



a PPL company

Dr. Talina R. Mathews
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

August 30, 2016

RECEIVED

AUG 30 2016

PUBLIC SERVICE
COMMISSION

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.lge-ku.com

Rick E. Lovekamp
Manager - Regulatory
Affairs/Tariffs
T 502-627-3780
F 502-627-3213
rick.lovekamp@lge-ku.com

Re: *Application of Kentucky Utilities Company for an Order Authorizing the Restructure and Refinancing of Unsecured Debt and the Assumption of Obligations and for Amendment of Existing Authority - Case No. 2010-00206*

Dear Dr. Mathews:

Pursuant to Ordering Paragraph No. 9 of the Kentucky Public Service Commission's Order, dated September 30, 2010, in the aforementioned case, attached is a Form 8-K filed with the Securities and Exchange Commission ("SEC") on August 26, 2016.

Please confirm your receipt of this filing by placing the File Stamp of your Office with date received on the extra copy and returning it to me in the enclosed envelope. Should you have any questions regarding the information filed herewith, please call me or Don Harris at (502) 627-2021.

Sincerely,

A handwritten signature in blue ink that reads "Rick E. Lovekamp". The signature is fluid and cursive.

Rick E. Lovekamp

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 25, 2016

<u>Commission File Number</u>	<u>Registrant; State of Incorporation; Address and Telephone Number</u>	<u>IRS Employer Identification No.</u>
1-11459	PPL Corporation (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
333-173665	LG&E and KU Energy LLC (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-3464	Kentucky Utilities Company (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 – Financial Information

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

and

Section 8 - Other Events

Item 8.01 Other Events

On August 25, 2016, the County of Carroll, Kentucky (the "Issuer") issued \$96,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds, 2016 Series A (Kentucky Utilities Company Project) (the "Issuer Bonds") on behalf of Kentucky Utilities Company ("KU"). The proceeds of the Issuer Bonds are being used to pay and discharge all of the \$96,000,000 outstanding principal amount of the Pollution Control Revenue Bonds, 2002 Series C (Kentucky Utilities Company Project) previously issued by the Issuer on behalf of KU to refinance certain pollution control facilities (the "Project") owned by KU. The Issuer Bonds mature on September 1, 2042, but are subject to mandatory purchase on September 1, 2019 (the "Mandatory Purchase Date") at a purchase price equal to the principal amount thereof plus accrued and unpaid interest.

The Issuer Bonds were issued under an Indenture of Trust, dated as of August 1, 2016 (the "Indenture"), by and between the Issuer and U.S. Bank National Association, as trustee (the "Issuer Bond Trustee"). The Issuer has loaned the proceeds of the Issuer Bonds to KU pursuant to a Loan Agreement dated as of August 1, 2016 between KU and the Issuer (the "Loan Agreement"). Pursuant to the Loan Agreement, KU is obligated to make payments in such amounts and at such times as will be sufficient to pay, when due, the principal or redemption price and interest on the Issuer Bonds.

To secure its obligations to make payments with respect to the Issuer Bonds, KU has delivered to the Issuer Bond Trustee its First Mortgage Bonds, Collateral Series 2016CCA (the "Company Mortgage Bonds"), in each case, issued pursuant to KU's Indenture, dated as of October 1, 2010, to The Bank of New York Mellon, as trustee, as supplemented by Supplemental Indenture No. 5 ("Supplemental Indenture No. 5") dated as of August 1, 2016 (the "2010 Indenture"). The principal amount, maturity date and interest rate provisions on the Company Mortgage Bonds correspond to the principal amount and maturity date of, and the interest rates on, the Issuer Bonds. So long as KU makes the required payments under the Loan Agreement, it will not be obligated to make additional payments on the Company Mortgage Bonds.

The Issuer Bonds initially were issued bearing interest at a term rate of 1.05% through their Mandatory Purchase Date. The method of determining the interest rate on the Issuer Bonds may be converted from time to time after the Mandatory Purchase Date in accordance with the Indenture to a daily rate, a weekly rate, a semi-annual rate, an annual rate, a long term rate, rates based on a London Interbank Offered (LIBOR) rate, a term rate based on the Securities Industry and Financial Markets Association Municipal Swap Index or an agreed flexible rate determined by a remarketing agent based on prevailing market conditions.

Except as described below, the Issuer Bonds are not subject to optional redemption by the Issuer prior to the Mandatory Purchase Date. The Issuer Bonds are subject to extraordinary optional redemption at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by KU of an option under the Loan Agreement to prepay the loan upon the occurrence of certain events, including specified damage to or destruction of the Project, condemnation of the Project, certain changes in law rendering the Loan Agreement void or unenforceable or an order requiring cessation of a substantial part of KU's operations at the generating station served by the Project that would prevent KU from carrying on its normal operations at such station for a period of six months. The Issuer Bonds are also subject to mandatory redemption upon a determination that the interest on the Issuer Bonds would be

included in the gross income of the owners thereof for federal income tax purposes. Any such mandatory redemption would be at a redemption price of 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date.

The Loan Agreement, Supplemental Indenture No. 5 and the Officer's Certificate under the 2010 Indenture relating to the Company Mortgage Bonds are filed with this report as Exhibits 4(a), 4(b) and 4(c), respectively.

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
4(a)	Loan Agreement dated as of August 1, 2016 between Kentucky Utilities Company and the County of Carroll, Kentucky
4(b)	Supplemental Indenture No. 5, dated as of August 1, 2016, of Kentucky Utilities Company to The Bank of New York Mellon, as Trustee
4(c)	Officer's Certificate, dated August 25, 2016, pursuant to Section 201 and Section 301 of the Indenture, dated as of October 1, 2010, of Kentucky Utilities Company to The Bank of New York Mellon

SIGNATURES

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

PPL CORPORATION

By: /s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and Controller

LG&E AND KU ENERGY LLC

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

KENTUCKY UTILITIES COMPANY

By: /s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer

Dated: August 26, 2016

COUNTY OF CARROLL, KENTUCKY

And

KENTUCKY UTILITIES COMPANY

A Kentucky and Virginia Corporation

* * * * *

LOAN AGREEMENT

* * * * *

Dated as August 1, 2016

* * * * *

NOTICE: The interest of the County of Carroll, Kentucky, in and to this Loan Agreement has been assigned to U.S. Bank National Association, as Trustee, under the Indenture of Trust dated as of August 1, 2016

TABLE OF CONTENTS

ARTICLE I DEFINITIONS		3
SECTION 1.1.	DEFINITIONS	3
ARTICLE II REPRESENTATIONS, WARRANTIES AND COVENANTS		3
SECTION 2.1.	REPRESENTATIONS, WARRANTIES, AND COVENANTS BY THE ISSUER	3
SECTION 2.2.	REPRESENTATIONS, WARRANTIES, AND COVENANTS BY THE COMPANY	4
ARTICLE III COMPLETION AND OWNERSHIP OF THE PROJECT		8
SECTION 3.1.	COMPLETION AND EQUIPPING OF THE PROJECT	8
SECTION 3.2.	AGREEMENT AS TO OWNERSHIP OF THE PROJECT	8
SECTION 3.3.	USE OF THE PROJECT	8
SECTION 3.4.	FINANCING OF ADDITIONAL FACILITIES	8
ARTICLE IV ISSUANCE OF 2016 SERIES A BONDS; APPLICATION OF PROCEEDS		9
SECTION 4.1.	AGREEMENT TO ISSUE 2016 SERIES A BONDS; APPLICATION OF 2016 SERIES A BOND PROCEEDS	9
SECTION 4.2.	PAYMENT AND DISCHARGE OF REFUNDED 2002 SERIES C BONDS	9
SECTION 4.3.	INVESTMENT OF THE BOND FUND AND THE REBATE FUND MONEYS	9
SECTION 4.4.	SPECIAL ARBITRAGE CERTIFICATIONS	10
SECTION 4.5.	OPINION OF BOND COUNSEL	11
SECTION 4.6.	FIRST MORTGAGE BONDS	11
ARTICLE V PROVISIONS FOR PAYMENT		12
SECTION 5.1.	LOAN PAYMENTS AND OTHER AMOUNTS PAYABLE	12
SECTION 5.2.	PAYMENTS ASSIGNED	13
SECTION 5.3.	TAXES AND OTHER GOVERNMENTAL CHARGES	13
SECTION 5.4.	OBLIGATIONS OF THE COMPANY UNCONDITIONAL	14
SECTION 5.5.	REBATE FUND	15
SECTION 5.6.	REDEMPTION OF THE 2016 SERIES A BONDS IN ADVANCE OF SCHEDULED MATURITY	15
SECTION 5.7.	CANCELLATION OF 2016 SERIES A BONDS	15
ARTICLE VI MAINTENANCE; DAMAGE, DESTRUCTION, AND CONDEMNATION; USE OF NET PROCEEDS; INSURANCE		15
SECTION 6.1.	MAINTENANCE	15
SECTION 6.2.	INSURANCE	16
ARTICLE VII SPECIAL COVENANTS		16
SECTION 7.1.	NO WARRANTY OF CONDITION OR SUITABILITY BY THE ISSUER	16
SECTION 7.2.	THE COMPANY TO MAINTAIN ITS CORPORATE EXISTENCE; CONDITIONS UNDER WHICH EXCEPTIONS PERMITTED	16
SECTION 7.3.	FINANCIAL STATEMENTS	16
SECTION 7.4.	FURTHER ASSURANCES AND CORRECTIVE INSTRUMENTS	17
SECTION 7.5.	THE ISSUER REPRESENTATIVE	17

SECTION 7.6.	COMPANY REPRESENTATIVE	17
SECTION 7.7.	FINANCING STATEMENTS	17
SECTION 7.8.	THE COMPANY'S PERFORMANCE UNDER INDENTURE	18
ARTICLE VIII ASSIGNMENT; INDEMNIFICATION; REDEMPTION		18
SECTION 8.1.	ASSIGNMENT	18
SECTION 8.2.	RELEASE AND INDEMNIFICATION COVENANTS	18
SECTION 8.3.	ASSIGNMENT OF INTEREST IN AGREEMENT BY THE ISSUER	18
SECTION 8.4.	REDEMPTION OF 2016 SERIES A BONDS	19
SECTION 8.5.	REFERENCE TO 2016 SERIES A BONDS INEFFECTIVE AFTER 2016 SERIES A BONDS PAID	19
ARTICLE IX EVENTS OF DEFAULT AND REMEDIES		19
SECTION 9.1.	EVENTS OF DEFAULT DEFINED	19
SECTION 9.2.	REMEDIES ON DEFAULT	21
SECTION 9.3.	NO REMEDY EXCLUSIVE	21
SECTION 9.4.	AGREEMENT TO PAY REASONABLE ATTORNEYS' FEES AND EXPENSES	22
SECTION 9.5.	WAIVER OF EVENTS OF DEFAULT	22
ARTICLE X PREPAYMENT OF LOAN		22
SECTION 10.1.	OPTIONS TO PREPAY LOAN	22
SECTION 10.2.	ADDITIONAL OPTION TO PREPAY LOAN	24
SECTION 10.3.	OBLIGATIONS TO PREPAY LOAN	24
SECTION 10.4.	NOTICE OF PREPAYMENT; REDEMPTION PROCEDURES	26
SECTION 10.5.	RELATIVE POSITION OF THIS ARTICLE AND INDENTURE	26
SECTION 10.6.	CONCURRENT DISCHARGE OF FIRST MORTGAGE BONDS	26
ARTICLE XI MISCELLANEOUS		26
SECTION 11.1.	TERM OF AGREEMENT	26
SECTION 11.2.	NOTICES	27
SECTION 11.3.	BINDING EFFECT; BOND COUNSEL OPINIONS	29
SECTION 11.4.	SEVERABILITY	29
SECTION 11.5.	AMOUNTS REMAINING IN BOND FUND AND REBATE FUND	29
SECTION 11.6.	AMENDMENTS, CHANGES AND MODIFICATIONS	29
SECTION 11.7.	EXECUTION IN COUNTERPARTS	29
SECTION 11.8.	APPLICABLE LAW	29
SECTION 11.9.	INTERPRETATION	29
SECTION 11.10.	NO PECUNIARY LIABILITY OF THE ISSUER	30
SECTION 11.11.	PAYMENTS DUE ON OTHER THAN BUSINESS DAYS	30
EXHIBIT A - DESCRIPTION OF THE PROJECT		

