaranteed Obligations and the Directly Secured Obligations, without duplication, to the full amount thereof, and all other payments, charges and costs due hereunder, without deducting therefrom any proceeds obtained from the sale of the whole or any part of the Mortgaged Property, provided , however , that in no case shall Mortgagee receive a greater amount than the outstanding Guaranteed Obligations and Directly Secured Obligations, without duplication (minus that portion of the Guaranteed Obligations and Directly Secured Obligations paid by PPL Montour or recovered under its Mortgage) from the aggregate amount of the proceeds of the sale of the Mortgaged Property and the distribution from the estate of Mortgagor and provided, further, that in no event shall Mortgagor be liable for more than the Maximum Obligation Amount.

(c) No recovery of any judgment by Mortgagee and no levy of an execution under any judgment upon the Mortgaged roperty or upon any other property of Mortgagor shall affect in any manner or to any extent, the lien hereof upon the Mortgaged Property or any part thereof, or any liens, rights, powers or remedies of Mortgagee hereunder, but such liens, rights, powers and remedies of Mortgagee shall continue unimpaired as before.

(d) Any moneys thus collected by Mortgagee under this Section 2.03 shall be applied by Mortgagee in accordance with the provisions of clause (d) of Section 2.02.

Section 2.04. Actions; Receivers. After the happening of any Event of Default and immediately upon the commencement of any action, suit or other legal proceedings by Mortgagee to obtain judgment for the Guaranteed Obligations or Directly Secured Obligations and other sums required to be paid by Mortgagor pursuant to any provision hereof or of the Guaranty, or of any other nature in aid of the enforcement of the Guaranteed Obligations or of the Guaranty or of any Facility Document, to the fullest extent permitted and pursuant to procedures provided by applicable law and subject to obtaining any consent or approval required to be obtained in connection therewith from any Governmental Authority, Mortgagor will if required by Mortgagee, consent to the appointment of a receiver or receivers of all or part of the Mortgaged Property. After the happening of any Event of Default and during its continuance, or upon the commencement of any proceedings to foreclose this Mortgage or to enforce the specific performance hereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of Mortgagee, Mortgagee shall be entitled, as a matter of right, to the fullest extent permitted and pursuant to procedures provided by applicable law (and subject to obtaining any consent or approval required to be obtained from any Governmental Authority), if Mortgagee shall so elect, without the giving of notice to any other party and without regard to the adequacy or inadequacy of any security for the Guaranteed Obligations and Directly Secured Obligations secured hereby, forthwith either before or after declaring the Guaranteed Obligations or Directly Secured Obligations to be due and payable, to the appointment of such a receiver or receivers. No such appointment of any receiver, liquidator or trustee of Mortgagor, or of any of its property, including the Mortgaged Property or any part thereof, shall deprive Mortgagee of any rights hereunder.

Section 2.05. Remedies Cumulative. No remedy herein conferred upon or reserved to Mortgagee is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law, in equity or by statute. No delay or omission of Mortgagee to exercise any right or power accruing upon any Event of Default shall impair any such right or power, or shall be construed to be a waiver of any such Event of Default or any acquiescence therein; and every power and remedy given hereby to Mortgagee may be exercised from time to time as often as may be deemed expedient by Mortgagee. Nothing herein or in any other Facility Document shall affect the obligation of Mortgagor to pay the Guaranteed Obligations or the rectly Secured Obligations in the manner and at the time and place respectively expressed in the Guaranty or the other Facility Documents.

Section 2.06. Moratorium Laws; Right of Redemption. To the fullest extent permitted by applicable law, Mortgagor will not at any time insist upon, or plead, or in any manner whatever claim or take any benefit or advantage of any stay or extension or moratorium law, any

exemption from execution or sale of the Mortgaged Property or any part thereof, wherever enacted, now or at any time hereafter in force, which may affect the covenants and terms of performance hereof, nor claim, take or insist upon any benefit or advantage of any law now or hereafter in force providing for the valuation or appraisal of the Mortgaged Property, or any part thereof, prior to any sale or sales thereof which may be made pursuant to any provision herein, or pursuant to any decree, judgment or order of any court of competent jurisdiction; nor, after any such sale or sales, claim or exercise any right under any statute heretofore or hereafter enacted to redeem the property so sold or any part thereof and Mortgagor hereby expressly waives all benefit or advantage of any such law or laws, and covenants not to hinder, delay or impede the execution of any power herein granted or delegated to Mortgagee, but to suffer and permit the execution of every power as though no such law or laws had been made or enacted. Mortgagor, for itself and all who may claim under it, waives, to the extent that it lawfully may, all right to have the Mortgaged Property marshaled upon any foreclosure hereof.

ARTICLE III

MISCELLANEOUS

Section 3.01. Security Agreement; Fixture Filing. (a) This Mortgage constitutes a security agreement under the Uniform Commercial Code with respect that portion of the Mortgaged Property which is personal property subject to the Uniform Commercial Code. Mortgagee agrees that it will proceed with respect to any personal property covered by this Mortgage in accordance with its rights with respect to the real property pursuant to Section 9-604(a)(2) of the Uniform Commercial Code, and that the provisions of Part 6 of Article 9 of the Uniform Commercial Code other than Section 9-604 shall not apply.

(b) Certain portions of the Mortgaged Property are or will become "fixtures" (as that term is defined in the Uniform Commercial Code) on the Land, and this Mortgage, upon being filed for record in the real estate records of the county wherein such fixtures are situated, shall operate also as a financing statement filed as a fixture filing in accordance with the applicable provisions of the Uniform Commercial Code upon such portions of the Mortgaged Property that are or become fixtures. The real property to which the fixtures relate is described in Schedule A hereto. The record owner of the real property described in Schedule A hereto is Mortgagor. The name, type of organization and jurisdiction of organization of the debtor for purposes of this financing statement are the name, type of organization and jurisdiction of organization of Mortgagor set forth in the first paragraph of this Mortgage, and the name of the secured party for purposes of this financing statement is the name of Mortgagee set forth in the first paragraph of this Mortgage. The mailing address of Mortgagor/debtor is the address of Mortgagor set forth in the first paragraph of this Mortgage. The mailing address of Mortgagee/secured party from which information concerning the security interest hereunder may be obtained is the address of Mortgagee set forth in the first paragraph of this Mortgage. Mortgagor's organizational identification number is Delaware 3132238. Mortgagee agrees that it will proceed with respect to any personal property covered by this Mortgage in accordance with its rights with respect to the real property pursuant to Section 9-604(b)(2) of the Uniform Commercial Code, and that the provisions of Part 6 of Article 9 of the Uniform Commercial Code other than Section 9-604 shall not apply. Mortgagee waives its rights under Section 9-604(c) of the Uniform Commercial code.

(c) Notwithstanding anything to the contrary set forth herein, the Excepted Property shall be excluded from such security interest.

Section 3.02. Application of Certain Payments. Subject to Section 7.05 of the Common Agreement, in the event that all or any part of the Mortgaged Property is encumbered by one or more mortgages held by Mortgagee, Mortgagor hereby irrevocably authorizes and directs Mortgagee to apply any payment received by Mortgagee in respect of any of the Guaranteed Obligations and Directly Secured Obligations secured hereby or by any other such mortgage to the payment of such of said obligations as Mortgagee shall elect in its sole and absolute discretion, and Mortgagee shall have the right to apply any such payment in reduction of the Guaranteed Obligations and Directly Secured Obligations in such order and amounts as Mortgagee shall elect in its sole and absolute discretion without regard to the priority of the mortgage securing the obligations so repaid or to contrary directions from Mortgagor or any other party.

Section 3.03. Severability. In the event any one or more of the provisions contained herein or in any other Facility Document shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, but this Mortgage shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein.

Section 3.04. Modifications and Waivers in Writing. No provision hereof may be changed, waived, discharged or terminated orally or by any other means except an instrument in writing signed by the Mortgagor and Mortgagee. To the maximum extent permitted by law, any agreement hereafter made by Mortgagor and Mortgagee relating hereto shall be superior to the rights of the holder of any intervening or subordinate lien or encumbrance.

Section 3.05. Notices. (a) All notices, demands, consents, approvals and statements required or permitted hereunder shall be in writing and shall given in accordance with the terms and provisions of the Guaranty.

(b) All notices given to Mortgagee by any person or entity (other than by Mortgagor) pursuant to Pa. C.S.A. § 8143(b), (c) or (d) shall be in writing and shall be delivered personally or sent by United States registered or certified mail, return receipt requested, to Mortgagee at Wilmington Trust FSB, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Jim Hanley.

(c) Without limiting, in any manner, any of Mortgagee's other rights and remedies under this Mortgage, the Common Agreement, or the Guaranty, if (i) Mortgagor shall at any time deliver or cause to be delivered to Mortgagee a notice pursuant to 42 Pa. C.S.A. §8143 electing to limit the obligations secured by this Mortgage or (ii) Mortgagee shall receive or be served with any notice pursuant to 42 Pa. C.S.A. §8143(b) or (d), then, in any such case, Mortgagee's rights under Section 1.05 to make advances or extend credit under this Mortgage shall thereupon immediately cease and be of no further force or effect, anything contained in this Mortgage or the Guaranty to the contrary

notwithstanding.

Section 3.06. Successors and Assigns. All of the grants, covenants, terms, provisions and conditions herein shall run with the land and shall apply to, bind and inure to the benefit of, the respective successors and assigns of Mortgagor and Mortgagee.

Section 3.07. Limitation on Interest. Anything herein or in any other Facility Document to the contrary notwithstanding, the obligations of Mortgagor hereunder and under the Guaranty shall be subject to the limitation that payments of interest shall not be required to the extent that receipt of any such payment by Mortgagee and/or any Secured Counterparty would be contrary to provisions of law applicable to Mortgagee and/or such Secured Counterparty limiting the maximum rate of interest that may be charged or collected by Mortgagee and/or such Secured Counterparty.

Section 3.08. Substitute Mortgages. Mortgagor and Mortgagee (at the request of the Required Secured Counterparties) shall, upon their mutual agreement to do so, execute such documents as may be necessary in order to effectuate the modification hereof, including the execution of substitute mortgages, so as to create two (2) or more liens on the Mortgaged Property in such amounts as may be mutually agreed upon but in no event to exceed, in the aggregate, the Maximum Obligation Amount; in such event, Mortgagor covenants and agrees to pay the reasonable fees and expenses of Mortgagee and its counsel in connection with any such modification.

Section 3.09. No Merger of Interests. Unless expressly provided otherwise, in the event that ownership hereof and title to the fee and/or leasehold estates in the Premises encumbered hereby shall become vested in the same person or entity, this Mortgage shall not merge in said title but shall continue to be and remain a valid and subsisting lien on said estates in the Premises for the amount secured hereby.

Section 3.10. CERTAIN WAIVERS. MORTGAGOR HEREBY EXPRESSLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW IN CONNECTION WITH ANY FORECLOSURE OR SIMILAR ACTION OR PROCEDURE BROUGHT BY MORTGAGEE OR ANY SECURED COUNTERPARTY ASSERTING AN EVENT OF DEFAULT HEREUNDER, ANY AND EVERY RIGHT IT MAY HAVE TO (I) INJUNCTIVE RELIEF, (II) A TRIAL BY JURY, AND (III) HAVE THE SAME CONSOLIDATED WITH ANY OTHER OR SEPARATE SUIT, ACTION OR PROCEEDING. NOTHING IN THIS SECTION SHALL PREVENT OR PROHIBIT MORTGAGOR FROM INSTITUTING OR MAINTAINING A SEPARATE ACTION AGAINST MORTGAGEE OR ANY SECURED COUNTERPARTY WITH RESPECT TO ANY ASSERTED CLAIM.