LOAN AGREEMENT

This **LOAN AGREEMENT** (this “**Agreement**”), dated as of August 1, 2016, by and between the **COUNTY OF CARROLL, KENTUCKY** (the “**Issuer**”), 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 (the “**Company**”);

PREAMBLE

WHEREAS, all capitalized terms not otherwise defined in this preamble shall have the meanings set forth in **ARTICLE I** hereof, unless the context or use clearly indicates another meaning or intent; and

WHEREAS, pursuant to the Act, the Issuer has the power to enter into the transactions contemplated by this 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 of “pollution control facilities,” as defined by the Act; and

WHEREAS, the Issuer is further authorized pursuant to the Act to enter into a loan agreement, which may include such provisions as the Issuer shall deem appropriate to effect the securing of a financing or refinancing undertaken in respect of Pollution Control Facilities, including the securing of a letter of credit, other credit facilities, or collateral; and

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

WHEREAS, the Issuer previously issued the Refunded 2002 Series C Bonds for the purpose of financing and refinancing the costs of the Project constituting certain Pollution Control Facilities located within Carroll County, Kentucky at the Company’s Ghent Generating Station consisting of air and water pollution control facilities and solid waste disposal facilities. The Issuer entered into the 2002 Series C Indenture with U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas), as Trustee, Paying Agent, and Bond Registrar thereunder and it is provided in **ARTICLE VIII** of the 2002 Series C Indenture that the Refunded 2002 Series C Bonds, or any of them, shall be deemed to have been paid within the meaning of such 2002 Series C Indenture when there shall have been irrevocably deposited with the Prior Trustee, either cash or Governmental Obligations, as defined in the 2002 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 2002 Series C Bonds plus interest thereon to the date of payment and discharge thereof (whether at maturity, 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 2002 Series C Bonds; and

WHEREAS, the Company has heretofore, by the issuance of the Refunded 2002 Series C Bonds, financed or refinanced all or a portion of the qualified costs of the 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 Ghent Generating Station of Company, which facilities constitute the Project, as defined in the Indenture and as described in **Exhibit A** hereto, which Project is located within the corporate boundaries of the Issuer and 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 Department for Environmental Protection of the Energy and Environmental 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 in whole or in part 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, in connection with the issuance of the Refunded 2002 Series C Bonds, the right was reserved to the Issuer, upon direction by the Company, to redeem the Refunded 2002 Series C Bonds in advance of their maturity; and the Refunded 2002 Series C Bonds are by their terms currently subject to redemption at the option of the Issuer in whole or in part at certain specified dates, at the price of 100% of the principal amount thereof and accrued interest, if any, to the redemption date, as provided in the 2002 Series C Indenture; and the immediate redemption and discharge of the Refunded 2002 Series C 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 2016 Series A Bonds, and the application of the proceeds of the 2016 Series A Bonds, together with funds to be provided by the Company, for, among other things, the refunding, payment, and discharge of the Refunded 2002 Series C Bonds on or before the 90th day from the Issuance Date of the 2016 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 the Issuer on May 24, 2016, and in furtherance of the purposes of the Act, Issuer proposes to issue, sell, and deliver its 2016 Series A Bonds, the proceeds of which will be lent to the Company to cause the outstanding principal amount of the Refunded 2002 Series C Bonds to be refunded, paid, and discharged in full on or before the 90th day from the Issuance Date; and

WHEREAS, the 2016 Series A Bonds are to be issued under and pursuant to and are to be secured by the Indenture of Trust dated as of August 1, 2016 by and between the Issuer and U.S. Bank National Association, as trustee (the "**Trustee**");

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. Definitions. The terms used in this Loan Agreement, except as otherwise defined herein and unless the context requires otherwise, have the meanings set forth in the Indenture. All accounting terms not otherwise defined in the Indenture or herein have the meanings assigned to them in accordance with generally accepted accounting principles then in effect.

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 de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, the Issuer has the power and duty to issue the 2016 Series A Bonds, to enter into this Agreement, the Indenture, and the transactions contemplated hereby, and to carry out its obligations hereunder and thereunder. 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 2016 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 2016 Series A Bonds and to execute and deliver this Agreement and the Indenture. The 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) The Issuer agrees to loan funds derived from the sale of the 2016 Series A Bonds to the Company to provide for the refunding, payment, and discharge of the outstanding principal amount of the Refunded 2002 Series C Bonds and to the end that air and water pollution be abated and controlled and solid wastes be disposed of at the Project Site.

(c) To accomplish the foregoing, the Issuer agrees to issue \$96,000,000 aggregate principal amount of its 2016 Series A Bonds following the execution of this Agreement on the terms and conditions set forth in the Indenture. The proceeds from the sale of the 2016 Series A Bonds shall be allocated and applied exclusively and in whole to refund, pay, and discharge the outstanding principal amount of the Refunded 2002 Series C Bonds on or before the 90th day from the Issuance Date.

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

(e) The Project Site is located within the Issuer's jurisdictional boundaries.

Section 2.2. Representations, Warranties, And Covenants By The Company. The Company represents, warrants, and covenants that:

(a) The Company (1) is a corporation duly incorporated, validly existing, and in good standing under the laws of the Commonwealths of Kentucky and Virginia; (2) 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 (3) is not in violation of any provision of its Articles of Incorporation, its Bylaws, or any laws of the Commonwealths of Kentucky and Virginia relevant to the transactions contemplated hereby or in connection with the issuance of the 2016 Series A Bonds.

(b) The Company has full and complete legal power and authority to execute and deliver this Agreement, the First Mortgage Indenture Supplement, 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 First Mortgage Indenture Supplement, and the First Mortgage Bonds.

(c) The Project currently refinanced by application of the proceeds of the Refunded 2002 Series C Bonds and Company funds was 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 has been designed solely for the purposes of controlling 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.

(d) All of the proceeds of the 2016 Series A Bonds, exclusive of accrued interest, if any, shall be used on or before the 90th day from the Issuance Date exclusively and only to redeem, pay, and discharge the principal of the Refunded 2002 Series C Bonds, not less than substantially all of the net proceeds of the Refunded 2002 Series C Bonds (i.e., at least 90% of the net proceeds thereof, including investment income thereon) were used to refinance the Cost of Construction of air and water pollution control facilities and solid waste disposal facilities originally financed using the proceeds of the Refunded 1980 Series A Bonds and the Refunded 1982 Series A Bonds and subsequently refinanced using the proceeds of the Refunded 1992 Series A Bonds and the Refunded 2002 Series C Bonds, 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 Code Section 167. The Company will provide any additional moneys required to pay and discharge the Refunded 2002 Series C Bonds within 90 days following the Issuance Date.

(e) The Project is of the type authorized and permitted by the Act, and the Cost of Construction of the Project was not less than \$96,000,000. All statements of fact contained herein respecting the Ghent Generating Station, including the Project, which is an integral component of the Ghent Generating Station, the Issuer's authorization of the Project, including the Project's construction, Ghent Generating Station expenditures, including Project expenditures, and construction and acquisition contracts and related matters are true and correct in all respects and are incorporated herein.

(f) 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 First Mortgage Indenture Supplement, the First Mortgage Bonds, or the transactions contemplated hereby or thereby. Neither the execution and delivery of this Agreement, the First Mortgage Indenture Supplement, the First Mortgage Bonds, the consummation of the transactions contemplated hereby or thereby 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 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.

(g) The 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 thereto until all of the 2016 Series A Bonds are paid and discharged.

(h) No portion of the proceeds of 2016 Series A Bonds will be invested at a yield in excess of the yield on the 2016 Series A Bonds except: (1) during any permitted temporary period provided by the Code; (2) proceeds of a reasonably required reserve or replacement fund; and (3) as part of a minor portion of the proceeds of the 2016 Series A Bonds, not in excess of the lesser of 5% of the proceeds of the 2016 Series A Bonds or \$100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Code Section 148.

(i) No portion of the proceeds from the sale of the 2016 Series A Bonds will be deposited to the account of any reasonably required reserve or replacement fund or used to pay any costs of issuance of the 2016 Series A Bonds or any redemption premium or accrued interest on the Refunded 2002 Series C Bonds, but such proceeds will be applied and used solely and exclusively to refund, pay, and discharge the outstanding principal amount of the Refunded 2002 Series C Bonds on or before the 90th day after the Issuance Date.

(j) The Company will provide any additional moneys, including investment proceeds of the 2016 Series A Bonds, required for the payment and discharge of the Refunded 2002 Series C 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 2016 Series A Bonds. Any investment proceeds of the 2016 Series A Bonds allocated to the Project shall be used exclusively to pay interest or redemption premium due, if any, on the Refunded 2002 Series C Bonds on the Redemption Date.

(k) The Company will cause no investment of 2016 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 2016 Series A Bonds or any funds reasonably expected to be used to pay the 2016 Series A Bonds which will cause the 2016 Series A Bonds or any of them to be "arbitrage bonds" within the meaning of Code Section 148 or would otherwise result in the loss or impairment of the exclusion of the interest on such 2016 Series A Bonds from gross income for federal income tax purposes.

(l) The average maturity of the 2016 Series A Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the Issuance Date) of the Project refinanced by the proceeds of the 2016 Series A Bonds.

(m) The 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 to be filed by the Issuer with respect to the 2016 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.

(n) Within the meaning of Code Section 149, no portion of the payment of the principal or interest on the 2016 Series A Bonds or the Refunded 2002 Series C Bonds was or shall be guaranteed directly or indirectly by the United States or any agency or instrumentality thereof.

(o) All of the proceeds of the Refunded 1980 Series A Bonds, the Refunded 1982 Series A Bonds, the Refunded 1992 Series A Bonds, and the Refunded 2002 Series C Bonds have been fully expended and the Project has been completed. All of the actual Costs of Construction of the Project represent amounts paid or incurred which were properly chargeable to the capital account of the Project or would have been 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 Refunded 1980 Series A Bonds and the Refunded 1982 Series A Bonds (including investment income therefrom), were used to finance and refinance Costs of Construction of the Project as described above, pay costs and expenses of issuing the Refunded 1980 Series A Bonds, within then applicable Code limits, and pay interest and carrying charges on the Refunded 1980 Series A Bonds during the period of construction of the Project and before the date the Project was placed in service.

(p) All of the depreciable properties which were taken into account in determining the qualifying costs of the Project constitute properties either: (1) used for the control, containment, reduction, and abatement of atmospheric pollution and contamination and water pollution and solid waste disposal; or (2) facilities which are functionally related and subordinate to the 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 the facilities constituting the Project.

(q) The Company will cause the Issuer to comply in all respects with the requirements of Code Section 148 in respect of the rebate of Excess Earnings with respect to the 2016 Series A Bonds to the United States of America.

(r) None of the proceeds of the 2016 Series A Bonds will be applied and none of the proceeds of the Refunded 1980 Series A Bonds, the Refunded 1982 Series A Bonds, the Refunded 1992 Series A Bonds, and the Refunded 2002 Series C Bonds were applied to provide any: (1) working capital; (2) office space (other than office space located on the premises of the Project where not more than a de minimus amount of the functions to be performed are not directly related to the day-to-day operations of the Project); (3) airplane; (4) skybox or other private luxury box; (5) health club facility; (6) facility primarily used for gambling; or (7) store, the principal business of which is the sale of alcoholic beverages for consumption off premises.

(s) Less than twenty-five percent (25%) of the net proceeds of the 2016 Series A Bonds will be applied and less than twenty-five percent (25%) of the net proceeds of the Refunded 1980 Series A Bonds, the Refunded 1982 Series A Bonds, the Refunded 1992 Series A Bonds, and the Refunded 2002 Series C Bonds were applied 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 2016 Series A Bonds will be used and no portion of the proceeds of the Refunded 1980 Series A Bonds, the Refunded 1982 Series A Bonds, the Refunded 1992 Series A Bonds, and the Refunded 2002 Series C Bonds were 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.

(t) Upon the Issuance Date, the Company will have caused the Issuer to comply with the public approval requirements of Code Section 147; and at or following the issuance of the 2016 Series A Bonds, the Company will cause the Issuer to comply with the information reporting requirements of Code Section 149 by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

(u) All of the documents, instruments, and written information furnished by the Company on behalf of the Company to the Issuer or the Trustee in connection with the issuance of the 2016 Series A 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.

(v) The proceeds derived from the sale of the 2016 Series A Bonds will be used exclusively and solely to refund the outstanding principal amount of the Refunded 2002 Series C Bonds. The principal amount of the 2016 Series A Bonds does not exceed the outstanding principal amount of the Refunded 2002 Series C Bonds. The redemption of the outstanding principal amount of the Refunded 2002 Series C Bonds with proceeds of the 2016 Series A Bonds will occur not later than 90 days after the Issuance Date. Any earnings derived from the investment of proceeds of the 2016 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 2002 Series C Bonds on such date, but no such earnings and no such payments are expected.

(w) It is not anticipated, as of the date hereof, that there will be created any "replacement proceeds", within the meaning of Treasury Regulation Section 1.148-1(c) with respect to the 2016 Series A Bonds; however, if any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Code Section 148.

(x) 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 2016 Series A Bonds from gross income for federal income tax purposes.

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

The Company need not comply with the covenants or representations in this Section 2.2 if and to the extent that the Issuer and the Company receive a Favorable Opinion of Bond Counsel regarding such noncompliance.

ARTICLE III COMPLETION AND OWNERSHIP OF THE PROJECT

Section 3.1. Completion And Equipping Of The Project. The Company represents that it has previously caused components of the Project to be financed, constructed, in whole or in part, and placed in service, as applicable, as herein provided on the Project Site as previously evidenced by the filing of a completion certificate by the Company with Citizens Fidelity Bank and Trust Company (now known as The Bank of New York Mellon Trust Company, N.A.), as Trustee for the Refunded 1980 Series A Bonds and the Refunded 1982 Series A Bonds.

Section 3.2. Agreement As To Ownership Of The 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. 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 a Favorable Opinion of Bond Counsel regarding such sale or disposition and provided further that upon 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 The Project. The 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 the Company's ownership of the Project or to prevent the Company from having possession, custody, use, and enjoyment of the Project.

Section 3.4. Financing Of Additional Facilities. The Company and the Issuer hereby recognize that additional air or water pollution control facilities or solid waste disposal facilities at the Project Site (other than the air and water pollution control facilities and solid waste disposal facilities that 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 the Issuer's revenue bonds issued in addition to the 2016 Series A Bonds issued pursuant to the Indenture, to the extent permitted by law.

ARTICLE IV ISSUANCE OF 2016 SERIES A BONDS; APPLICATION OF PROCEEDS

Section 4.1. Agreement To Issue 2016 Series A Bonds; Application Of 2016 Series A Bond Proceeds . In order to provide funds to make the Loan, the Issuer will issue, sell, and deliver the 2016 Series A Bonds to the initial purchasers thereof and deposit the proceeds thereof with the Trustee into the Prior Bond Fund held by the Prior Trustee, for the benefit and payment of the Refunded 2002 Series C Bonds, in an amount equal to the then outstanding principal amount of the Refunded 2002 Series C Bonds.

Section 4.2. Payment And Discharge Of Refunded 2002 Series C Bonds. The Company covenants and agrees with the Issuer that it will, on or before the Issuance Date, give irrevocable instructions to the Prior Trustee to call and redeem the Refunded 2002 Series C Bonds in accordance with their terms and on the Issuance Date will deposit into the Prior Bond Fund cash or Governmental Obligations (as defined in the 2002 Series C Indenture) sufficient on the Issuance Date, to fully defease, and discharge the Refunded 2002 Series C Bonds on the Issuance Date in accordance with ARTICLE VIII of the 2002 Series C Indenture, without reference to any interest earnings to be accrued during the period from the Issuance Date to the redemption date of the Refunded 2002 Series C 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 2002 Series C Bonds upon the Issuance Date.

Section 4.3. Investment Of Moneys In The Bond Fund And The Rebate Fund. Moneys held as a part of the Bond Fund or the Rebate Fund shall be invested or reinvested by the Trustee, at the written request of and as specifically directed by the Company, in one or more Permitted Investments. If the Trustee is not provided with written investment instructions, the Trustee shall hold such amounts uninvested in cash, without liability for interest. The written investment directions provided to the Trustee shall constitute a certification of the Company that such investments constitute 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 the 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. The 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 2016 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.

To the extent permitted by applicable law, the Company and the Issuer each specifically waives compliance with 12 C.F.R. § 12 and hereby notify the Trustee that no brokerage confirmations need to be sent relating to the security transactions as they occur. Notwithstanding the foregoing, to the extent the Trustee receives and invests amounts in the Bond Fund and the Rebate Fund, the Trustee shall provide the Company and the Issuer with periodic cash transaction statements which shall include details for all investment transactions made by the Trustee with respect to such accounts.

Section 4.4. Special Arbitrage Certifications.

(a) The 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 2016 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 Code Section 147(a)) or adversely affects the validity of the 2016 Series A Bonds.

(b) The Company warrants, represents, and certifies to the Issuer that the proceeds of the 2016 Series A Bonds will not be used in any manner that would cause the 2016 Series A Bonds to be "arbitrage bonds" under Code Sections 103(b)(2) and 148 and other applicable sections thereof. To the best knowledge and belief of the Company, there are no facts, estimates, or circumstances that would materially change the foregoing conclusion.

(c) The Company hereby covenants that it will at all times comply and cause the 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 2016 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 2016 Series A Bonds, if any, to the United States of America pursuant to Code Section 148(f)(2) and carry out such actions so that the 2016 Series A Bonds will not constitute "arbitrage bonds" under Code Sections 103(b)(2) and 148. An officer or officers of the Issuer having responsibility with respect to the issuance of the 2016 Series A Bonds is or are hereby authorized and directed to give an appropriate certificate of the Issuer, for inclusion in the transcript of proceedings for the 2016 Series A Bonds, setting forth the reasonable expectations of the Issuer regarding the amount and use of the proceeds of the 2016 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 2016 Series A Bonds pursuant to said Code Section 148. The Company shall provide the Issuer, and the Issuer's certificate may be expressly based on, a certificate of the Company setting forth the facts, estimates, circumstances, and reasonable expectations of the Company on the date of delivery of and payment for the 2016 Series A Bonds regarding the amount and use of the proceeds of the 2016 Series A Bonds and related matters. If any such representation of the Company relied upon by the Issuer is untrue or inaccurate and the Issuer thereby suffers costs or damages, the Company shall indemnify the Issuer for any such costs or damages.

(d) Consistent with the foregoing, the Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2016 Series A Bonds, that no use will be made of the proceeds of the sale of the 2016 Series A Bonds which would cause the 2016 Series A Bonds to be classified as "arbitrage bonds" within the meaning of Code Sections 103(b)(2) and 148 and that the Company and the Issuer will, after issuance of the 2016 Series A Bonds, comply with the provisions of the Code at all times, including after the 2016 Series A Bonds are discharged, to the extent Excess Earnings with respect to the 2016 Series A Bonds are required to be rebated to the United States of America pursuant to Code Section 148(f)(2). Pursuant to such covenant, the

Issuer and the Company obligate themselves throughout the term of this Agreement and thereafter not to violate the requirements of Code Section 148.

(e) The Company warrants, represents, and certifies to the Issuer that the proceeds of the 2016 Series A Bonds will be applied and invested in compliance with the current requirements of Code Section 149(g) and that consequently the 2016 Series A Bonds will not be "hedge bonds" under such Code Section 149(g).

(f) The Company hereby covenants and agrees that it will at all times comply with the provisions of Code Section 148, including Section 148(f) and with Section 6.06 of the Indenture. Specifically, the Company shall carry out, do, and perform all acts stipulated to be performed by the Company pursuant to Section 6.06 of the Indenture. The Company shall further undertake to assure and cause rebate payments, if any, to be calculated and made to the United States of America in accordance with Code Section 148(f)(2) from moneys on deposit in the Rebate Fund from time to time after the end of each Computation Period and following discharge of the 2016 Series A Bonds. The Company also covenants to take all necessary acts and steps as required to cause the Issuer to comply with the provisions of Sections 7.02 and 7.03 of the Indenture.

Section 4.5. Opinion Of Bond Counsel. The Company need not comply with the covenants or representations in Section 4.4 hereof if and to the extent that the Issuer and the Company (with a copy to the Trustee) receive a Favorable Opinion of Bond Counsel regarding such noncompliance.

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 2016 Series A Bonds, execute and deliver to the Trustee the First Mortgage Bonds in aggregate principal amount equal to the aggregate principal amount of the 2016 Series A Bonds. The First Mortgage Bonds shall mature as to principal identically as in the case of the 2016 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 First Mortgage Indenture Supplement, shall bear interest as provided in the First Mortgage Indenture Supplement.