Section 3.11. Satisfaction or Assignment of Mortgage; Release. (a) Upon the earlier of (a) termination of the Facility pursuant to Section 2.05(d) of the Common Agreement, and (b) reduction of the Facility Limit to zero pursuant to Section 7.04(b) of the Common Agreement, Mortgagee shall, subject to the requirements of Section 7.04(b) of the Common Agreement, deliver a satisfaction or release of this Mortgage or, at Mortgagor's option to be exercised in writing, an assignment hereof, in either case in proper form for recording. Mortgagor covenants and agrees to pay Mortgagee's reasonable fees and expenses (including reasonable attorneys' fees and expenses) in connection with ıy such satisfaction, release or assignment.

(b) If any of the Mortgaged Property shall be sold, transferred or otherwise disposed of by Mortgagor in a transaction permitted by the Common Agreement, then Mortgagee, at the request and sole expense of Mortgagor, subject to Section 5.03(j) of the Common Agreement, shall execute and deliver to Mortgagor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Mortgaged Property. Mortgagor shall deliver to Mortgagee, at least five (5) Business Days prior to the date of the proposed release, a written request for release identifying the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by Mortgagor stating that such transaction is in compliance with, and permitted by, the Common Agreement and the other Facility Documents.

Section 3.12. Multiple Security. If (a) the Premises shall consist of one or more parcels, whether or not contiguous and whether or not located in the same county, or (b) in addition to this Mortgage, Mortgagee shall now or hereafter hold one or more additional mortgages, liens, deeds of trust or other security (directly or indirectly) for the Guaranteed Obligations or the Directly Secured Obligations upon other property in the State in which the Premises are located (whether or not such property is owned by Mortgagor or by others), or (c) both the circumstances described in clauses (a) and (b) shall be true, then to the fullest extent permitted by law, Mortgagee may, at its election, commence or consolidate in a single foreclosure action all foreclosure proceedings against all such collateral securing the Guaranteed Obligations or Directly Secured Obligations (including the Mortgaged Property), which action may be brought or consolidated in the courts of any county in which any of such collateral is located. Mortgagor acknowledges that the right to maintain a consolidated foreclosure action is a specific inducement to the Secured Counterparties to enter into the Facility guaranteed by the Guaranty, and Mortgagor expressly and irrevocably waives any objections to the commencement or consolidation of the foreclosure proceedings in a single action and any objections to the laying of venue or based on the grounds of forum non conveniens which it may now or hereafter have. Mortgagor further agrees that if Mortgagee shall be prosecuting one or more foreclosure or other proceedings against a portion of the Mortgaged Property or against any collateral other than the Mortgaged Property, which collateral directly or indirectly secures the Guaranteed Obligations or the Directly Secured Obligations, or if Mortgagee shall have obtained a judgment of foreclosure and sale or similar judgment against such collateral, then, whether or not such proceedings are being maintained or judgments were obtained in or outside the State in which the Premises are located, Mortgagee may commence or continue foreclosure proceedings and exercise its other remedies granted in this Mortgage against all or any part of the Mortgaged Property, and Mortgagor, to the fullest extent permitted by law, waives any objections to the commencement or continuation of a foreclosure of this Mortgage or exercise of any other remedies hereunder based on such other proceedings or judgments, and waives any right to seek to dismiss, stay, remove, transfer or consolidate either any action under this Mortgage or such other proceedings on such basis. Neither the ⁻ommencement nor continuation of proceedings to foreclose this Mortgage nor the exercise of any other rights hereunder nor the recovery of any dgment by Mortgagee in any such proceedings shall prejudice, limit or preclude Mortgagee's right to commence or continue one or more foreclosure or other proceedings or obtain a judgment against any other collateral (either in or outside the State in which the Premises are located) which directly or indirectly secures the Guaranty, and Mortgagor, to the fullest extent permitted by law, expressly waives any objections to the commencement of, continuation of, or entry of a judgment in such other proceedings or exercise of any remedies in such proceedings

based upon any action of judgment connected to this Mortgage, and Mortgagor also waives any right to seek to dismiss, stay, remove, transfer or consolidate either such other proceedings or any action under this Mortgage on such basis. It is expressly understood and agreed that to the fullest extent permitted by law, Mortgagee may, at its election, cause the sale of all collateral which is the subject of a single foreclosure action at either a single sale or at multiple sales conducted simultaneously and take such other measures as are appropriate in order to effect the greement of the parties to dispose of and administer all collateral securing the Guaranty (directly or indirectly) in the most economical and least .me-consuming manner.

Section 3.13. Governing Law, etc . This Mortgage shall be governed by and construed and interpreted in accordance with the laws of the Commonwealth of Pennsylvania, except that Mortgagor expressly acknowledges that by their terms the Guaranty and certain other Facility Documents shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflict of law.

Section 3.14. Security and Priority of Advances . This Mortgage secures, and the obligations secured hereby include, (i) all advances made by Mortgagee with respect to any of the Mortgaged Property for the payment of taxes and similar such impositions, maintenance charges or costs incurred for the protection of any of the Mortgaged Property or the lien of this Mortgage, pursuant to Section 1.05, whether made before or after a judgment for foreclosure of this Mortgage shall have been entered, and (ii) all expenses incurred by Mortgagee by reason of an Event of Default. As provided in 42 Pa. C.S.A. § 8144, this Mortgage shall constitute a lien on the Mortgaged Property from the time this Mortgage is placed of record for, among other things, all such advances and expenses, plus interest thereon, regardless of the time when such advances are made or such expenses are incurred.

Section 3.15. Open-End Mortgage; Maximum Amount Secured . This Mortgage is an "open-end mortgage" as set forth in 42 Pa. Con. Stat. Ann. § 8143, and this Mortgage is given to secure the obligations of the Mortgagor under, or in respect of, the Guaranty to which Mortgagor is a party and the obligations of the Company referenced as Directly Secured Obligations, up to that amount which is equal to the amount of the aggregate maximum permitted principal obligations provided under the terms of the Guaranty and shall secure not only obligations with respect to presently existing obligations under the foregoing documents and agreements, but also any and all other obligations now owing or which may hereafter be owing by Mortgagor to the Mortgagee, however incurred, whether interest, discount or otherwise, and whether the same shall be deferred, accrued or capitalized, including future advances and re-advances, pursuant to the Guaranty, advances for the payment of taxes and assessments and municipal claims, maintenance charges, costs incurred for the protection of the property or the lien of this Mortgage, expenses incurred by Mortgagee by reason of default by Mortgagor under this Mortgage, or for any other permissible purpose, whether such advances are obligatory or are to be made at the option of Mortgagee, or otherwise, to the same extent as if such future advances were made on the date of the execution of this Mortgage. The lien of this Mortgage shall be valid as to all obligations secured hereby, including future advances, from the time of its filing for record in the recorder's office of the county in which the property is located, and the lien of all present and future advances shall relate back to the date of this Mortgage. This Mortgage is intended to and shall be valid and have priority over all subsequent liens and encumbrances, including statutory liens, excepting solely taxes and assessments levied on the real estate, to the extent of e maximum amount secured hereby. The amount of principal obligations that may be secured by this Mortgage may increase or decrease from ime to time. Notwithstanding anything in the foregoing or elsewhere in this Mortgage to the contrary, the maximum amount of outstanding principal obligations which shall be secured by this Mortgage shall not exceed $800,000,000.00, exclusive of accrued and unpaid interest and unpaid balances of advances and other extensions of credit secured by this Mortgage made for the payment of taxes, assessments, maintenance charges and costs incurred for the protection of the property within the meaning of 42 Pa. C.S.A. § 8143(f), and expenses incurred by the Mortgagee by reason of the default by the Mortgagor under the Guaranty and other costs and advances to the fullest extent permitted by the terms of 42 Pa. C.S.A. § 8144.

Section 3.16. Conflicts . In the event of any conflict between the provisions of this Mortgage and the provisions of the Common Agreement, the provisions of the Common Agreement shall prevail.

Section 3.17. No Fraudulent Transfer . Anything contained in this Mortgage to the contrary notwithstanding, the obligations of the Mortgagor hereunder shall be limited to a maximum aggregate amount equal to the greatest amount (not in excess of the Maximum Obligation Amount) that would not render Mortgagor's obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any provision of applicable state law.

Section 3.18. Mortgagee Exculpatory Provisions . The parties hereto hereby acknowledge and agree that the indemnity and exculpatory provisions of the Common Agreement (including without limitation Article VIII thereof) shall apply to the Mortgagee for any and all actions or inactions whatsoever of the Mortgagee under this Agreement.

This Mortgage has been duly executed by Mortgagor, intending to be legally bound, on the date first above written.

MORTGAGOR:

PPL Brunner Island, LLC

_____

Name:
Title:

STATE OF)
) ss.:
COUNTY OF)

On this, the ___ day of _____, 2010, before me_____, the undersigned officer, personally appeared _____, who acknowledged himself to be the _____ of _____ a Delaware limited liability company, and that he as such _____, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the general partner on behalf of the limited liability partnership by himself as _____.

In Witness Whereof, I hereunto set my hand and official seal.

_____
Notary Public

My commission expires:

[Seal]

This instrument prepared by:

Ronald J. Reybitz, Esq.
PPL Services Corporation
Two North Ninth Street
Allentown, PA 18101
Phone: 610 / 774-2929

CERTIFICATE OF MORTGAGEE'S ADDRESS

The undersigned certifies that the address of Mortgagee is:

Wilmington Trust FSB
1100 North Market Street
Wilmington, Delaware 19890-0001

_____
Authorized Agent of Mortgagee

SCHEDULE A

DESCRIPTION OF REAL PROPERTY

Exhibit 10(y)

FORM OF GUARANTY

GUARANTY (this " Guaranty "), dated as of November 3, 2010, made by PPL MONTOUR, LLC, a Delaware limited liability company and PPL BRUNNER ISLAND, LLC, a Delaware limited liability company (each, a " Guarantor " and collectively, the " Guarantors "), in favor of WILMINGTON TRUST FSB, as Collateral Agent (the " Beneficiary "), for the benefit of the Beneficiary and the Secured Counterparties (as defined in the Common Agreement referred to below).

RECITALS

WHEREAS, the Guarantors are party to the Secured Energy Marketing and Trading Facility Common Agreement dated as of November 1, 2010 (the " Common Agreement "), among the PPL EnergyPlus, LLC, a Pennsylvania limited liability company (the " Company "), PPL Energy Supply, LLC, a Delaware limited liability company (the " Parent "), Guarantors, the Beneficiary and the Secured Counterparties from time to time party thereto;

WHEREAS, the Company and one or more Secured Counterparties may enter into Energy Transactions (as defined in the Common Agreement) pursuant to the Common Agreement and Secured Counterparty ISDA Agreements (as defined in the Common Agreement) between the Company and such Secured Counterparties;

WHEREAS, the Company purchases the power produced by the respective generating stations owned by the Guarantors pursuant to power sales agreements with each of the Guarantors and then manages the marketing of such power;

WHEREAS, the management of the marketing and sale of the power produced by the Guarantors' respective generating stations provides a significant benefit to the Guarantors;

WHEREAS, the Company will enter into Energy Transactions to further enhance its ability to market such power;

WHEREAS, this Guaranty is an inducement for Secured Counterparties to enter into Energy Transactions with the Company pursuant to the Common Agreement and the Secured Counterparty ISDA Agreements; and

WHEREAS, in order to secure its obligations hereunder, each Guarantor will grant a mortgage lien and security interest on certain of its property pursuant to its Mortgage (as such term is defined in the Common Agreement);

NOW, THEREFORE, intending to be legally bound hereby, each Guarantor covenants and agrees as follows:

1. Definitions . As used herein, the term " Transaction Agreements " means the collective reference to the Secured Counterparty ISDA Agreements between the Company and Secured Counterparties and the Common Agreement. All other capitalized terms used herein and not otherwise defined herein shall have the meanings given to them in the Common Agreement.