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 2016 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 2016 Series A Bond tendered for purchase, the acceleration of the maturity date of the 2016 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 First Mortgage Indenture Supplement.

Upon payment of the principal of, premium, if any, and interest on any of the 2016 Series A Bonds, whether at maturity or before 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 2016 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.

ARTICLE V PROVISIONS FOR PAYMENT

Section 5.1. Loan Payments And Other Amounts Payable.

(a) The Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2016 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 2016 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 2016 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, acceleration, or otherwise), premium, if any, and interest on the 2016 Series A Bonds as provided in the Indenture; provided that such payments by the Company to enable the Tender Agent to pay the purchase price of 2016 Series A Bonds shall be made within the times required by Section 3.06 of the Indenture. It is understood and agreed that all payments payable by the Company under this Section 5.1(a) are assigned by the Issuer to the Trustee, the Paying Agent, and the Tender Agent, as applicable, for the benefit of the Holders. The Company assents to such assignment. The Issuer hereby directs the Company and the Company hereby agrees to pay to the Trustee or the Paying Agent or the Tender Agent, as appropriate, at the Designated Office of the Trustee or the Paying Agent or the Tender Agent, as appropriate, all payments payable by the Company pursuant to this Section 5.1(a).

(b) The Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2016 Series A Bonds and incurred upon the request of the Company.

(c) The Company will also pay the agreed upon fees and expenses of the 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, and the Tender Agent, as applicable from time to time, under the Indenture, such amounts to be paid directly to the Trustee, the Bond Registrar, the Paying Agent, and the Tender 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, the Bond Registrar, and the 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 2016 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 Holders, 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 2016 Series A Bonds delivered to it for purchase, all as more particularly described in Sections 3.04 and 3.06 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 2016 Series A Bonds delivered to it for purchase, as provided in the Indenture.

(f) If the 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 the Company until the amount in default shall have been fully paid, and the 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 the Company pursuant to this Agreement (except payments pursuant to Section 5.1(b) and (c) hereof or pursuant to Section 8.2 hereof) are assigned by the Issuer to the Trustee. The Company assents to such assignment and hereby agrees that, as to the Trustee, the Paying Agent, and the 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, the Issuer hereby directs the Company and the Company hereby agrees to pay directly to the Trustee, the Paying Agent, the Bond Registrar, the Tender Agent, and the Issuer, as appropriate, all said payments payable by the Company pursuant to Section 5.1 hereof.

Section 5.3. Taxes And Other Governmental Charges. The 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, the 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 the Company to pay taxes on any interest or principal on the 2016 Series A Bonds disbursed to the Holders.

The Company may, at its expense and in its own name, in good faith contest any such taxes, assessments, and other governmental charges and, upon 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 other governmental charges shall be paid forthwith. The Issuer will cooperate fully with the Company in any such contest. If the Company shall fail to pay any of the foregoing items required by this Section 5.3 to be paid by the Company, the Issuer or the Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Company to the one making the advancement, which amounts, together with interest thereon the 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 90-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; but no such advancement shall operate to relieve the Company from any default hereunder. The 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 The Company Unconditional. The obligation of the 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 2016 Series A Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Company (a) will not suspend or discontinue any payments pursuant to this Agreement; and (b) except as provided in ARTICLE X hereof, will not terminate this Agreement for any cause including 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 the Issuer or the 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 5.4 shall be construed to release the Issuer from the performance of any of the agreements on its part herein contained; and if the Issuer should fail to perform any such agreement on its part, the Company may institute such action against the Issuer as the Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of the Company contained in the preceding sentence. The Company may, however, at its own cost and expense and in its own name or in the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which the 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 the Issuer hereby agrees to cooperate fully with the Company.

Section 5.5. Rebate Fund. The 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 the Code and the Indenture. The obligation of the Company to make such payments shall remain in effect and be binding upon the Company notwithstanding the release and discharge of the Indenture.

Section 5.6. Redemption Of The 2016 Series A Bonds In Advance of Scheduled Maturity. Under the terms of the Indenture, the 2016 Series A Bonds are and will be subject to redemption before their scheduled maturity. The Issuer and the Company agree that, if and when the Company shall direct the Trustee to redeem and call 2016 Series A Bonds, it shall do so on behalf of the Issuer.

Section 5.7. Cancellation Of 2016 Series A Bonds. The cancellation by the Bond Registrar of any 2016 Series A Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2016 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 payment equal to the principal amount of the 2016 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 2016 Series A Bond is Outstanding, the 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 Pollution Control Facilities; provided, however, that the 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 the Company because of damage or destruction by a cause not within the control of the 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 the 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 the Company has furnished to the Issuer and the Trustee a certificate executed by the 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 2016 Series A Bonds from gross income for federal income tax purposes under Code Section 103(a).

The 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 the Company shall take no actions which will change or alter the basic nature of the Project as Pollution Control Facilities. If, before full payment of all 2016 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, the Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.1(b) or (c) hereof) shall, subject to compliance with the terms of the First Mortgage Indenture, either (i) cause such Net Proceeds to be used to repair, reconstruct, restore, or improve the Project; (ii) take any action, including causing the redemption of the 2016 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 2016 Series A Bonds from gross income for federal income tax purposes under Code Section 103(a) provided that if a Credit Facility is then in effect with respect to the 2016 Series A Bonds, the Company shall reimburse the applicable Credit Facility Issuer for drawings under such Credit Facility for such redemption; provided further that if the 2016 Series A Bonds bear interest at the Flexible Rate or the Semi-Annual Rate, such redemption must occur on a date on which the 2016 Series A Bonds are otherwise subject to optional redemption.

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

ARTICLE VII SPECIAL COVENANTS

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

Section 7.2. The Company To Maintain Its Corporate Existence; Conditions Under Which Exceptions Are Permitted. The Company agrees that during the term of this Agreement

it will maintain its existence and good standing, will continue to be a corporate entity 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 entity unless the acquirer of its assets or the entity with which it shall consolidate or into which it shall merge, (a) 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; (b) shall be qualified and admitted to do business in the Commonwealths of Kentucky and Virginia; (c) shall assume in writing all of the obligations and covenants of the Company herein; and (d) shall deliver a copy of such assumption to the Issuer and the Trustee.

Section 7.3. Financial Statements. The Company agrees to furnish the 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 the Company and its consolidated subsidiary or subsidiaries, if any, at the close of such fiscal year and the results of operations of the 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 the Company in accordance with generally accepted accounting principles. The requirements of this Section 7.3 shall be satisfied by the submission to the Trustee of the Company's annual report on Form 10-K. The information so provided to the Trustee shall be kept in its files and is not required to be distributed to any 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 certifications of the Company).

Section 7.4. Further Assurances And Corrective Instruments. The Issuer and the 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. The Issuer Representative. Whenever under the provisions of this Agreement the approval of the Issuer is required or the Issuer is required to take some action at the request of the Company, such approval shall be made or such action shall be taken by the Issuer Representative and the Company or the Trustee shall be authorized to act on any such approval or action, and the Issuer shall have no redress against the Company or the Trustee as a result of any such action taken.

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

fully with the Company in taking any such action. Concurrently with the execution and delivery of the 2016 Series A 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 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 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 lien of the Indenture, which filings the Company agrees to undertake.

Section 7.8. The Company's Performance Under Indenture. The Company agrees, for the benefit of Holders 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 the Company without the necessity of obtaining the consent of either the Issuer or the Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.2 hereof) shall relieve the Company from primary liability for any of its obligations hereunder, and upon any such assignment the 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 the Company hereunder to the extent of the interest assigned;

(c) The Company shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Issuer and to the Trustee a true and complete copy of each such assignment and assumption of obligation; and

(d) Before such assignment, the Company shall have obtained a Favorable Opinion of Bond Counsel regarding the assignment.

Section 8.2. Release And Indemnification Covenants. The Company releases the Issuer from and covenants and agrees that the Issuer shall not be liable for, and agrees to indemnify and hold the Issuer harmless against, any expense or liability incurred by the 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, the Issuer agrees to give prompt notice to the Company and the 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 the Issuer will not settle or consent to the settlement of the same without the consent of the Company.

Section 8.3. Assignment Of Interest In Agreement By The Issuer. Any assignment by the Issuer to the 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 2016 Series A Bonds. Upon the agreement of the Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2016 Series A Bonds subject to redemption, the Issuer, at the request of the 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 2016 Series A Bonds outstanding, as may be specified by the Company, on the redemption date specified by the Company.

Section 8.5. Reference To 2016 Series A Bonds Ineffective After 2016 Series A Bonds Paid. Upon payment in full of the 2016 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 via the Trustee pursuant to Section 5.5 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 2016 Series A Bonds, the First Mortgage Bonds, and the Trustee shall be ineffective and neither the Trustee nor the Holders thereafter have any rights hereunder except as set forth in Section 11.1 hereof.

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 it is used in this Agreement, 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 2016 Series A Bonds, and such failure shall cause an Event of Default under the Indenture.

(b) Failure by the 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 9.1, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to the Company by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to an extension of such time before its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Issuer and the 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 the 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: (1) relief in respect of the Company, or of a substantial part of the property or assets of the 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; (2) the appointment of a receiver, trustee, custodian, sequestrator, conservator, or similar official for the Company or for a substantial part of the property or assets of the Company; or (3) the winding-up or liquidation of the 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) The Company shall: (1) 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; (2) 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 Section 9.1(c) above; (3) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator, or similar official for the Company or for a substantial part of the property or assets of the Company; (4) file an answer admitting the material allegations of a petition filed against it in any such proceeding; (5) make a general assignment for the benefit of creditors; (6) become unable, admit in writing its inability, or fail generally to pay its debts as they become due; or (7) take any action for the purpose of effecting any of the foregoing.

(e) 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.

The provisions of Section 9.1(b) hereof are subject to the following limitations: If by reason of force majeure the 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 the Company contained in Section 2.2(j), Section 2.2(k), Section 4.2, Section 4.4, Section 4.6, or Section 7.2 or ARTICLE V hereof and the general covenant and obligation of the Company to take all necessary actions for the continued exclusion of interest on the 2016 Series A Bonds from gross income for federal and Kentucky income taxes, the 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 the Company, including 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. The 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 the Company, and the 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 the Company unfavorable to the 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 may take any one or more of the following remedial steps:

(a) By written notice to the Company, the Trustee, on behalf of the Issuer, may declare an amount equal to the principal and accrued interest on the 2016 Series A Bonds then Outstanding 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 the 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 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) hereof, the 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 the Trustee allowed in such judicial proceedings relative to the 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 a receiver, trustee, or liquidator) of the Company appointed in connection with such proceedings is hereby authorized to make such payments to the Trustee, and to pay to the 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 2016 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 the Trustee and any paying agents accrued and to accrue through final payment of the 2016 Series A Bonds, and all other liabilities of the Company accrued and to accrue hereunder or under the Indenture through final payment of the 2016 Series A Bonds have been paid, such amounts so collected shall be paid to the Company.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the 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 the Issuer to exercise any remedy reserved to it in this ARTICLE IX, 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 the Issuer hereunder shall also extend to the Trustee, and the Trustee and the Holders, 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 . If the Company should default under any of the provisions of this Agreement and the Issuer or the 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 the Company herein contained, the Company agrees that it will on demand therefor pay to the Issuer

or the Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by the Issuer or the Trustee.

Section 9.5. Waiver Of Events Of Default. If, after the acceleration of the maturity of the outstanding 2016 Series A Bonds by the 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, the Company shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all 2016 Series A Bonds and the principal of, and premium, if any, on any and all 2016 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 2016 Series A Bond, until paid), and such amounts as shall be sufficient to cover all expenses of the Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2016 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 the Trustee in accordance with Section 9.11 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then the Company's default hereunder shall be deemed to have been waived by the Issuer and no further action or consent by the Trustee or the Issuer shall be required. If 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. The 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 the Company so elects, if certain events shall have occurred within the 180 days preceding the giving of written notice by the Company to the Trustee of such election, as follows:

(a) If in the judgment of the Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2016 Series A Bonds upon the 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 the 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 the Company in connection with which the Project is used unsatisfactory to the 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 the 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 the Company in connection with which the Project is used unsatisfactory to the Company for its intended use;

(d) If 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 Ghent Generating Station of the Company shall have occurred which, in the judgment of the Company, render the continued operation of the Ghent Generating Station or any generating unit at such station uneconomical; or changes in circumstances, after the issuance of the 2016 Series A Bonds including but not limited to changes in clean air or 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) If 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 2016 Series A Bonds shall require the Company to cease a substantial part of its operations at the Ghent 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 2016 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 the Trustee and available for such purpose, to redeem all 2016 Series A Bonds then outstanding (or, in the case any 2016 Series A Bonds are redeemed in part pursuant to Section 6.1 hereof, such portion of the 2016 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 2016 Series A Bonds and to pay all reasonable and necessary fees and expenses of the Trustee and any Paying Agents and all other liabilities of the Company accrued and to accrue hereunder to the date of redemption of the 2016 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, the Company is required to give written notice to the 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. The Company shall have, and is hereby granted, further options, to the extent that the 2016 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 the Trustee moneys sufficient to pay, together with other funds deposited with the 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 2016 Series A Bonds then outstanding under the Indenture and, upon depositing with the Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2016 Series A Bonds then outstanding under the Indenture, as well as all reasonable and

necessary expenses of the Trustee and any Paying Agents and all other liabilities of the 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.** The Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, before the required full payment of the 2016 Series A Bonds (or before making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by the Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and the Company shall take all actions required to mandatorily redeem the 2016 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 prepaying appropriate amounts due on the 2016 Series A Bonds in order to effect such redemption. The 2016 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 10.3, a “**Determination of Taxability**” shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2016 Series A Bond or from the Company or the Issuer of: (1) 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 (2) 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 2016 Series A Bonds, the interest on the 2016 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 Code Section 147; 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 2016 Series A Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2016 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 2016 Series A Bond in the computation of minimum or indirect taxes. All of the 2016 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 2016 Series A Bonds of one or more series or one or more maturities would have the result that interest payable on the remaining 2016 Series A Bonds outstanding after the redemption would not be so included in any such gross income.

If 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 2016 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 the Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, pursuant to Section 10.3(a) hereof, the 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 the 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 2016 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 2016 Series A Bonds and to pay all reasonable and necessary fees and expenses of the Trustee and any paying agents and all other liabilities of the Company accrued and to accrue hereunder to the date of redemption of the 2016 Series A Bonds.

(c) If a Determination of Taxability occurs when all or any portion of the 2016 Series A Bonds are owned by any Purchaser, the Company hereby agrees to pay to such Purchaser, in addition to the redemption price of the 2016 Series A Bonds owned by such Purchaser, the following additional amounts:

(1) an additional amount equal to the difference between (A) the amount of interest paid on the 2016 Series A Bonds during the Taxable Period and (B) the amount of interest that would have been paid on the 2016 Series A Bonds during the Taxable Period had the 2016 Series A Bonds borne interest at the Taxable Rate; and

(2) an amount equal to any interest, penalties on overdue interest, and additions to tax (as referred to in Subchapter A of Chapter 68 of the Code) owed by such Purchaser as a result of occurrence of a Determination of Taxability.

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, the Company shall give written notice to the Issuer and the Trustee which notice shall (a) contain the agreement of the 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 2016 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 2016 Series A Bonds, and any other amounts required under this Agreement; (b) specify the prepayment date (which must be a Business Day and which shall also be the redemption date); and (c) comply with Section 4.07 of the Indenture regarding the number of days' notice the Company is required to give the Issuer and the Trustee for the redemption of 2016 Series A Bonds bearing interest in the then applicable Interest Rate Mode.

Section 10.5. Relative Position Of This Article And Indenture. The rights and options granted to the Company in this ARTICLE X, except the option granted to the 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 the 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. If any 2016 Series A Bond shall be paid and discharged pursuant to any provision of this Agreement, so that the 2016 Series A Bond is not thereafter Outstanding, a like principal amount of First Mortgage Bonds shall be deemed fully paid and the obligations of the Company thereunder terminated. Thereupon, the Trustee shall deliver to the First Mortgage Trustee such like principal amount of First Mortgage Bonds for cancellation pursuant to Section 2.22 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 the Maturity Date, or until such earlier or later time as all of the 2016 Series A Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture); provided, however, that this Agreement may be cancelled and terminated before said date if the Company shall prepay all of the Loan pursuant to ARTICLE X hereof; and provided further, however, that all obligations of the Company under ARTICLE V and Section 8.2 hereof: (a) to pay the agreed fees and expenses of the 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 2016 Series A Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by the Company as to all matters affecting the tax-exempt status of interest on the 2016 Series A Bonds shall be for the equal and ratable benefit, protection, and security of the Holders of the 2016 Series A Bonds and shall survive the termination of this Agreement and all obligations of the Company contained herein relating to indemnification of the Issuer, the Trustee, the Bond Registrar, the Authenticating Agent, the 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:

To the Issuer: County of Carroll, Kentucky
440 Main Street
Carrollton, Kentucky 41008
Attention: County Judge/Executive
Telephone: (502) 732-7000
Facsimile: (502) 732-7023
Email: blwestrick@carrollcountygov.us

To the Trustee: U.S. Bank National Association
One Financial Square
Louisville, Kentucky 40202
Attention: Corporate Trust Department
Telephone: (502) 562-6259
Facsimile: (502) 562-6371
Email: amy.anders@usbank.com

To the Company: Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507
Attention: Treasurer
Telephone: (502) 627-4956
Facsimile: (502) 627-4742
Email: Dan.Arrough@lge-ku.com

With a Copy to: LG&E and KU Energy LLC
220 West Main Street
Louisville, Kentucky 40202
Attention: Treasurer
Telephone: (502) 627-4956
Facsimile: (502) 627-4742
Email: Dan.Arrough@lge-ku.com

If to the Remarketing Agent: Merrill Lynch, Pierce, Fenner & Smith
Incorporated
One Bryant Park, 12th Floor
New York, New York 10036
Telephone: (646) 7430813
Facsimile: (646) 855-1646
Email: timothy.c.harte@baml.com

If to First Mortgage Trustee: The Bank of New York Mellon
500 Ross Street, 12th Floor
Pittsburgh, Pennsylvania 15262
Attn: Corporate Trust Administration
Telephone: (412) 236-1215
Facsimile: (412) 234-8377
Email: leslie.lockhart@bnymellon.com

If to the Tender Agent: U.S. Bank National Association
One Financial Square
Louisville, Kentucky 40202
Attention: Corporate Trust Department
Telephone: (502) 562-6259
Facsimile: (502) 562-6371
Email: amy.anders@usbank.com

If to the Paying Agent: U.S. Bank National Association
One Financial Square
Louisville, Kentucky 40202
Attention: Corporate Trust Department
Telephone: (502) 562-6259
Facsimile: (502) 562-6371
Email: amy.anders@usbank.com

If to the Bond Registrar: U.S. Bank National Association
One Financial Square
Louisville, Kentucky 40202
Attention: Corporate Trust Department
Telephone: (502) 562-6259
Facsimile: (502) 562-6371
Email: amy.anders@usbank.com

A duplicate copy of each notice, certificate, or other communication given hereunder by either the Issuer or the Company to the other shall also be given to the Trustee. The Issuer, the Company, and the 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 the Issuer, the 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. If 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 2016 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 the 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 the Company by the 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 2002 Series C Bonds on their redemption date and the making of provision for payment of the Refunded 2002 Series C Bonds not presented for payment, any remaining moneys in the Prior Bond Fund shall belong to and be paid to the Company by the Prior Trustee.

Section 11.6. Amendments, Changes, And Modifications. After the issuance of the 2016 Series A Bonds and before payment in full of all 2016 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 the 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 construed, and the obligations, rights, and remedies of the parties under this Agreement are to be determined, in accordance with the laws of the Commonwealth of Kentucky without regard to conflicts of laws principles, except to the extent that the laws of the United States of America may prevail.

Section 11.9. Interpretation. 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. 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. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the term "including" is not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or."

Section 11.10. No Pecuniary Liability Of The Issuer. No provision, covenant, or agreement contained in this 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. In making such covenants, agreements, or provisions, the 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.

(Signature page to follow)

[SIGNATURE PAGE TO LOAN AGREEMENT]

IN WITNESS WHEREOF, the Issuer and the 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 above.

COUNTY OF CARROLL, KENTUCKY

(SEAL)

By /s/ Bobby Lee Westrick
Bobby Lee Westrick
County Judge/Executive

Attest:

/s/ Traci Courtney
Fiscal Court Clerk

KENTUCKY UTILITIES COMPANY

(SEAL)

By /s/ Daniel K. Arbough
Daniel K. Arbough
Treasurer

Attest:

/s/ Gerald A. Reynolds
Gerald A. Reynolds
Secretary

S-1

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF CARROLL)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the 15th day of August, 2016, the foregoing instrument was produced to me in said County by Bobby Lee Westrick and Traci Courtney, personally known to me and personally known by me to be the County Judge/Executive and the Fiscal Court Clerk, respectively, of the **COUNTY OF CARROLL, 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 15th day of August, 2016. My commission expires February 26, 2018.

(Seal)

/s/ Mark S. Franklin
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 16th day of August, 2016, the foregoing instrument was produced to me in said County by Daniel K. Arbough and Gerald A. Reynolds, 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 16 day of August, 2016. My commission expires June 21, 2018.