2. Guaranty . The Guarantors hereby jointly and severally, absolutely and unconditionally, guarantee to the Beneficiary in its individual capacity and for the benefit of the Secured Counterparties the prompt payment when due of all obligations (fixed or contingent) that are now or may hereafter become due and payable from the Company to (i) the Beneficiary pursuant to the Facility Documents, including amounts owing under Section 5.01(g) of the Common Agreement, and (ii) any Secured Counterparty in connection with the Energy Transactions (including, without limitation, interest thereon and late charges as provided in the applicable Secured Counterparty ISDA Agreements or other documents or instruments evidencing or pertaining to transactions thereunder), in each case after the demand on and failure pay by the Company (collectively, the " Guaranteed Liabilities "). The Guarantors hereby jointly and severally agree to pay all costs and reasonable legal fees and expenses reasonably incurred by the Beneficiary in enforcing the obligations under this Guaranty; provided that neither Guarantor shall be liable for any costs, legal fees or expenses incurred by the Beneficiary if no payment under this Guaranty is due). Notwithstanding anything to the contrary contained herein, in no event shall the aggregate of the Guaranteed Liabilities paid under this Guaranty exceed USD $800,000,000, plus the costs, legal fees and expenses reasonably incurred by the Beneficiary in enforcing the Guarantors' obligations under this Guaranty.

3. Term . This Guaranty shall be a continuing guaranty of payment and not of collection, subject to termination as set forth herein. This Guaranty may be terminated by either Guarantor with respect to itself at any time and for any reason upon fourteen (14) days prior written notice to the Beneficiary and the Secured Counterparties; provided that any such termination of this Guaranty shall not affect such Guarantor's obligation for (i) Guaranteed Liabilities arising out of any Energy Transaction entered into prior to the effective date of such termination or (ii) Guaranteed Liabilities payable to the Beneficiary prior to the effective date of such termination or (iii) Guarantor's obligations under Section 2 hereof to pay costs, fees and expenses reasonably incurred by the Beneficiary in enforcing the Guarantor's obligations under this Guaranty; and provided further , that the termination by one Guarantor shall not affect the guaranty by the other Guarantor.

4. Release . Concurrently with the release of the Collateral Agent's Lien on the Mortgaged Property of either Guarantor in accordance with the Common Agreement and the applicable Mortgage, without any further action by such Guarantor or the Beneficiary such Guarantor shall immediately and without further action or notice be released in full from its obligations hereunder both in respect of Guaranteed abilities arising out of any Energy Transaction entered into prior to such release and any Energy Transaction entered into in the future, and this Guaranty shall be terminated with respect to any such Guarantor so released. The release of only one Guarantor shall not affect the obligations of the other Guarantor.

5. Waivers of Notice; Certain Defenses; Reinstatement. Each Guarantor waives all defenses that it may have under applicable law as a guarantor or surety and waives notice of acceptance, presentment, demand, dishonor, protest, any sale of collateral security and all other notices whatsoever, except for those expressly required hereunder. Each Guarantor otherwise reserves to itself any defenses and rights to setoff that the Company is entitled to that arise out of the Transaction Agreements, except for any defenses that are waived hereunder or under the Transaction Agreements or that are based upon the insolvency, bankruptcy, or reorganization of the Company, the power or authority to enter into and perform under the Transaction Agreements, the unenforceability or illegality with respect to the Transaction Agreements, or the failure of the Company to have authorized, or to have obtained any approval necessary to enter into or perform under, the Transaction Agreements. This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Liabilities or other amount paid hereunder are rescinded or must otherwise be returned by the Beneficiary or any Secured Counterparty upon the insolvency, bankruptcy, or reorganization of the Company, either Guarantor or any other guarantor or otherwise, all as though such payment had not been made. Neither the Beneficiary nor any Secured Counterparty shall be obligated to file any claim relating to the Guaranteed Liabilities or other amounts owing hereunder owing to it in the event the Company becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Beneficiary or any Secured Counterparty to so file shall not affect the Guarantors' obligations hereunder. Each Guarantor waives demand, promptness, diligence and all notices that may be required by law or to perfect the Beneficiary's rights hereunder except notice to such Guarantor of a default by primary obligor under the Transaction Agreements, *provided, however*, that any delay in the delivery of notice shall in no way invalidate the enforceability of this Guarantee. No failure, delay or single or partial exercise by the Beneficiary of its rights or remedies hereunder shall operate as a waiver of such rights or remedies. All rights and remedies hereunder or allowed by law shall be cumulative and exercisable from time to time.

6. Effect of Modifications. Each Guarantor acknowledges that its liability under this Guaranty shall be joint and several and absolute and unconditional and agrees that the Beneficiary or any Secured Counterparty may at any time and from time to time, without notice to or further consent of such Guarantor, extend the time of payment of, exchange or surrender any collateral for, or renew any of the Guaranteed Liabilities, and may also make any agreement with the Company for the extension, renewal, payment, compromise, discharge or release of the Guaranteed Liabilities, in whole or in part, or for any modification of the terms thereof or of the Transaction Agreements, the Fee Letter or any agreement between the Beneficiary or any Secured Counterparty and the Company or any such other party or person, without in any way affecting this Guaranty. Except as expressly set forth in Section 4 hereof, the Guarantors' obligations hereunder with respect to any Guaranteed Liabilities or other amounts owing hereunder shall not be affected by the existence, validity, enforceability, perfection, release or impairment of value of any collateral or any other guaranty for such Guaranteed Liabilities or other amounts owing hereunder.

7. Independent Obligations; Subrogation. The Guarantors' obligations under this Guaranty are independent of all obligations of the Company to the Beneficiary or the Secured Counterparties. The Beneficiary shall not be required to proceed first against the Company or any other person, firm or corporation before proceeding against either or both Guarantors under this Guaranty. Neither Guarantor shall be subrogated to any of the rights of the Beneficiary or any Secured Counterparty as the result of any payment by or enforcement of any of the Guaranteed Liabilities nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from any other Credit Party in respect of payments made by such Guarantor hereunder until all Guaranteed Liabilities and other amounts owing hereunder have been paid in full with no right of rescission or right of return, after which the Guarantors shall be so subrogated and entitled to seek contribution and reimbursement. After payment in full of all Guaranteed Liabilities and other amounts owing hereunder, the Beneficiary and Secured Counterparties shall execute such instruments as Guarantors may reasonably request to evidence such subrogation.

8. No Fraudulent Transfer. Anything contained in this Guaranty to the contrary notwithstanding, the obligations of each Guarantor hereunder shall be limited to a maximum aggregate amount equal to the greatest amount (not in excess of the amount specified in Section 2 hereof) that would not render such Guarantor's obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any provision of applicable state law.

9. Notices. All notices (including demands for payment hereunder) and other communications under this Guaranty must be in writing and will be deemed to have been duly given when (i) delivered by hand (with written confirmation of receipt), (ii) sent by facsimile (with written confirmation of receipt), provided that a copy is also mailed to such party, or (iii) when received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested) or by mailing, certified mail (return receipt requested), in each case to the appropriate addresses and facsimile numbers set forth below (or to such other addresses and facsimile numbers as either party may designate by notice to the other party):

If to Beneficiary:

Wilmington Trust FSB
1100 North Market Street
Wilmington, Delaware 19890-0001
Attn: Corporate Trust Administration
Facsimile: 302-636-4140

If to PPL Montour, LLC:

Two North Ninth Street
Allentown, Pennsylvania 18101
Attn: Credit Department
Facsimile: 610-774-7413

Along with a copy for convenience to:

PPL Services Corp.
Two North Ninth Street
Allentown, Pennsylvania 18101
Attn: Office of General Counsel
Facsimile: 610-774-6727

If to PPL Brunner Island, LLC:

Two North Ninth Street
Allentown, Pennsylvania 18101
Attn: Credit Department
Facsimile: 610-774-7413

Along with a copy for convenience to:

PPL Services Corp.
Two North Ninth Street
Allentown, Pennsylvania 18101
Attn: Office of General Counsel
Facsimile: 610-774-6727

Notice given by personal delivery or mail shall be effective upon actual receipt, or, if receipt is refused or rejected, upon attempted delivery. Notice given by facsimile shall be effective upon actual receipt if received during recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours.

10. Miscellaneous. This Guaranty and each of its provisions may be waived, modified or varied, in whole or in part, only pursuant to a duly authorized written instrument signed by an authorized officer of the Beneficiary (after obtaining any consent of the Secured Counterparties required by Section 9.03 of the Common Agreement) and each of the Guarantors. No delay of the Beneficiary in the exercise of, or failure to exercise any rights hereunder shall operate as a waiver of such rights, a waiver of any other rights, or a release of either Guarantor of any obligations hereunder. No waiver by the Beneficiary of performance by either Guarantor under any of the provisions of this Guaranty shall be construed as a waiver of performance by the other Guarantor or of any subsequent performance by either Guarantor under the same or any other provisions of this Guaranty.

11. Successors; Assignment. This Guaranty shall be binding upon the successors and permitted assigns of the Guarantors and inure the benefit of the Beneficiary and its successors and assigns for its benefit and the benefit of the Secured Counterparties. Neither Guarantor shall assign this Guaranty or delegate any of its duties hereunder without the express written consent of the Beneficiary, which consent shall not be unreasonably withheld or delayed. The Beneficiary may, upon notice to the Guarantors, assign its rights hereunder to a successor Collateral Agent under the Common Agreement without the consent of the Guarantors or any Secured Counterparties.

12. GOVERNING LAW. THIS GUARANTY WILL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

13. Submission to Jurisdiction; Waivers. Each Guarantor hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York State and any New York State court sitting in New York City for the purposes of all legal proceedings arising out of or relating to this Guaranty. Each Guarantor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such proceeding brought in such court and any claim that any such proceeding brought in any such court has been brought in an inconvenient forum.

14. WAIVER OF JURY TRIAL. EACH OF THE GUARANTORS AND THE BENEFICIARY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY.

15. Entire Agreement. This writing constitutes the complete and exclusive statement of the terms of this Guaranty and supersedes all prior oral or written representations, understandings, and agreements between the Beneficiary and either Guarantor with respect to the subject matter hereof.

16. Counterparts. This Guaranty may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto were upon the same instrument. A facsimile or Portable Document Format (PDF) electronic copy of a signature shall have the same force and effect as an original signature.

17. Unenforceable Provisions. Any provision contained in this Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

[Signature page follows]

IN WITNESS WHEREOF, each Guarantor has duly executed this Guaranty as of the first date written above.

PPL MONTOUR, LLC

By_____
Name:
Title:

PPL BRUNNER ISLAND, LLC

By_____
Name:
Title:

WILMINGTON TRUST FSB, as Collateral Agent

By_____
Name:
Title:

[Signature page to the Genco Guaranty]

RETENTION AGREEMENT

THIS RETENTION AGREEMENT, effective as of December 1, 2010 is made and entered into between PPL Corporation ("PPL") and Victor A. Staffieri (the "Executive").