(Seal)

/s/ Betty L. Brinly
Notary Public
State at Large, Kentucky

This Instrument Prepared by:

STOLL KEENON OGDEN PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202
/s/ Mark S. Franklin
Mark S. Franklin

EXHIBIT A
DESCRIPTION OF PROJECT

[See attachment]

EXHIBIT A

TO

INDENTURE OF TRUST

BY AND BETWEEN

THE COUNTY OF CARROLL, KENTUCKY

AND

FIRST SECURITY NATIONAL

BANK AND TRUST COMPANY

ELECTROSTATIC PRECIPITATORS

(GENERATING UNITS NOS. 3 and 4)

Electrostatic precipitators will be installed to serve both Unit 3 and Unit 4 of the Ghent Generating Station. Units 3 and 4 of the Ghent Generating Station are new, coal-fired steam electric generating units, and the precipitators will be installed simultaneously with construction and installation of the generating units themselves. The electrostatic precipitators, together with functionally related and associated flue gas duct systems, structural supports and other functionally related and subordinate facilities are designed and intended solely to remove flyash and particulates from flue gases exiting the Unit 3 and Unit 4 steam boilers. The precipitators are designed to remove 99.6% of particulate emissions and flyash when the steam boilers are being operated. The precipitators operate upon the principal of creation of electromagnetic fields which attract and capture particulates and flyash from the flue gases. The flyash is then conveyed by ash handling systems to facilities designed for ultimate disposal of solid wastes. The precipitators consist of the electrostatic precipitators themselves, including foundations, supporting structural steel, dust and particulate collectors, integral electrical devices, monitoring systems, necessary flues and ducts, structural steel incident thereto and functionally related and subordinate facilities.

MECHANICAL DRAFT COOLING TOWERS

(GENERATING UNITS NOS. 3 AND 4)

Mechanical draft cooling towers with closed-loop cooling water systems will be provided for both Units 3 and 4 of the Ghent Generating Station. The purpose of the cooling towers is to transfer to the atmosphere heat absorbed by waters circulated through the generating unit condensers, which condense low pressure steam discharged from the steam-driven electric turbines. The closed-loop cooling tower systems are designed to minimize the release of heated water (thermal pollution) to the Ohio River and must be installed to conform to applicable water pollution control regulations. The described water pollution control and abatement facilities consist of mechanical draft cooling towers, pumps, circulating water pipe systems, structural

supports and functionally related and subordinate equipment. Because major portions of the costs of the closed-loop cooling towers are allocable to cost savings resulting because alternate facilities need not be constructed which would, without any pollution control restrictions, be adequate facilities to cycle water to and from the subject generating units, only an incremental portion of the closed-loop cooling tower in each case is financed as a Project facility.

CHEMICAL WASTE DISPOSAL BASINS

(GENERATING UNITS 3 AND 4)

The operation of the Units 3 and 4 coal-fired generating facilities of the Ghent Generating Station and operation of necessary and related facilities produce chemical wastes, such as caustic liquids, acids and diverse chemical liquid wastes. The chemical waste disposal basins will be utilized to receive, hold, neutralize, treat and dispose of such chemical liquid wastes and to prevent release thereof to the Ohio River. The system consists of spillage platforms, waste holding basins and treatment facilities, including waste treatment and stabilization equipment with all functionally related and necessary pumps, drains, filters and transfer mechanisms.

EXTERIOR EFFLUENT DRAIN SYSTEMS

(GENERATING UNITS 3 AND 4)

A system of effluent drain facilities designed to capture contaminated wastewaters resulting from coal-pile runoffs, oil spills and similar occurrences, including a sedimentation pond, necessary sump pumps and piping, electrical installations and devices, drainage ditches and other functionally related facilities will be acquired and installed to serve Units 3 and 4 for the purpose of capturing contaminated liquids resulting from the operation of Units 3 and 4 which are exterior to the actual coal-fired steam boilers and transmitting the same to treatment and disposal facilities.

INTERIOR OIL AND CONTAMINATED LIQUID WASTES

ELIMINATION, DRAIN AND TREATMENT SYSTEMS

(GENERATING UNITS 3 AND 4)

Facilities for the collection of oils, caustic liquids, chemicals and other liquid wastes created by the operation of Units 3 and 4 will be constructed and installed in order to collect such liquid wastes and transmit the same to other pollution control facilities, including the chemical waste disposal basin and the ash settling basin for treatment and disposal. Such system will serve the interiors of Generating Units 3 and 4 and will consist of concrete sumps and necessary earth works, miscellaneous sump pumps, oil and chemical liquid drains and sumps, together with piping and required electrical components to transmit such wastes to the chemical waste disposal basin and ash settling basin.

FLYASH HANDLING AND TRANSPORT SYSTEMS

(GENERATING UNITS 3 AND 4)

Complete flyash collecting, transporting and disposal systems will be acquired to serve Units 3 and 4. Following electrostatic precipitation, the flyash will be transmitted through water sluice systems to the ash settling basin for disposal. A portion of the flyash, to the extent

required to enable the flyash collection and disposal system to function in a proper manner, will be transmitted to a flyash holding silo or hopper pending its transmission through the water sluice systems to the ash settling basin for final disposal. The flyash handling system consists of the flyash silo or hopper facility, pumps, ash piping supports, trenches, trench covers, flyash handling equipment, including water sluice systems together with ancillary electrical facilities and components. The flyash handling system does not include facilities for the disposal of bottom ash or slag produced by the operation of the coal-fired steam boilers, and no facilities for the disposal of such bottom ash will be financed from the proceeds of the Bonds.

ASH SLUICE WATER FILTRATION SYSTEM

(GENERATING UNITS 3 AND 4)

The ash sluice water filtration system is designed to provide treatment to liquid wastes conveyed to the ash settling basin prior to their entering the Ohio River, in order to prevent the infiltration of waterborne pollutants to the river. The effluent ash sluice water filtration system consists of various structures and filtration equipment, including earthwork for piping, gravity filters, chemical feed devices, chlorination equipment, piping, structural supports, recirculation mechanisms, pumps, monitoring systems, various electrical components and functionally related facilities.

ENGINEERING FEES, RESIDENT INSPECTION,

CAPITALIZED INTEREST AND TEST COSTS

Sargent & Lundy, Consulting Engineers of Chicago, Illinois, and other firms have acted as Engineers to Kentucky Utilities Company in designing the Project facilities and have performed and will perform certain resident inspection services with respect thereto. Such costs, together with Company costs directly attributable to design and construction of the Project, capitalized interest and the testing of Project facilities are a part of the Project.

KENTUCKY UTILITIES COMPANY
TO
THE BANK OF NEW YORK MELLON,
Trustee

Supplemental Indenture No. 5
dated as of August 1, 2016

Supplemental to the Indenture
dated as of October 1, 2010

Establishing
First Mortgage Bonds, Collateral Series 2016CCA

SUPPLEMENTAL INDENTURE NO. 5

SUPPLEMENTAL INDENTURE No. 5, dated as of the 1st day of August, 2016, made and entered into by and between KENTUCKY UTILITIES COMPANY, a corporation duly organized and existing under the laws of the Commonwealths of Kentucky and Virginia, having its principal corporate offices at One Quality Street, Lexington, Kentucky 40507 (hereinafter sometimes called the "Company"), and THE BANK OF NEW YORK MELLON, a New York banking corporation, having its corporate trust office at 500 Ross Street, 12th Floor, Pittsburgh, Pennsylvania 15262 and having its principal place of business at 225 Liberty Street, New York, New York 10281 (hereinafter sometimes called the "Trustee"), as Trustee under the Indenture, dated as of October 1, 2010 (hereinafter called the "Original Indenture"), between the Company and said Trustee, as heretofore supplemented, this Supplemental Indenture No. 5 being supplemental thereto. The Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 5 are hereinafter sometimes, collectively, called the "Indenture."

Recitals of the Company

The Original Indenture was authorized, executed and delivered by the Company to provide for the issuance from time to time of its Securities (such term and all other capitalized terms used herein without definition having the meanings assigned to them in the Original Indenture), to be issued in one or more series as contemplated therein, and to provide security for the payment of the principal of and premium, if any, and interest, if any, on such Securities.

The Company has heretofore executed and delivered supplemental indentures for the purpose of creating series of Securities as set forth in Exhibit A hereto.

The Original Indenture and Supplemental Indentures No. 1, No. 2 and No. 3, and financing statements in respect thereof; have been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Supplemental Indenture No. 4.

Supplemental Indenture No. 4 has been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Exhibit B hereto.

Pursuant to Article Three of the Original Indenture, the Company wishes to establish a series of Securities, such series of Securities to be hereinafter sometimes called "Securities of Series No. 8".

As contemplated in Section 301 of the Original Indenture, the Company further wishes to establish the designation and certain terms of the Securities of Series No. 8. The Company has duly authorized the execution and delivery of this Supplemental Indenture No. 5 to establish the designation and certain terms of such series of Securities and has duly authorized the issuance of such Securities; and all acts necessary to make this Supplemental Indenture No. 5 a valid agreement of the Company, and to make the Securities of Series No. 8 valid obligations of the Company, have been performed.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE NO. 5 WITNESSETH, that, for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the payment of the principal of and premium, if any, and interest, if any, on all Securities from time to time Outstanding and the performance of the covenants

therein and in the Indenture contained, the Company hereby grants, bargains, sells, conveys, assigns, transfers, mortgages, pledges, sets over and confirms to the Trustee, and grants to the Trustee a security interest in and lien on, the real property specifically referred to in Exhibit C attached hereto and incorporated herein by reference and all right, title and interest of the Company in and to all property personal and mixed located thereon (other than Excepted Property), as and to the extent, and subject to the terms and conditions, set forth in the Original Indenture, as heretofore amended; and it is further mutually covenanted and agreed, for the benefit of the Holders of the Securities of Series No. 8, as follows:

ARTICLE ONE

SECURITIES OF SERIES NO. 8

SECTION 101. Creation of Series No. 8.

There is hereby created a series of Securities designated "First Mortgage Bonds, Collateral Series 2016CCA", and the Securities of such series shall:

- (a) be issued in the aggregate principal amount of \$96,000,000 and shall be limited to such aggregate principal amount (except as contemplated in Section 301(b) of the Original Indenture);
- (b) be dated August 25, 2016;
- (c) have a Stated Maturity of September 1, 2042, subject to prior redemption by the Company;
- (d) have such additional terms as are established in an Officer's Certificate as contemplated in Section 301 of the Original Indenture; and
- (e) be in substantially the form or forms established therefor in an Officer's Certificate, as contemplated by Section 201 of the Original Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

SECTION 201. Single Instrument.

This Supplemental Indenture No. 5 is an amendment and supplement to the Original Indenture as heretofore amended and supplemented. As amended and supplemented by this Supplemental Indenture No. 5, the Original Indenture, as heretofore supplemented, is in all respects ratified, approved and confirmed, and the Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 5 shall together constitute the Indenture.

SECTION 202. Trustee.

The Trustee accepts the amendment of the Original Indenture effected by this Supplemental Indenture No. 5 upon the terms and conditions set forth in the Original Indenture, as heretofore amended and supplemented, including the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee, which terms and provisions shall in like manner define and limit its liabilities and responsibilities

in the performance of the trust created by the Original Indenture, as heretofore amended and supplemented, and as hereby amended. The Recitals of the Company contained in this Supplemental Indenture No. 5 shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness and makes no representations as to the validity or sufficiency of this Supplemental Indenture No. 5.

SECTION 203. Effect of Headings.

The Article and Section headings in this Supplemental Indenture No. 5 are for convenience only and shall not affect the construction hereof.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 5 to be duly executed as of the day and year first written above.