WHEREAS, PPL recognizes the need to develop and retain the Executive; and

WHEREAS, PPL has determined that certain steps should be taken to encourage the Executive to remain with PPL;

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained and intending to be legally bound, PPL and the Executive agree as follows:

SECTION 1. DEFINITIONS.

The following definitions are applicable to this Retention Agreement:

1.1 Affiliated Company or Affiliated Companies means any parent or majority or 50% owned subsidiaries of PPL (or companies, limited liability companies or other legal entities under common control with PPL) including entities that are members of the same controlled group of corporations (within the meaning of Section 1563(a) of the Code) as PPL.

1.2 Board means the Board of Directors of PPL.

1.3 Code means the Internal Revenue Code of 1986, as may be amended from time to time.

1.4 Committee means two or more non-employee directors, unless otherwise determined by the Board, who have been designated by the Board to act as the Committee and qualify as non-employee directors under the Exchange Act.

1.5 Common Stock means the common stock of PPL.

1.6 Disability or **Disabled** means the inability of the Executive to perform each and every duty pertaining to the Executive's gular occupation by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has asted or can be expected to last for a continuous period of not less than six months.

1.7 Exchange Act means the Securities Exchange Act of 1934, as amended from time to time. Reference in this Retention Agreement to any section of the Exchange Act shall be deemed to include any amendments or successor provisions to such section and any rules promulgated thereunder.

1.8 Fair Market Value means the closing price of the Common Stock as reflected in the New York Stock Exchange Composite Transactions on the date as of which Fair Market Value is being determined or, if no Common Stock is traded on the date as of which Fair Market Value is being determined, Fair Market Value shall be the closing price of the Common Stock as reflected in the New York Stock Exchange Composite Transactions on the next preceding day on which the Common Stock was traded.

1.9 Person shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14 (d) thereof; provided, however, a Person shall not include (i) PPL or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of PPL or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of PPL in substantially the same proportions as their ownership of stock of PPL.

1.10 Termination for Cause means the termination by PPL or an Affiliated Company of the Executive's employment upon a finding by PPL's Board that Executive has (i) repeatedly and willfully either violated any policy of PPL or an Affiliated Company (including PPL's Standards of Conduct and Integrity or any successor thereto) or violated any lawful direction of PPL or an Affiliated Company, or (ii) that Executive has committed a felony in the performance of his duties of employment. No act, or failure to act, by Executive shall be deemed to be "repeated" unless the Executive shall have received a written notice from PPL setting forth in detail the particulars of the act, or the failure to act, which PPL contends would constitute Cause when repeated and the Executive then repeats such act or failure to act and does not resolve or otherwise cure such behavior within thirty days of receipt of such notice.

SECTION 2. RESTRICTED STOCK UNIT AWARD

2.1 In order to induce the Executive to remain in the employ of PPL or an Affiliated Company, the Committee has authorized an ard under Section 11 of the PPL Corporation Incentive Compensation Plan (the "Award") to the Executive of 80,940 Restricted Stock Units ("RSUs") with a restriction period that will lapse, unless the restrictions lapse sooner pursuant to Section 2.2 of this Retention Agreement, and provided the Executive has remained in continuous employment with PPL or an Affiliated Company, on December 1, 2012 ("Lapse Date").

(a) The Executive hereby agrees that, upon instruction from the Chief Executive Officer of PPL, the Executive will promptly execute and timely deliver on behalf of LG&E and KU Energy LLC (f/k/a "E.ON US LLC")(hereafter "LG&E LLC") to all employees of LG&E LLC, and its subsidiaries or affiliates, in possession of any employment, retention, severance protection, change-in-control protection or similar agreement entered into by LG&E LLC or its subsidiaries and affiliates, excluding Executive and John R. McCall, a written notice of non-renewal of such agreements in a form directed by PPL."

(b) The Executive hereby acknowledges and agrees that the granting of this Award compensates the Executive for, among other things, the loss of certain fringe benefits and perquisites previously provided by LG&E LLC, including specifically the (i) elimination of all tax gross-up payments on all fringe benefits and perquisites effective as of January 1, 2011; (ii) termination of employer-paid country club membership; and (iii) termination of employer-paid use of air transportation (i.e., NetJets) for any non-business purpose. The Executive hereby acknowledges and agrees that the forbearance of these fringe benefits and perquisites does not constitute Good Reason under Section 8(c) of his Employment and Severance Agreement dated October 29, 2010 with LG&E LLC and that Exhibit A of such agreement is hereby amended, restated and replaced in its entirety with the Exhibit A attached hereto.

2.2 In the event of the Executive's death or termination of Executive's employment by PPL or an Affiliated Company as a result of Disability while in the employ of PPL or an Affiliated Company prior to the Lapse Date referenced above, the Award will be prorated by multiplying the number of RSUs that would have been free of restriction at the Lapse Date referenced above by a fraction, the numerator of which will be the number of full months of actual service of the Executive from the date of the Award up to the date of death or such termination as a result of Disability, and the denominator of which will be the number of full months of service during the vesting period that the Executive would have had if the Executive had maintained active employment from the date of the Award until the Lapse Date referenced above. The date of such death of such termination shall constitute the Lapse Date.

2.3 Delivery of the Common Stock upon the lapse of restrictions on the RSUs shall be made on a date selected by PPL within 30 days following the Lapse Date in accordance with the terms and conditions of the PPL Incentive Compensation Plan including tax withholding requirements; provided that no delivery of Common Stock under this Agreement shall be made unless PPL has received from the Executive (or from Executive's estate), an executed Release of Liability Agreement in the form attached hereto as Addendum A prior to the 30 TH day after the Lapse Date. Failure of Executive (or Executive's estate) to timely provide the executed Release of Liability Agreement shall result in the forfeiture in full of the Common Stock.

SECTION 3. FORFEITURE OF AWARD

3.1 The Executive shall forfeit all rights to any remaining RSUs if the Executive retires or resigns employment with PPL or an Affiliated Company prior to the Lapse Date in Section 2.1, unless, in the case of a resignation, the Executive resigns to immediately assume, and does assume, another position with PPL or an Affiliated Company.

3.2 If the Executive's employment ends as a result of a Termination for Cause, the Executive shall forfeit all rights to the Award.

SECTION 4. MISCELLANEOUS PROVISIONS.

4.1 Nontransferability. No benefit or right provided under this Retention Agreement shall be subject to alienation or assignment by an Executive (or by any person entitled to such benefit pursuant to the terms of the Retention Agreement) or subject to attachment or other legal process of whatever nature. Any attempted alienation, assignment or attachment shall be void and of no effect. Payment shall be made only to the Executive entitled to receive the same or to the Executive's authorized legal representative. PPL and all Affiliated Companies will observe the terms of this Retention Agreement unless and until ordered to do otherwise by a state or federal court. As a condition of participation, each Executive agrees to hold PPL and all Affiliated Companies harmless from any claim that arises out of PPL's or an Affiliated Company's obeying any such order whether such order affects a judgment of such court or is issued to enforce a judgment or order of another court.

4.2 No Employment Right; No Stockholder Right . Neither this Retention Agreement nor any action taken hereunder shall be construed as giving any right to be retained as an employee of PPL or any Affiliated Company. The Executive shall have no rights as a stockholder of PPL in respect of the Common Stock until such Common Stock is paid following the Lapse Date, including any right to transfer any interest in the Common Stock, receive dividends or other distributions in respect of the Common Stock or exercise any voting right in respect of the Common Stock.

4.3 Government and Other Regulations . The obligation of PPL to make payment for the Award shall be subject to all applicable laws, rules and regulations, and to such approvals by any government agencies.

4.4 Changes in Capital Structure . In the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, recapitalization, combination or exchange of shares or other similar changes in the Common Stock, appropriate adjustments shall be made to the number and/or kind of RSUs awarded under the Award, as may be determined by the Committee in its sole discretion. Such adjustments shall be conclusive and binding for all purposes. Additional RSUs issued to the Executive as the result of any such change shall bear the same restrictions as the RSUs to which they relate. Without limiting the generality of the foregoing, in connection with a change in capital structure, the Committee may provide, in its sole discretion, for the cancellation of any outstanding Awards in exchange for payment in cash or other property of the Fair Market Value (on the date of such exchange) of the RSUs covered by such Awards.

4.5 Company Successors . In the event PPL becomes a party to a merger, consolidation, sale of substantially all of its assets or

any other corporate reorganization in which PPL will not be the surviving corporation or in which the holders of the Common Stock will receive securities of another corporation, then such other corporation shall assume the rights and obligations of PPL under this Retention Agreement.

4.6 Governing Law . All matters relating to this Retention Agreement and to the Award granted hereunder shall be governed by the laws of the Commonwealth of Pennsylvania without regard to its conflict of laws principles.

4.7 Relationship to Other Benefits . The Award shall not be taken into account in determining any benefits under any pension, retirement, profit sharing, disability or group insurance plan of PPL or any Affiliated Company except as may be required by federal tax law and regulation or to meet other applicable legal requirements.

4.8 Administration . This Retention Agreement and the Award are subject to the terms and conditions of the PPL Incentive Compensation Plan and shall be interpreted in accordance with the provisions thereof.

4.9 Entire Agreement . This Retention Agreement contains the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersedes all prior communications, representations and negotiations in respect thereto.

4.10 Titles and Headings . The titles and headings of the sections in this Retention Agreement are for convenience of reference only, and in the event of any conflict, the text of the Retention Agreement, rather than such titles or headings, shall control.

[*signature page follows*]

PPL CORPORATION

By _____ _____

James H. Miller
Chairman, President and
Chief Executive Officer

Date

_____ _____

Victor A. Staffieri

Date

Exhibit A

Automobile Allowance
Financial Planning
Tax Preparation
Company Paid Reserved Parking
Executive Physical Examination
Supplemental Life Insurance - $2,000,000
Vacation - 5 weeks
LG&E LLC (or similar) Savings Plan
LG&E LLC (or similar) Nonqualified Savings Plan
LG&E LLC (or similar) Retirement Plan
LG&E LLC (or similar) Supplemental Executive Retirement Plan

ADDENDUM A

RELEASE OF LIABILITY
AGREEMENT BETWEEN

Victor A. Staffieri and PPL Corporation

THIS RELEASE OF LIABILITY AGREEMENT ("RELEASE") is entered into by and between VICTOR A. STAFFIERI ("Executive"), and PPL Corporation, a Pennsylvania corporation, by and for itself and its Affiliated Companies, as defined below ("PPL").

WHEREAS , Executive has become entitled to PPL Corporation Restricted Stock Units pursuant to the terms of a Retention Agreement effective as of December 1, 2010 between PPL Corporation and Executive ("Retention Agreement")(attached hereto as Exhibit A); and

WHEREAS , Pursuant to the terms of the Retention Agreement, Executive has agreed to Release certain claims as a condition to the delivery of the common stock under the terms of the Retention Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Executive agrees unconditionally to release and discharge PPL Corporation and all Affiliated Companies, as the term "Affiliated Companies" is defined in the Retention Agreement ("Releasees"), from any and all actions, causes of action, suits, claims, liabilities, obligations, or damages and expenses (including attorneys' fees and costs actually incurred), known or unknown of any nature arising from any agreements between Executive and LG&E and KU Energy, LLC (formerly "E.ON U.S. LLC") dated prior to November 1, 2010, or those, known or unknown, arising under the Age Discrimination in Employment Act of 1967, as amended, and all other laws, statutes, rules and regulations arising out of or relating to employment (hereinafter, "Claims") except for those agreements relating to former operations in Argentina listed on Attachment 1 ("Excluded Agreements").