KENTUCKY UTILITIES COMPANY

By: /s/ Daniel K. Arbough

Name: Daniel K. Arbough

Title: Treasurer

ATTEST:

/s/ Gerald A. Reynolds

Name: Gerald A. Reynolds

Title: General Counsel, Chief Compliance
Officer and Corporate Secretary

[Signature Page to Supplemental Indenture No. 5 - Kentucky Utilities Company]

THE BANK OF NEW YORK MELLON, as Trustee

By: /s/ Francine Kincaid

Name: Francine Kincaid

Title: Vice President

[Signature Page to Supplemental Indenture No. 5 - Kentucky Utilities Company]

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 9th day of August, 2016, before me, a notary public, the undersigned, personally appeared Francine Kincaid, who acknowledged herself to be a Vice President of THE BANK OF NEW YORK MELLON, a corporation and that she, as Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by herself as Vice President.

In witness whereof, I hereunto set my hand and official seal.

By: /s/ Christopher J. Traina
Christopher J. Traina
Notary Public – State of New York
No. 01TR6297825
Qualified in Queens County
Certified in New York County
My Commission Expires
March 03, 2018

The Bank of New York Mellon hereby certifies that its precise name and address as Trustee hereunder are:

The Bank of New York Mellon
500 Ross Street, 12th Floor
Pittsburgh, Pennsylvania 15262
Attn: Corporate Trust Administration

THE BANK OF NEW YORK MELLON, as Trustee

By: /s/ Francine Kincaid
Name: Francine Kincaid
Title Vice President

[Signature Page to Supplemental Indenture No. 5 - Kentucky Utilities Company]

CERTIFICATE OF PREPARER

The foregoing instrument was prepared by:

James J. Dimas, Senior Corporate Attorney
Kentucky Utilities Company
220 West Main Street
Louisville, Kentucky 40202

/s/ James J. Dimas

James J. Dimas

[Signature Page to Supplemental Indenture No. 5 - Kentucky Utilities Company]

KENTUCKY UTILITIES COMPANY

**Bonds Issued and Outstanding
under the Indenture**

<u>Supplemental Indenture No.</u>	<u>Dated as of</u>	<u>Series No.</u>	<u>Series Designation</u>	<u>Date of Securities</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding¹</u>
1	October 15, 2010	1	Collateral Series 2010	October 28, 2010	\$350,779,405	\$350,779,405
2	November 1, 2010	2	1.625% Series due 2015	November 16, 2010	\$250,000,000	None
		3	3.250% Series due 2020	November 16, 2010	\$500,000,000	\$500,000,000
		4	5.125% Series due 2040	November 16, 2010	\$750,000,000	\$750,000,000
3	November 1, 2013	5	4.65% Series due 2043	November 14, 2013	\$250,000,000	\$250,000,000
4	September 1, 2015	6	3.30% Series due 2025	September 28, 2015	\$250,000,000	\$250,000,000
		7	4.375% Series due 2045	September 28, 2015	\$250,000,000	\$250,000,000

¹ As of August 1, 2016.

KENTUCKY UTILITIES COMPANY

Filing and Recording
of
Supplemental Indenture No. 4, dated as of September 1, 2015,
to
Indenture, dated as of October 1, 2010

COUNTY NAME	BOOK AND PAGE NUMBER
Adair	MB 338 P 655
Anderson	MB 545, Pg 29-48
Ballard	Mortgage Book 80, Page 105
Barren	MB 552 P 170
Bath	MB 221-100
Bell	Book/page: 331/795
Bourbon	Mortgage Book 587, Page 443
Boyle	MB 683 PG 50
Bracken	M285, PG277
Bullitt	MB 1609 P 487
Caldwell	Book 309, Page 169
Carroll	M 229, Pages: 1-20
Casey	MB 241 P 844
Christian	MB 1415, page 172
Clark	M 813, PG 475
Clay	Book 216, Pages 507-526
Crittenden	MTG Book 212, Page 304
Estill	M E 10, Page 300
Fayette	MB 8388, Page 564-584
Fleming	MB 327-547
Franklin	M 1355, Pg 229-248
Fulton	MTG No. 181, Pages 293-312
Gallatin	M219, Pages: 458-477
Garrard	MB342, page 60-79
Grayson	MB 21x, PG 643
Green	MB 298, Pg 113
Hardin	MB 2140 P 744
Harlan	MTG BK 436, PG 439
Harrison	MB 385 PG 484
Hart	MB 363 P 404
Henry	MB 334, P 15-34
Hickman	Mortgage Book 111, Page 59

B-1

Hopkins	MB 1138, page 363
Jessamine	MB 1227 page 307
Knox	MB 425 PG346
Larue	Mtg Book 343, Page 610
Laurel	MB 1102 PG142
Lee	MTG 112, Page 237
Lincoln	MB 428, PG 649
Livingston	M297, PG 698
Lyon	MB 232, Pg 540
Madison	MB1641, page 143
Marion	MB 394, PG 741
Mason	MB 426-750
McCracken	Mtg Book No. 1476, Page 681
McLean	MB 190, PG 378
Mercer	MB 619 Page 656
Montgomery	MB 516-850
Muhlenberg	MB 670, PG 33
Nelson	MB 1078 PG 107
Nicholas	MB 152-643
Ohio	MB 509, PG 366
Oldham	M2177, Pages: 640-659
Owen	M259, PG 206
Pendleton	Deed Book No. 332, Page 399-418
Pulaski	MB 1455 P 546
Robertson	MB 63 PG38
Rockcastle	Mtg Book 265, Page 173
Rowan	Book: A363 Pages 580-599
Russell	MB 377 P 110
Scott	MB 1249, page 532
Shelby	MB 986 PG 368
Taylor	M544, Page 201
Trimble	M 205, PG 363
Union	Mortgage Book 418, Page 241
Washington	Mortgage Book N. 271, Page 599
Webster	MB 325 PG 328
Whitley	MB 596 PG890
Woodford	MB 757, Page 08

KENTUCKY UTILITIES COMPANY

REAL PROPERTY

Schedule of real property owned in fee located in the Commonwealth of Kentucky

Ballard County, Kentucky:

Tract I:

Lot #7 as shown on the Plat of Subdivision for West Kentucky Technology Park, which plat was recorded July 20, 1993, in Plat Book "F", page 4 (now Plat Cabinet 1, Slide 154), Ballard County Clerk's Office.

Tract II:

Lot #8 as shown on the Plat of Subdivision for West Kentucky Technology Park, which plat was recorded July 20, 1993, in Plat Book "F", page 4 (now Plat Cabinet 1, Slide 154), Ballard County Clerk's Office.

Tract III:

Lot #9 as shown on the Revision to Plat of Subdivision for West Kentucky Technology Park, which plat was recorded May 8, 1997, in Plat Book "F", page 58 (now Plat Cabinet 1, Slide 208), Ballard County Clerk's Office.

Being the same property conveyed to Kentucky Utilities Company by Deed dated December 22, 2015, of record in Deed Book 109, Page 199 in the Office of the Clerk of Ballard County, Kentucky.

KENTUCKY UTILITIES COMPANY

OFFICER'S CERTIFICATE

(under Sections 201 and 301 of the Indenture, dated as of October 1, 2010)

**Establishing the Form and Certain Terms of the
First Mortgage Bonds, Collateral Series 2016CCA**

The undersigned Daniel K. Arbough, the Treasurer of KENTUCKY UTILITIES COMPANY (the "Company"), in accordance with Sections 201 and 301 of the Indenture, dated as of October 1, 2010 (the "Original Indenture"), as amended and supplemented by various instruments including Supplemental Indenture No. 5, dated as of August 1, 2016 (as so amended and supplemented, the "Indenture"), of the Company to The Bank of New York Mellon, trustee (the "Trustee"), does hereby establish, for the Securities of Series No. 8 established in Supplemental Indenture No. 5, the terms and characteristics set forth in this Officer's Certificate (capitalized terms used herein and not defined herein having the meanings specified in the Original Indenture).

Set forth below are the terms and characteristics of the aforesaid series of Securities referred to in clauses (a) through (u) in the third paragraph of Section 301 of the Indenture (the lettered clauses set forth herein corresponding to such clauses in said Section 301):

- (a) the title of the Securities of such series shall be "First Mortgage Bonds, Collateral Series 2016CCA" (the "Bonds");
- (b) the aggregate principal amount of Bonds which may be authenticated and delivered under the Indenture shall be limited to \$96,000,000 as and to the extent set forth in Supplemental Indenture No. 5; the Stated Maturity of the Bonds will be September 1, 2042;
- (c)
 - (1) the Bonds are to be issued and delivered to, and registered in the name of U.S. Bank National Association, as trustee (the "Revenue Bond Trustee") under an indenture of trust dated as of August 1, 2016 (the "Revenue Bond Indenture"), which relates to Pollution Control Revenue Refunding Bonds, 2016 Series A (Kentucky Utilities Company Project) (the "Revenue Bonds") issued by the County of Carroll, Kentucky (the "Governmental Issuer");
 - (2) the Bonds will be issued and delivered to, and registered in the name of, the Revenue Bond Trustee under the Revenue Bond Indenture to convey the benefit of the lien of the Indenture to such Revenue Bond Trustee for the benefit of the holders of the Revenue Bonds issued and outstanding thereunder. All payments of principal of and interest on the Bonds shall be payable to the Revenue Bond Trustee as the registered holder of the Bonds;
- (d) the principal of the Bonds shall be due and payable on the applicable Stated Maturity date specified in clause (b); and the Company shall not have the right to extend the Maturity of the Bonds as contemplated in Section 301(d) of the Original Indenture;
- (e) the Bonds shall bear interest at the same rate borne from time to time by the Revenue Bonds; provided, however, that if such Revenue Bonds shall bear interest at more than one rate, the rate of interest borne by the Bonds shall be such composite rate as shall produce the same dollar amount of accrued interest on such Bonds as is produced on such Revenue Bonds; and provided, further, that interest on the Bonds shall not commence to accrue unless and until:

- (1) the Bonds are to be mandatorily redeemed as contemplated in clause (g), or
- (2) all Securities Outstanding under the Indenture shall have become immediately due and payable pursuant to Section 1002 of the Original Indenture,

and, in either such event, interest shall commence to accrue from the last date to which interest on the Revenue Bonds shall have been paid in full (the "Initial Interest Accrual Date"), as specified by the Revenue Bond Trustee in a written notice to the Trustee; interest on the Bonds, having commenced to accrue as aforesaid, shall be and remain immediately due and payable until paid in full (unless the mandatory redemption or acceleration giving rise to the accrual of interest as aforesaid shall have been rescinded or annulled, in which event such accrual of interest shall automatically be rescinded and annulled); and in no event shall the amount of interest accrued on the Bonds exceed the amount of interest accrued on the Revenue Bonds; and the Company shall not have any right to extend any interest payment periods for the Bonds as contemplated in Sections 301(e) and 312 of the Original Indenture;