2. Executive represents and certifies that he has carefully read and fully understands all provisions and effects of this Release, and that he has had the opportunity to discuss all aspects of this Release with his attorney or other trusted advisor, that he is voluntarily entering into this Release intending to be bound by its terms, and neither Releasees nor their agents, representatives or attorneys have made any representations or promises other than as set forth herein.

3. This Release shall in all respects be interpreted, enforced and governed under the laws of Pennsylvania. The language of all parts of this Release shall in all cases be interpreted as a whole, according to its fair meaning, and not strictly for or against any of the Parties.

4. This Release sets forth the entire agreement between Executive and LGE-KU relating to Release of Claims required pursuant to the Retention Agreement. Nothing in this Release shall prevent or limit Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by LGE-KU and for which Executive may qualify. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any plan or program shall be payable in accordance with such plan or program. Nothing herein shall limit Executive's rights under any indemnification rights provided by (i) LG&E and KU Energy LLC's and its affiliates' corporate governing documents relating to indemnification of officers and directors, or (ii) the Excluded Agreements.

5. Executive understands and agrees that he has had a period of not less than 45 calendar days to consider whether to sign this Release. Executive acknowledges that he has received the required disclosure material associated with this Release. Executive further understands and agrees that he has a period of 7 calendar days after his execution of this Release within which to revoke his signature, which revocation must be made in writing actually delivered to Robert J. Grey, General Counsel within such 7 calendar day period in order for the revocation to be effective (the "Revocation Period"). This Release is not effective, and PPL is under no obligation to make any payments or provide any benefits to executive which are conditioned upon Executive executing the Release under the terms of the Retention Agreement, unless and until the Revocation Period passes with Executive not having timely and effectively revoked his execution of the Release.

IN WITNESS WHEREOF, and intending to be legally bound hereby, Executive and PPL have executed the foregoing Release.

_____

Victor A. Staffieri
Executive

_____

DATE

COMMONWEALTH OF _____)
) SS:
COUNTY OF _____)

On this [ ] day of [ ], 2012, before me Victor A. Staffieri personally appeared to me known, and known to me to be the same person described in and who executed the above instrument and he acknowledged to me that he executed the same.

_____
Notary Public

My Commission Expires: _____

PPL Corporation

By: _____
Title: _____
Date: _____

AMENDED AND RESTATED

EMPLOYMENT AND SEVERANCE AGREEMENT

THIS AMENDED AND RESTATED AGREEMENT (the " Agreement ") is dated as of October 29, 2010, by and between E.ON U.S. LLC, a Kentucky limited liability company (the " Company "), and Victor A. Staffieri (" Executive ").

SECTION 1. Effectiveness of Agreement . This Agreement shall become effective on the date of the Closing (the " Effective Date "), provided that on such date Executive is employed by the Company or any subsidiary of the Company (collectively referred to in this Agreement as " Employer "). In the event that the Purchase Agreement is terminated prior to the occurrence of the Closing, this Agreement shall be null and void and shall have no force and effect. Upon Closing, Executive will receive a divestiture bonus in the amount equal to $2,129,453.00, less applicable withholding.

SECTION 2. Term of Agreement . The term of this Agreement (" Term ") shall commence on the Effective Date, and shall continue in effect, except as otherwise provided herein, until the second anniversary of the Effective Date; provided , however , that commencing on the second anniversary of the Effective Date, and on each successive anniversary of the Effective Date, the Term shall automatically be extended for one year unless Employer has given written notice to Executive at least ninety days prior to such second anniversary or such other anniversary date, as applicable, that the Term shall not be so extended; and provided further , however , that notwithstanding any such notice by Employer, the Term shall not expire prior to the date that is 24 months after the occurrence of a Change in Control while this Agreement is in effect.

SECTION 3. Retention Agreement . In consideration for Executive's continued service to the Company, the Company or one of its affiliates shall, no later than 60 days following the Effective Date, provide Executive with a separate retention agreement (the " Retention Agreement ").

SECTION 4. Employment . Executive shall serve as Chairman, Chief Executive Officer and President of the Company and shall report to the Chairman, President and Chief Executive Officer of PPL Corporation (" PPL CEO ") during the Term. The Company shall (i) cause Executive to be elected as Chairman of the Board of Directors of the Company (the " Board ") and (ii) secure Executive's election as a member of the Board, and Executive agrees to serve in such capacities. Executive agrees to devote his full working time and efforts, to the best of his ability, experience and talent, to the performance of services, duties and responsibilities in connection with his position, and shall perform such duties and exercise such powers, commensurate with his position, as PPL CEO shall from time to time delegate to him on such terms and conditions and subject to such restrictions as PPL CEO may reasonably from time to time impose. Nothing in this Agreement shall preclude Executive from (a) engaging in charitable and community affairs so long as, in the reasonable determination of the Company, such activities do not interfere with his duties and responsibilities hereunder, (b) managing any passive investment made by him in publicly traded equity securities or other property (provided that no such investment may exceed five percent of the equity of any entity, without the prior approval of the Company, which approval shall not be unreasonably withheld) or (c) serving, subject to the prior approval of the Company, which approval shall not be unreasonably withheld, as a member of boards of directors or as a trustee of any other corporation, association or entity. Executive will perform his services at the Company's headquarters in Louisville, Kentucky, with the understanding that he will be required to travel as reasonably required for the performance of his duties under this Agreement.

SECTION 5. Compensation .

(a) Base Salary . Employer shall pay Executive an annual base salary of not less than the amount Executive is receiving at the Effective Date (" Base Salary "). The Base Salary shall be payable in accordance with Employer's ordinary payroll practices. The Base Salary shall be reviewed by the Compensation Governance and Nominating Committee of the Board of Directors of Purchaser (the " CGNC ") in January of each year, or such other date as agreed to by Executive, and may be increased (but not decreased) in the discretion of CGNC at any time and, as so increased, shall constitute "Base Salary" under the Agreement.

(b) Annual Bonus . In addition to his Base Salary, Executive shall be eligible to participate in any annual incentive plan or program maintained by Employer in which other senior executives of the Company participate (the " Bonus Plan "). Such participation shall be on terms commensurate with Executive's position and level of responsibility. Executive's target bonus under the Bonus Plan shall be not less than 75 percent of Base Salary. Except as set forth in the preceding sentence, nothing in this Section 5(b) will guarantee to Executive any specific amount of incentive compensation, or prevent the CNGC from establishing reasonable performance goals and compensation targets, after consultation with Executive, applicable only to Executive.

(c) Compensation Plans and Programs . Executive shall be eligible to participate in any compensation plan or program maintained by Employer in which other senior executives of the Company participate on terms commensurate with his position and level of responsibility, and to receive equity-based incentive awards based upon achievement of performance goals based partially upon PPL Corporation's performance. Executive's long-term incentive plan participation target level shall be not less than 175% of Base Salary.

(d) Other Compensation . Nothing in this Section 5 will preclude the Board from authorizing such additional compensation to Executive, in cash or in property, as the Board may determine in its sole discretion to be appropriate.

SECTION 6. Employee Benefits .

(a) Employee Benefit Programs, Plans and Practices . Employer shall provide Executive during the Term with coverage under all employee pension and welfare benefit programs, plans and practices including, but not limited to, those specified in Exhibit A attached

hereto (commensurate with his positions and level of responsibility in the Company and to the extent permitted under any employee benefit plan) in accordance with the terms thereof, which the Company makes available to its senior executives.

(b) Vacation and Fringe Benefits. Executive shall be eligible to participate in the Company's vacation plan; provided, however, that in no event shall Executive receive fewer vacation days than Executive is entitled to receive under the Company's vacation policy as in effect immediately prior to the Effective Time. In addition, Executive shall be entitled to the perquisites and other fringe benefits set forth on Exhibit A.

(c) Expenses. Executive is authorized to incur reasonable expenses in carrying out his duties and responsibilities under this Agreement, including, without limitation, expenses for travel and similar items related to such duties and responsibilities. Employer will reimburse Executive for all such expenses upon presentation by Executive from time to time of appropriately itemized and approved (consistent with the Company's policy) accounts of such expenditures.

(d) Life Insurance. Employer shall provide Executive with term life insurance with a benefit in an amount not less than $2,000,000. The premiums for such life insurance shall be paid by Employer, regardless of Executive's employment status, and Employer shall pay Executive an additional payment such that Executive retains, after payment by Executive of all taxes imposed as a result of such life insurance and such additional payment, an amount equal to the taxes imposed upon Executive as a result of such life insurance.

SECTION 7. Termination Payments.

(a) Accrued Payments. Upon termination of Executive's employment for any reason, Executive shall be entitled to receive all amounts earned or accrued for or on behalf of Executive through the date of termination, but not paid as of such date, including (i) any earned but unpaid base salary as of the date of termination, together with any earned, but unpaid vacation pay and (ii) reimbursement for reasonable and necessary expenses incurred on behalf of the Company during the period ending on the date of termination (together, the "Accrued Payments").

(b) Severance Payment. If Executive's employment is terminated by Employer for any reason (other than for Cause and other than by reason of Executive's death or Disability), including as a result of the Company's notice not to extend the term of this Agreement, or by Executive for Good Reason, then, in addition to the Accrued Payments and any amounts due under and in accordance with the Retention Agreement, Employer shall pay to Executive within 30 days following the date of Executive's termination a lump-sum cash payment (the "Severance Payment") in the following applicable amount (without duplication):

(i) If Executive's employment is so terminated on or prior to the second anniversary of the Effective Date, the amount equal to 2.99 times the sum of the Base Amount and Bonus Amount;

(ii) If Executive's employment is so terminated on or following the occurrence of a Change in Control (excluding the transactions contemplated by the Purchase Agreement), but not later than the second anniversary of such Change in Control, 2.99 times the sum of the Base Amount and Bonus Amount; or

(iii) If Executive's employment is so terminated in any circumstance not described in clauses (i) or (ii) above, the amount equal to two times the sum of the Base Amount and Bonus Amount.

In addition, within 30 days following the date of any such termination of Executive's employment, Employer shall provide Executive an amount to be used for outplacement services equal to 20 percent of the Base Amount. For purposes of this Agreement, the term "Base Amount" shall mean Executive's Base Salary (defined above) in effect at the time of payment, including amounts of Base Salary that are deferred under any qualified or nonqualified employee benefit plan of Employer. The term "Bonus Amount" shall mean the greater of (a) the most recent annual bonus paid or payable to Executive, (b) the annual bonus paid or payable to Executive under the Bonus Plan for the full fiscal year ended prior to the fiscal year during which the Effective Date, or the Change in Control, as applicable, occurred or (c) Executive's target award under the Bonus Plan for the full fiscal year ended prior to the fiscal year during which the Effective Date, or the Change in Control, as applicable, occurred.

(c) Benefit Continuation. (i) If Executive's employment is terminated under the circumstances described in Section 7(b)(iii), then following the date of termination for a period of 24 months or (ii) if Executive's employment is terminated under the circumstances described in Sections 7(b)(i) or 7(b)(ii), 36 months (the "Continuation Period"), Employer shall at its expense continue on behalf of Executive and his dependents and beneficiaries (to the same extent provided to the dependents and beneficiaries prior to Executive's termination) the life insurance, disability, medical, dental, and hospitalization benefits provided (x) to Executive by Employer at any time within 90 days preceding the Effective Date, or at any time thereafter, or (y) to other similarly situated executives who continue in the employ of Employer during the Continuation Period. The coverage and benefits (including deductibles and costs) provided in this Section 7(c) during the Continuation Period shall be no less favorable to Executive and his dependents and beneficiaries, than the most favorable of such coverages and benefits set forth in clauses (x) and (y) above. Notwithstanding any of the foregoing provisions of this Section 7(c), if Executive obtains any such benefits pursuant to a subsequent employer's benefit plans, Employer may reduce the coverage of any benefits it is required to provide Executive hereunder as long as the aggregate coverages and benefits of the combined benefit plans are no less favorable to Executive than the coverages and benefits otherwise required to be provided hereunder. This Section 7(c) shall not be interpreted so as to limit any benefits to which Executive or his dependents may be entitled under any of the employee benefit plans, programs or practices of Employer following Executive's termination of employment, including without limitation, retiree medical and life insurance benefits.

(d) Death and Disability. If the Executive's employment is terminated as a result of Executive's death or Disability, then, in addition to the Accrued Payments and any amounts due under and in accordance with the Retention Agreement: (i) if Executive's employment is terminated as a result of Disability, Executive shall receive until age 65 a benefit equal to 60 percent of the Base Salary, less 100 percent of the

Social Security disability benefit and any amounts payable pursuant to the terms of a disability insurance policy or similar arrangement which the Company maintains during the Term; and (ii) if Executive's employment is terminated as a result of death, for a period of 36 months, Employer shall at its expense continue on behalf of Executive's dependents and beneficiaries (to the same extent provided to the dependents and beneficiaries prior to Executive's death) the life insurance, medical, dental and hospitalization benefits under such plans offered by Employer to active employees.

(e) No Mitigation. Executive shall not be required to mitigate the amount of any payments or benefits provided for in this Agreement by seeking other employment or otherwise and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to Executive in any subsequent employment, except as otherwise expressly set forth in this Agreement.

SECTION 8. Meaning of Certain Terms.

(a) Cause. For purposes of this Agreement, a termination for "Cause" is a termination evidenced by a resolution adopted in good faith by at least seventy-five percent (75%) of the Board that (i) there has been repeated willful misconduct by Executive in performing the reasonably assigned duties on behalf of the Company required by and in accordance with his employment by the Company, or (ii) Executive has been convicted of a felony in the course of performing those duties. Notwithstanding anything contained in this Agreement to the contrary, no failure to perform by Executive after a Notice of Termination (as hereinafter defined) is given by Executive shall constitute Cause for purposes of this Agreement. No act, or failure to act, on Executive's part shall be deemed to be "repeated" unless the Executive shall have received a written notice from the Company setting forth in detail the particulars of the act, or the failure to act, which the Company contends would constitute Cause when repeated and Executive then repeats such act or failure to act and does not resolve or otherwise cure such behavior within thirty (30) days of receipt of such notice.

(b) Change in Control. For purposes of this Agreement, the term "Change in Control" means the occurrence after the Effective Date of any one of the following events:

(i) any Person becomes the "Beneficial Owner" (as defined Rule 13d-3 under the Securities and Exchange Act of 1934, as modified), directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors, unless PPL Corporation and its affiliates continue also to be the Beneficial Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's voting securities;

(ii) there is consummated a merger or consolidation of the Company or any direct or indirect parent (excluding PPL Corporation or any parent of PPL Corporation from time to time) or subsidiary of the Company with any other corporation or other entity, other than (A) a merger or consolidation which would result in the voting securities of the Company or such direct or indirect parent of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary or parent of the Company, at least 50% of the combined voting power of the securities of the Company or at least 50% of the combined voting power of the securities of such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (excluding in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its affiliates) representing more than 50% of the combined voting power of the Company's then outstanding securities;

(iii) the shareowners of the Company approve a plan of complete liquidation or dissolution of the Company, unless PPL Corporation and its affiliates continue to be the Beneficial Owner, directly or indirectly, of securities of the successor(s) to the assets and liabilities of the Company representing more than 50% of the combined voting power of such successor(s)' then outstanding securities entitled to vote generally in the election of directors; or

(iv) the sale or other disposition of all or substantially all of the assets of the Company and its subsidiaries, taken as a whole, to any Person, excluding in connection with a transaction in which all or substantially all of the assets of PPL Corporation and its subsidiaries, taken as a whole, are sold or disposed.

"Person" shall have the meaning given in Section 3(a)(9) of the Securities and Exchange Act of 1934, as modified and used in Sections 13(d) and 14(d) thereof; provided, however, a Person shall not include (i) PPL Corporation or any of its affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of PPL Corporation or any of its affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareowners of PPL Corporation in substantially the same proportions as their ownership of stock of PPL Corporation.

(c) Good Reason. For purposes of this Agreement, the term "Good Reason" shall mean (i) Executive's base salary, annual target bonus percentage, or long term target bonus percentage is reduced, (ii) Executive's present place of employment is relocated in excess of 50 miles, (iii) Executive's authorities, duties, responsibilities or reporting are materially reduced from those in effect immediately prior to the Effective Date or (iv) the occurrence of any other action or inaction that constitutes a material breach by Employer of the Agreement; provided, however, that prior to any termination by Executive for Good Reason Executive shall within 90 days of the occurrence of the foregoing have provided notice to Employer of the existence of Good Reason and, following which Employer shall have had a period to cure the existence of Good Reason of not less than 30 days.

(d) Disability. For purposes of this Agreement, the term "Disability" shall mean (i) a physical or mental infirmity which

has been determined to be total and permanent disability under and in accordance with the provisions of the group long-term disability policy of Employer in which Executive is eligible for benefits or (ii) in the event the Company does not maintain such plan at the time of the determination of Executive's Disability, a physical or mental infirmity which impairs Executive's ability to substantially perform his duties with an Employer which continues for a period of at least 180 consecutive days.

(e) Purchase Agreement. For purposes of this Agreement, the terms "Closing" and "Purchase Agreement" shall have the meanings given to them in that certain Purchase and Sale Agreement, dated as of April 28, 2010, by and between E.ON US Investments Corp., PPL Corporation and E.ON AG (solely for purposes of Articles VI, IX and X thereof).

SECTION 9. Certain Additional Payments.

(a) Notwithstanding anything in this Agreement to the contrary, in the event that it is determined (as hereafter provided) that any payment or distribution by Employer to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (individually and collectively a "Payment"), would be subject to the excise tax imposed by Section 4999 (or any successor provision thereto) of the Internal Revenue Code of 1986, as amended (the "Code") by reason of being considered "contingent on a change in ownership or control" of the Company or Parent within the meaning of Section 280G of the Code (or any successor provision thereto), or to any similar tax imposed by state or local law, or any interest or penalties with respect to any such taxes (such taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment or payments (individually and collectively, a "Gross Up Payment"). The Gross-Up Payment with respect to any Payment shall be in an amount such that, after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Section 9(f), all determinations required to be made under this Section 9, including whether an Excise Tax is payable by Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid to the Executive and the amount of such Gross-Up Payment, if any, shall be made by a nationally recognized accounting firm (the "Accounting Firm") selected by Executive in his sole discretion. Executive shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both Employer and Executive within 30 calendar days after the date of Executive's termination of employment, if applicable, and any such other time or times as may be requested by Executive or Employer. If the Accounting Firm determines that any Excise Tax is payable by Executive, Employer shall pay or cause to be paid the required Gross-Up Payment in cash to Executive within five business days after receipt of such determination and calculations with respect to any Payment to Executive. If the Accounting Firm determines that no Excise Tax is payable by Executive, it shall, at the same time as it makes such determination, furnish Employer and Executive an opinion that Executive has substantial authority not to report any Excise Tax on his federal, state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) at the time of any determination by the Accounting Firm hereunder, it is possible that a Gross-Up Payment (or portion thereof) which will not have been made by Employer should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the event that Employer exhausts or fails to pursue its remedies pursuant to Section 9(f) and Executive thereafter is required to make a payment of any Excise Tax, Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both Employer and Executive as promptly as possible. Any such Underpayment shall be promptly paid by Employer in cash to, or for the benefit of, Executive within five business days after receipt of such determination and calculations.

(c) Employer and Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of Employer or Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 9(b). Any determination by the Accounting Firm as to the amount of the Gross-Up Payment will be binding on Employer and Executive.

(d) The federal, state, and local income or other tax returns filed by Executive will be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by Executive. Executive will make proper payment of the amount of any Excise Payment and, at the request of Employer, provide to Employer true and correct copies (with any amendments) of Executive's federal income tax return as filed with the Internal Revenue Service ("IRS") and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by Employer, evidencing such payment. If prior to the filing of Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, Executive will within five business days pay to Employer the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 9(b) shall be borne by Employer. If such fees and expenses are initially paid by Executive, Employer shall reimburse Executive the full amount of such fees and expenses within five business days after receipt from Executive of a statement therefor and reasonable evidence of his payment thereof.

(f) Executive shall notify Employer in writing of any claim by the IRS or any other taxing authority that, if successful, would require the payment by Employer of a Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than ten business days after Executive actually receives notice of such claim and Executive shall further apprise Employer of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by Executive). Executive shall not pay such claim prior to the earlier of (i) the expiration of the 30 calendar-day period following the date on which he gives such notice to Employer and (ii) the

date that any payment of amount with respect to such claim is due. If Employer notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

(i) provide Employer with any written records or documents in his possession relating to such claim reasonably requested by Employer;

(ii) take such action in connection with contesting such claim as Employer shall reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by Employer;

(iii) cooperate with Employer in good faith in order effectively to contest such claim; and

(iv) permit Employer to participate in any proceedings relating to such claim;

provided, however, that Employer shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 9(f), Employer shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 9(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that Executive may participate therein at his own cost and expense) and may, at its option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Employer shall determine; provided, however, that if Employer directs Executive to pay the tax claimed and sue for a refund, Employer shall advance the amount of such payment to Executive on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, Employer's control of any such contested claim shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the IRS or any other taxing authority.

(g) If, after the receipt by Executive of an amount advanced by Employer pursuant to Section 9(f), Executive receives any refund with respect to such claim, Executive shall (subject to Employer's complying with the requirements of Section 9(f)) promptly pay Employer the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by Executive of an amount advanced by Employer pursuant to Section 9(f), a determination is made that Executive shall not be entitled to any refund with respect to such claim and Employer does not notify Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by to Executive pursuant to this Section 9.

SECTION 10. Nonsolicitation and Confidential Information .

(a) Nonsolicitation . Executive hereby covenants and agrees that, at all times during the period of his employment and during the period of one year immediately following termination for any reason (unless such termination occurs after a Change in Control), Executive shall not, without the prior written consent of the Board:

(i) solicit or take any action to willfully and intentionally cause the solicitation of any person who as of that date is a client or customer of Parent or the Company or any of their subsidiaries (" Client ") to transact any business with a Competitive Enterprise (as hereinafter defined) or discontinue business, in whole or in part with Parent or the Company;

(ii) willfully or intentionally interfere with or damage any relationship between a Client and Parent or the Company; or

(iii) solicit any person employed at that time by Parent, the Company or any of their subsidiaries to apply for or accept employment with a Competitive Enterprise or otherwise encourage or entice such person to leave his position with Parent, the Company or any of their subsidiaries.

For purposes of this Agreement, the term " Competitive Enterprise " shall mean any business which is in competition with a business engaged in by Parent, the Company or any of its subsidiaries or affiliates in any state of the United States or in any foreign country in which any of them are engaged in business at the time of such termination of employment for as long as they carry on a business therein. Notwithstanding the foregoing, Executive shall not be prohibited from owning less than five percent of any publicly traded corporation. It is the intention of the parties hereto that the restrictions contained in this Section 10(a) be enforceable to the fullest extent permitted by applicable law. Therefore, to the extent any court of competent jurisdiction shall determine that any portion of the foregoing restrictions is excessive, such provision shall not be entirely void, but rather shall be limited or revised only to the extent necessary to make it enforceable. Specifically, if any court of competent jurisdiction should hold that any portion of the foregoing description is overly broad as to one or more states of the United States or one or more foreign jurisdictions, then that state or states or foreign jurisdiction or jurisdictions shall be eliminated from the territory to which the restrictions of clause (i) of this Section 10(a) applies and the restrictions shall remain applicable in all other states of the United States and foreign jurisdictions.

(b) Confidential Information. Executive agrees to keep secret and retain in the strictest confidence all confidential matters which relate to Parent, the Company, its subsidiaries and affiliates, including, without limitation, customer lists, client lists, trade secrets, pricing policies and other business affairs of Parent, the Company, its subsidiaries and affiliates learned by him from Parent, the Company or any such ıbsidiary or affiliate or otherwise before or after the Effective Date, and not to disclose any such confidential matter to anyone outside Parent, ıe Company or any of its subsidiaries or affiliates, whether during or after his period of service with the Company, except (i) as such disclosure may be required or appropriate in connection with his work as an employee of the Company or (ii) when required to do so by a court of law, by any governmental agency having supervisory authority over the business of Parent or the Company or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order him to divulge, disclose or make accessible such information. Executive agrees to give Parent and the Company advance written notice of any disclosure pursuant to clause (ii) of the preceding sentence and to cooperate with any efforts by Parent or the Company to limit the extent of such disclosure. Upon request by Parent or the Company, Executive agrees to deliver promptly to Parent or the Company upon termination of his services for the Company, or at any time thereafter as Parent or the Company may request, all Parent, Company, subsidiary or affiliate memoranda, notes, records, reports, manuals, drawings, designs, computer files in any media and other documents (and all copies thereof) relating to Parent or the Company's or any subsidiary's or affiliate's business and all property of Parent or the Company or any subsidiary or affiliate associated therewith, which he may then possess or have under his direct control, other than personal notes, diaries, rolodexes and correspondence.

(c) Remedy. Should Executive engage in or perform, either directly or indirectly, any of the acts prohibited by Section 10 (a) or (b) , it is agreed that Parent and the Company shall be entitled to full injunctive relief, to be issued by any competent court of equity, enjoining and restraining Executive and each and every other person, firm, organization, association, or corporation concerned therein, from the continuance of such violative acts. The foregoing remedy available to Parent and the Company shall not be deemed to limit or prevent the exercise by Parent or the Company of any or all further rights and remedies which may be available to Parent or the Company hereunder or at law or in equity.

SECTION 11. Notices. Any notice or communication given by either party hereto to the other shall be in writing and personally delivered or mailed by registered or certified mail, return receipt requested, postage prepaid, to the following addresses:

If to the Company:

E.ON U.S. LLC
220 West Main Street
Louisville, KY 40202-1377
Attention: General Counsel

If to Executive:

Victor A. Staffieri
220 West Main Street
Louisville, KY 40202

Any notice shall be deemed given when actually delivered to such address, or two days after such notice has been mailed or sent by Federal Express, whichever comes earliest. Any person entitled to receive notice may designate in writing, by notice to the other, such other address to which notices to such person shall thereafter be sent.

SECTION 12. Section 409A.

(a) In General. This Agreement is intended to meet the requirements of Section 409A(a) of the Code (" Section 409A "), with respect to amounts subject to Section 409A, and shall be interpreted and construed consistent with that intent and, furthermore, it is intended that, with respect to any right to a payment or benefit (or portion thereof) that does not otherwise provide for a deferral of compensation within the meaning of Section 409A, including, without limitation, as applicable, the Severance Payment and other payments and benefits under Section 7, the Agreement does not so provide. For purposes of this Agreement, all rights to payments and benefits hereunder shall be treated as rights to receive a series of separate payments or benefits to the fullest extent allowed under Section 409A.

(b) Reimbursements. Except as expressly provided otherwise herein, no reimbursement payable to Executive or his dependents or beneficiaries pursuant to any provisions of this Agreement or pursuant to any plan or arrangement of Employer shall be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred. No such expenses eligible for reimbursement, or in-kind benefits to be provided, during any calendar year shall affect the amounts eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, except, in each case, to the extent that the right to reimbursement does not provide for a "deferral of compensation" as defined in Section 409A. The right to reimbursement or in-kind benefits is not subject to liquidation or exchange for any other benefits.

(c) Six-Month Delay. Notwithstanding any provision of this Agreement to the contrary, if Executive is a "specified ·mployee" within the meaning of Section 409A, Executive shall not be entitled to any payments or benefits the right to which provides for a ferral of compensation within the meaning of Section 409A, and with respect to which the payment or provision is triggered by termination of employment (whether such payments or benefits are provided under this Agreement or under any other plan, program or arrangement of employer), including as a result of Disability, until the earlier of (i) the first business day occurring on or after the date that is six months following Executive's "separation from service" as defined in Section 409A for any reason other than death and (ii) Executive's date of death,

and such payments or benefits that, if not for the six-month delay described in this Section 12(c), would be due and payable prior to such date shall be made or provided on such date.

SECTION 13. Miscellaneous.

(a) Entire Agreement. This Agreement constitutes the entire agreement between the parties and their affiliates and related parties and supersedes all prior agreements, understandings and arrangements, oral or written, between such persons with respect to the subject matter of the Agreement, including, without limitation the Employment and Severance Agreement dated as of February 25, 2000, as amended, between Executive, LG&E Energy Corporation and Powergen, plc.

(b) Fees and Expenses. Employer shall pay legal fees and related expenses (including the cost of experts, evidence and counsel) incurred by Executive involving (a) Executive's termination of employment (including all such fees and expenses, if any, incurred in contesting or disputing any such termination of employment), or (b) Executive seeking to obtain or enforce any right or benefit provided by this Agreement.

(c) Successors; Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of Parent, the Company, their successors and assigns and, at the time of any such succession or assignment, Parent or the Company (as applicable) shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Parent or the Company would be required to perform it if no such succession or assignment had taken place. The terms "Parent" and "the Company" as used herein shall include such successors and assigns. The term "successors and assigns" as used herein shall mean a corporation or other entity acquiring ownership, directly or indirectly, of all or substantially all the assets and business of Company whether by operation of law or otherwise. Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by Executive, his beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal personal representative.

(d) Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by Employer and for which Executive may qualify, nor shall anything herein limit or reduce such rights as Executive may have under any other agreements with Parent or Employer, other than as provided for in Section 12 herein. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any plan or program shall be payable in accordance with such plan or program.

(e) Settlement of Claims. Employer's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which Employer may have against Executive or others.

(f) Amendment; Waiver. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. No additional compensation provided under any benefit or compensation plans to Executive shall be deemed to modify or otherwise affect the terms of this Agreement or any of Executive's entitlements hereunder.

(g) Headings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(h) Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

(i) Withholding Taxes. All payments hereunder shall be subject to any and all applicable federal, state, local and foreign withholding taxes.

(j) Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Kentucky, without reference to principles of conflicts of law.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

E.ON U.S. LLC

By: _____
Name:
Title:

_____
Victor A. Staffieri

Exhibit A

Automobile
Country Club
Financial Planning
Tax Preparation
Company Paid Reserved Parking
Executive Physical Examination
Supplemental Life Insurance - $2,000,000
Vacation - 5 weeks
Personal Use of Company Jet
E.ON US LLC Savings Plan
E.ON US LLC Nonqualified Savings Plan
E.ON US LLC Retirement Plan
E.ON US LLC Supplemental Executive Retirement Plan

Exhibit 12(a)

PPL CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	2010	2009	2008	2007	2006
Earnings, as defined:					
Income from Continuing Operations Before Income Taxes	$ 1,239	$ 538	$ 1,273	$ 1,230	$ 1,061
Less earnings of equity method investments				1	2
Distributed income from equity method investments	7	1		3	1
	1,246	539	1,273	1,232	1,060
Total fixed charges as below	698	513	568	609	559
Less:					
Capitalized interest	30	43	57	55	23
Preferred security distributions of subsidiaries on a pre-tax basis	21	24	27	23	24
Interest expense and fixed charges related to discontinued operations	12	15	16	39	38
Total fixed charges included in Income from Continuing Operations Before Income Taxes	635	431	468	492	474
Total earnings	$ 1,881	$ 970	$ 1,741	$ 1,724	$ 1,534
Fixed charges, as defined:					
Interest on long-term debt	$ 481	$ 397	$ 478	$ 522	$ 482
Interest on short-term debt and other interest	46	34	28	35	13
Amortization of debt discount, expense and premium - net	110	15	12	8	11
Estimated interest component of operating rentals	39	42	22	21	29
Preferred securities distributions of subsidiaries on a pre-tax basis	21	24	27	23	24
Fixed charges of majority-owned share of 50% or less-owned persons	1	1	1		
Total fixed charges (a)	$ 698	$ 513	$ 568	$ 609	$ 559
Ratio of earnings to fixed charges	2.7	1.9	3.1	2.8	2.7
Ratio of earnings to combined fixed charges and preferred stock dividends (b)	2.7	1.9	3.1	2.8	2.7

(a) Interest on unrecognized tax benefits is not included in fixed charges.

(b) PPL, the parent holding company, does not have any preferred stock outstanding; therefore, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

Exhibit 12(b)

PPL ENERGY SUPPLY, LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Millions of Dollars)

	2010	2009	2008	2007	2006
Earnings, as defined:					
Income from Continuing Operations Before Income Taxes	**$ 1,143**	$ 277	$ 1,000	$ 1,044	$ 803
Less earnings of equity method investments				1	3
Distributed income from equity method investments	**7**	1		3	1
	1,150	278	1,000	1,046	801
Total fixed charges as below	**426**	364	390	388	326
Less:					
Capitalized interest	**33**	44	57	54	21
Interest expense and fixed charges related to discontinued operations	**12**	15	12	34	32
Total fixed charges included in Income from Continuing Operations Before Income Taxes	**381**	305	321	300	273
Total earnings	**$ 1,531**	$ 583	$ 1,321	$ 1,346	$ 1,074
Fixed charges, as defined:					
Interest on long-term debt	**$ 330**	$ 284	$ 345	$ 353	$ 296
Interest on short-term debt and other interest	**37**	29	27	24	16
Amortization of debt discount, expense and premium - net	**20**	8	2	(3)	(1)
Estimated interest component of operating rentals	**38**	42	15	14	15
Fixed charges of majority-owned share of 50% or less-owned persons	**1**	1	1		
Total fixed charges (a)	**$ 426**	$ 364	$ 390	$ 388	$ 326
Ratio of earnings to fixed charges	**3.6**	1.6	3.4	3.5	3.3

(a) Interest on unrecognized tax benefits is not included in fixed charges.

Exhibit 12(c)

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	2010	2009	2008	2007	2006
Earnings, as defined:					
Income Before Income Taxes	**$ 192**	$ 221	$ 278	$ 246	$ 298
Total fixed charges as below	**102**	121	114	143	159
Total earnings	**$ 294**	$ 342	$ 392	$ 389	$ 457
Fixed charges, as defined:					
Interest on long-term debt	**$ 89**	$ 105	$ 94	$ 109	$ 131
Interest on short-term debt and other interest	**4**	9	13	23	13
Amortization of debt discount, expense and premium - net	**8**	6	6	7	8
Estimated interest component of operating rentals	**1**	1	1	4	7
Total fixed charges (a)	**$ 102**	$ 121	$ 114	$ 143	$ 159
Ratio of earnings to fixed charges	**2.9**	2.8	3.4	2.7	2.9
Preferred stock dividend requirements on a pre-tax basis	**$ 23**	$ 28	$ 28	$ 27	$ 24
Fixed charges, as above	**102**	121	114	143	159
Total fixed charges and preferred stock dividends	**$ 125**	$ 149	$ 142	$ 170	$ 183
Ratio of earnings to combined fixed charges and preferred stock dividends	**2.4**	2.3	2.8	2.3	2.5

(a) Interest on unrecognized tax benefits is not included in fixed charges.

PPL Corporation
Subsidiairies of the Registrant
t December 31, 2010

Company Name Business Conducted under Same Name	State or Jurisdiction of Incorporation/Formation
LG&E and KU Energy LLC	Kentucky
Louisville Gas and Electric Company	Kentucky
Kentucky Utilities Company	Kentucky and Virginia
PPL Electric Utilities Corporation	Pennsylvania
PPL Energy Funding Corporation	Pennsylvania
PPL Energy Supply, LLC	Delaware
PPL Investment Corporation	Delaware
CEP Reserves, Inc.	Delaware
PPL EnergyPlus, LLC	Pennsylvania
PPL Generation, LLC	Delaware
PPL Brunner Island, LLC	Delaware
PPL Martins Creek, LLC	Delaware
PPL Montour, LLC	Delaware
PPL Susquehanna, LLC	Delaware
'L Montana Holdings, LLC	Delaware
PPL Montana, LLC	Delaware
PPL Global, LLC	Delaware
PMDC International Holdings, Inc.	Delaware
PPL UK Holdings, LLC	Delaware
PPL UK Resources Limited	United Kingdom
Western Power Distribution Holdings Limited	United Kingdom

Exhibit 23(a)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in PPL Corporation's Registration Statement on Form S-3 No. 333-158200, the Registration Statement on Form S-3D No. 333-161826, and the Registration Statements on Form S-8 (Nos. 333-02003, 333-112453, 333-110372, 333-95967 and 333-144047) of our reports dated February 25, 2011, with respect to the consolidated financial statements and schedule of PPL Corporation and the effectiveness of internal control over financial reporting of PPL Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2010.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 25, 2011

Exhibit 23(b)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in PPL Energy Supply, LLC's Registration Statement on Form S-3 No. 333-158200-02 of our report dated February 25, 2011, with respect to the consolidated financial statements of PPL Energy Supply, LLC, included in this Annual Report (Form 10-K) for the year ended December 31, 2010.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 25, 2011

Exhibit 23(c)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in PPL Electric Utilities Corporation's Registration Statement on Form S-3 No. 333-158200-01 of our report dated February 25, 2011, with respect to the consolidated financial statements of PPL Electric Utilities Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2010.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 25, 2011

Exhibit 23(d)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Registration Statement on Form S-3 No. 333-158200, the Registration Statement on Form S-3D No 333-161826, and the Registration Statements on Form S-8 (Nos. 333-02003, 333-112453, 333-110372, 333-95967 and 333-144047) of PPL Corporation of our report dated February 25, 2011 relating to the financial statements of LG&E and KU Energy LLC for the period from November 1, 2010 to December 31, 2010, which appears in PPL Corporation's Annual Report on Form 10-K for the year ended December 31, 2010.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Louisville, Kentucky
February 25, 2011

Exhibit 24

PPL CORPORATION

2010 ANNUAL REPORT
TO THE SECURITIES AND EXCHANGE COMMISSION
ON FORM 10-K

POWER OF ATTORNEY

The undersigned directors of PPL Corporation, a Pennsylvania corporation, that is to file with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, its Annual Report on Form 10-K for the year ended December 31, 2010 ("Form 10-K Report"), do hereby appoint each of James H. Miller, Paul A. Farr, Robert J. Grey and Michael A. McGrail, and each of them, their true and lawful attorney, with power to act without the other and with full power of substitution and resubstitution, to execute for them and in their names the Form 10-K Report and any and all amendments thereto, whether said amendments add to, delete from or otherwise alter the Form 10-K Report, or add or withdraw any exhibits or schedules to be filed therewith and any and all instruments in connection therewith. The undersigned hereby grant to each said attorney full power and authority to do and perform in the name of and on behalf of the undersigned, and in any and all capacities, any act and thing whatsoever required or necessary to be done in and about the premises, as fully and to all intents and purposes as the undersigned might do, hereby ratifying and approving the acts of each of the said attorneys.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 21st day of February, 2011.

/s/ Frederick M. Bernthal
Frederick M. Bernthal

/s/ John W. Conway
John W. Conway

/s/ E. Allen Deaver
E. Allen Deaver

/s/ Steven G. Elliott
Steven G. Elliott

/s/ Louise K. Goeser
Louise K. Goeser

/s/ Stuart E. Graham
Stuart E. Graham

/s/ Stuart Heydt
Stuart Heydt

/s/ James H. Miller
James H. Miller

/s/ Craig A. Rogerson
Craig A. Rogerson

/s/ Natica von Althann
Natica von Althann

/s/ Keith H. Williamson
Keith H. Williamson

Exhibit 31(a)

CERTIFICATION

I, JAMES H. MILLER, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Corporation (the "registrant") for the year ended December 31, 2010;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2011

/s/ James H. Miller
James H. Miller
Chairman, President and Chief Executive Officer
PPL Corporation

Exhibit 31(b)

CERTIFICATION

I, PAUL A. FARR, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Corporation (the "registrant") for the year ended December 31, 2010;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2011

/s/ Paul A. Farr
Paul A. Farr
Executive Vice President and Chief Financial Officer
PPL Corporation

Exhibit 31(c)

CERTIFICATION

I, JAMES H. MILLER, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Energy Supply, LLC (the "registrant") for the year ended December 31, 2010;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2011

/s/ James H. Miller
James H. Miller
President
PPL Energy Supply, LLC

Exhibit 31(d)

CERTIFICATION

I, PAUL A. FARR, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Energy Supply, LLC (the "registrant") for the year ended December 31, 2010;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2011

/s/ Paul A. Farr
Paul A. Farr
Executive Vice President
PPL Energy Supply, LLC

Exhibit 31(e)

CERTIFICATION

I, DAVID G. DECAMPLI, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Electric Utilities Corporation (the "registrant") for the year ended December 31, 2010;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2011

/s/ David G. DeCampli
David G. DeCampli
President
PPL Electric Utilities Corporation

Exhibit 31(f)

CERTIFICATION

VINCENT SORGI, certify that:

1. I have reviewed this annual report on Form 10-K of PPL Electric Utilities Corporation (the "registrant") for the year ended December 31, 2010;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2011

/s/ Vincent Sorgi
Vincent Sorgi
Vice President and Controller
PPL Electric Utilities Corporation

Exhibit 32(a)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S 10-K FOR THE YEAR ENDED DECEMBER 31, 2010

In connection with the annual report on Form 10-K of PPL Corporation (the "Company") for the year ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), I, the principal executive officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25,.2011

/s/ James H. Miller
James H. Miller
Chairman, President and Chief Executive Officer
PPL Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(b)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S 10-K FOR THE YEAR ENDED DECEMBER 31, 2010

In connection with the annual report on Form 10-K of PPL Corporation (the "Company") for the year ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), I, the principal financial officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2011

/s/ Paul A. Farr
Paul A. Farr
Executive Vice President and Chief Financial Officer
PPL Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(c)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ENERGY SUPPLY, LLC'S 10-K FOR THE YEAR ENDED DECEMBER 31, 2010

In connection with the annual report on Form 10-K of PPL Energy Supply, LLC (the "Company") for the year ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), I, the principal executive officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2011

/s/ James H. Miller
James H. Miller
President
PPL Energy Supply, LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(d)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ENERGY SUPPLY, LLC'S 10-K FOR THE YEAR ENDED DECEMBER 31, 2010

In connection with the annual report on Form 10-K of PPL Energy Supply, LLC (the "Company") for the year ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), I, the principal financial officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2011

/s/ Paul A. Farr
Paul A. Farr
Executive Vice President
PPL Energy Supply, LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(e)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S 10-K FOR THE YEAR ENDED DECEMBER 31, 2010

In connection with the annual report on Form 10-K of PPL Electric Utilities Corporation (the "Company") for the year ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), I, the principal executive officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2011

/s/ David G. DeCampli
David G. DeCampli
President
PPL Electric Utilities Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(f)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S 10-K FOR THE YEAR ENDED DECEMBER 31, 2010

In connection with the annual report on Form 10-K of PPL Electric Utilities Corporation (the "Company") for the year ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), I, the principal financial officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2011

/s/ Vincent Sorgi
Vincent Sorgi
Vice President and Controller
PPL Electric Utilities Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Examples of Wholesale Energy, Fuel and Emission Allowance Price Fluctuations 2006 through 2010

Wholesale Energy:

PJM West Hub* Power Price - $/MWh

Year	High	Month	Low	Month
2006	$ 769.90	August	$ (17.11)**	May
2007	$ 571.60	August	$ (12.67)**	May
2008	$ 475.58	June	$ (43.19)**	September
2009	$ 246.61	February	$ (12.48)**	September
2010	$ 362.90	December	$ (26.25)**	May

* A common trading hub for PJM.

** Occurs during times of low demand for electricity when generation levels of generating units are reduced to their normal minimums.

Mid-C* Power Price - $/MWh

Year	High	Month	Low	Month
2006	$ 189.87	July	$ (2.00)**	May
2007	$ 197.79	July	$ 0.86	March
2008	$ 101.29	April	$ (7.50)**	June
2009	$ 111.53	December	$ 0.28	June
2010	$ 53.41	November	$ (2.00)**	June

* A common trading hub for Northwestern U.S.

** Occurs when generation levels from hydroelectric units exceed demand due to excess water runoff.

Fuel:

NYMEX Coal (1% sulfur content, 12,000 Btu) Price - $/ton

Year	High	Month	Low	Month
2006	$ 57.75	February	$ 37.50	November
2007	$ 56.80	November	$ 38.75	January
2008	$ 143.25	July	$ 56.17	January
2009	$ 68.25	January	$ 42.25	April
2010	$ 79.98	December	$ 49.38	February

NYMEX Natural Gas Price - $/million Btu

Year	High	Month	Low	Month
2006	$ 10.63	January	$ 4.20	September
2007	$ 9.90	May	$ 5.20	September
2008	$ 13.69	August	$ 5.28	December
2009	$ 6.24	February	$ 2.41	October
2010	$ 6.11	February	$ 3.21	November

Residual Oil (1% sulfur content) Price @ NY Harbor - $/barrel

Year	High	Month	Low	Month
2006	$ 54.25	April	$ 35.00	October
2007	$ 72.52	December	$ 37.23	January
2008	$ 119.70	July	$ 28.40	December
2009	$ 44.95	December	$ 33.70	March
2010	$ 79.85	May	$ 62.75	May

Sulfur Dioxide Emission Allowances:

SO2 Emission Allowance Price - $/allowance

Year	High	Month	Low	Month
2006	$ 1,598	January	$ 445	November
2007	$ 715	June	$ 405	January
2008	$ 535	January	$ 88	July
2009	$ 215	January	$ 56	April
2010	$ 80	February	$ 5	July, November