- (f) the Corporate Trust Office of the Trustee in Pittsburgh, Pennsylvania shall be the office or agency of the Company at which the principal of and any premium and interest on the Bonds at Maturity shall be payable, at which registration of transfers and exchanges of the Bonds may be effected and at which notices and demands to or upon the Company in respect of the Bonds and the Indenture may be served; and the Trustee will initially be the Security Registrar and the Paying Agent for the Bonds; provided, however, that the Company reserves the right to change, by one or more Officer's Certificates, any such office or agency and such agent;
- (g) If the Revenue Bonds shall have become immediately due and payable due to the occurrence and continuance of an Event of Default under the Revenue Bond Indenture (which Event of Default shall have been caused by an event of default under the loan agreement dated as of August 1, 2016 between the Company and the Governmental Issuer relating to the Revenue Bonds (the "Agreement") that has resulted in a default in payment of the principal of or premium, if any, or interest on such Revenue Bonds, or a default in a payment of purchase price with respect thereto) and if all Securities Outstanding under the Indenture shall not have become immediately due and payable following an Event of Default under the Indenture, the Bonds shall be redeemed by the Company, in whole, at a redemption price equal to 100% of the principal amount thereof plus accrued interest from the Initial Interest Accrual Date to the date of redemption upon receipt by the Company and the Trustee of a written demand for such redemption (a "Redemption Demand") executed and delivered by the Revenue Bond Trustee and stating (1) that such Revenue Bonds have become immediately due and payable due to the occurrence and continuance of an Event of Default under the Revenue Bond Indenture, (2) that such Event of Default was caused by an event of default under the Agreement that resulted in a default in payment of the principal of or premium, if any, or interest on such Revenue Bonds, or a default in a payment of purchase price with respect thereto, (3) that the redemption of the Bonds is thereby demanded by such Revenue Bond Trustee and (4) the last date to which interest on such Revenue Bonds has been paid in full; provided, however, that any rescission or annulment of the acceleration of maturity of the Revenue Bonds shall constitute the rescission and annulment of the Company's obligation to redeem the Bonds. No notice of any such redemption shall be required to be given;
- (h) inapplicable;
- (i) the Bonds shall be issuable in denominations of \$1,000 and any integral multiple thereof;
- (j) inapplicable;
- (k) inapplicable;

- (l) inapplicable;
 - (m) inapplicable;
 - (n) inapplicable;
 - (o) inapplicable;
 - (p) inapplicable;
 - (q) the Bonds shall be non-transferable except to a successor Revenue Bond Trustee under the Revenue Bond Indenture; no service or other charge shall be made for any registration of transfer or exchange of the Bonds;
 - (r) inapplicable;
 - (s) inapplicable;
 - (t) inapplicable; and
 - (u)
 - (1) anything herein to the contrary notwithstanding, the obligation of the Company to make any payment of the principal of or interest on the Bonds shall be deemed to be satisfied and discharged to the extent of the corresponding payment (A) made by the Company to the Revenue Bond Trustee pursuant to the Agreement and/or (B) made with moneys on deposit in any fund or account maintained under such Revenue Bond Indenture for the payment of the principal of or interest on the Revenue Bonds;
 - (2) the Trustee may conclusively presume that the obligation of the Company to pay the principal of and interest on the Bonds as the same shall become due and payable shall have been fully satisfied and discharged unless and until it shall have received a written notice from the Revenue Bond Trustee, as Holder of such Bonds, signed by an authorized officer thereof, stating that the principal of and/or interest on such Bonds has become due and payable and has not been fully paid, and specifying the amount of funds required to make such payment;
 - (3) The Trustee may conclusively presume that all statements made in a Redemption Demand are true and correct and, unless advised to the contrary by the Revenue Bond Trustee in a written notice to the Trustee, that no redemption demanded in a Redemption Demand has been rescinded, and shall be entitled to receive, and to conclusively rely on, a written notice from the Revenue Bond Trustee as to the amount of interest accruing on the Bonds from time to time; and
 - (4) except as otherwise determined by the proper officers of the Company and established in one or more Officer's Certificates supplemental to this Officer's Certificate, the Bonds shall be substantially in the form of the Bond attached hereto as Exhibit A, which form is hereby authorized and approved, and shall have such further terms as are set forth in such form.
-

IN WITNESS WHEREOF, I have executed this Officer's Certificate this 25th day of August, 2016.

/s/ Daniel K. Arbough
Name: - Daniel K. Arbough
Title: Treasurer

ATTEST:

/s/ Gerald A. Reynolds
Name: Gerald A. Reynolds
Title: General Counsel, Chief Compliance
Officer and Corporate Secretary

[Signature Page to Officer's Certificate under Sections 201 and 301 of the Indenture]

THIS SECURITY IS NON-TRANSFERABLE EXCEPT TO A SUCCESSOR REVENUE BOND TRUSTEE UNDER THE REVENUE BOND INDENTURE SPECIFIED BELOW.

[FORM OF BOND]

No.

Principal Amount: \$

Stated Maturity:

Governmental Issuer: County of Carroll, Kentucky

Revenue Bonds: Pollution Control Revenue Refunding Bonds, 2016 Series A (Kentucky Utilities Company Project)

Revenue Bond Indenture: Indenture of Trust, dated as of August 1, 2016, between the Governmental Issuer and the Revenue Bond Trustee

Revenue Bond Trustee: , as trustee under the Revenue Bond Indenture

KENTUCKY UTILITIES COMPANY

FIRST MORTGAGE BOND, COLLATERAL SERIES 2016CCA

KENTUCKY UTILITIES COMPANY, a corporation duly organized and existing under the laws of the Commonwealths of Kentucky and Virginia, (herein referred to as the "Company," which term includes any Successor Corporation under the Indenture referred to below), for value received, hereby promises to pay to the Revenue Bond Trustee specified above, the principal sum of

MILLION (\$) Dollars

on the Stated Maturity specified above, and to pay interest from the Initial Interest Accrual Date (as defined below) on said principal sum at the rate from time to time borne by the Revenue Bonds specified above; provided, however, that if such Revenue Bonds shall bear interest at more than one rate, the rate of interest borne by this Security shall be such composite rate as shall produce the same dollar amount of accrued interest on this Security as is produced on such Revenue Bonds. No interest will accrue on the Securities with respect to the day on which the Securities mature.

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Date of Authentication:

THE BANK OF NEW YORK MELLON, as trustee

By: _____
Authorized Signatory

Interest on this Security will be computed on the same basis as interest on the Revenue Bonds specified above as provided in the Revenue Bond Indenture specified above.

Interest on the Securities of this series shall not commence to accrue unless and until:

- (1) the Securities of this series are to be mandatorily redeemed as contemplated below, or
- (2) all Securities Outstanding under the Indenture referred to below shall have become immediately due and payable pursuant to Section 1002 of the Original Indenture (as defined below),

and, in either such event, interest shall commence to accrue from the last date to which interest on the Revenue Bonds specified above shall have been paid in full (the "Initial Interest Accrual Date"), as specified by the Revenue Bond Trustee specified above in a written notice to the Trustee.

Payment of the principal of and premium, if any, and interest at Maturity on this Security shall be made upon presentation of this Security at the corporate trust office of The Bank of New York Mellon in New York, New York, or at such other office or agency as may be designated for such purpose by the Company from time to time, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, and payment of interest, if any, on this Security (other than interest payable at Maturity) shall be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

This Security is one of a duly authorized issue of Securities of the Company (herein called the "Securities"), issued and issuable in one or more series under an Indenture, dated as of October 1, 2010 (herein called the "Original Indenture" and, together with any amendments or supplements thereto and the Officer's Certificate establishing the terms of the Securities of this series, the "Indenture," which term shall have the meaning assigned to it in the Original Indenture), between the Company and The Bank of New York Mellon, as trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture, including Supplemental Indenture No. 5 thereto, for a statement of the property mortgaged, pledged and held in trust, the nature and extent of the security, the conditions upon which the lien of the Indenture may be released and the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. The acceptance of this Security by the Holder hereof shall be deemed to constitute the consent and agreement by such Holder to all of the terms and provisions of the Indenture. This Security is one of the series designated on the face hereof.

If the Revenue Bonds specified above shall have become immediately due and payable due to the occurrence and continuance of an Event of Default under the Revenue Bond Indenture specified above (which Event of Default shall have been caused by an event of default under the Agreement (as defined in the Revenue Bond Indenture specified above) between the Company and the Governmental Issuer specified above (the "Agreement") that has resulted in a default in payment of the principal of or premium, if any, or interest on such Revenue Bonds, or a default in a payment of purchase price with respect thereto) and if all Securities Outstanding under the Indenture shall not have become immediately due and payable following an Event of Default under the Indenture, the Bonds of this series shall be redeemed by the Company, in whole, at a redemption price equal to 100% of the principal amount thereof plus accrued interest from the Initial Interest Accrual Date to the date of redemption upon receipt by the Company and the Trustee of a written demand for such redemption (a "Redemption Demand") executed and delivered by the Revenue Bond Trustee specified above and stating (a) that such Revenue Bonds have become immediately due and payable due to the occurrence and continuance of an Event of Default under

such Revenue Bond Indenture, (b) that such Event of Default was caused by an event of default under the loan agreement between the Company and such Governmental Issuer that resulted in a default in payment of the principal of or premium, if any, or interest on such Revenue Bonds, or a default in a payment of purchase price with respect thereto, (c) that the redemption of the Bonds of this series is thereby demanded by such Revenue Bond Trustee and (d) the last date to which interest on such Revenue Bonds has been paid in full.

If an Event of Default with respect to the Securities of this series shall occur and be continuing, the principal of this Security may be declared due and payable in the manner and with the effect provided in the Indenture.

Anything herein to the contrary notwithstanding, the obligation of the Company to make any payment of the principal of or interest on the Bonds of this series shall be deemed to be satisfied and discharged to the extent of the corresponding payment (a) made by the Company to the Revenue Bond Trustee specified above pursuant to the Agreement and/or (b) made with moneys on deposit in any fund or account maintained under such Revenue Bond Indenture for the payment of the principal of or interest on the Revenue Bonds.

The Trustee may conclusively presume that the obligation of the Company to pay the principal of and interest on the Securities of this series as the same shall become due and payable shall have been fully satisfied and discharged unless and until it shall have received a written notice from the Revenue Bond Trustee specified above, signed by an authorized officer thereof, stating that the principal of and/or interest on the Securities of this series has become due and payable and has not been fully paid, and specifying the amount of funds required to make such payment.

The Trustee may conclusively presume that all statements made in a Redemption Demand are true and correct and, unless advised to the contrary by the Revenue Bond Trustee specified above in a written notice to the Trustee, that no redemption demanded in a Redemption Demand has been rescinded, and shall be entitled to receive, and to conclusively rely on, a written notice from such Revenue Bond Trustee as to the amount of interest accruing on the Securities of this series from time to time.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security upon compliance with certain conditions set forth in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of all series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of all series affected at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless (a) such Holder shall have previously given the Trustee written notice of a continuing Event of Default; (b) the Holders of 25% in aggregate principal

amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity; (c) the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the Outstanding Securities a direction inconsistent with such request; and (d) the Trustee shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

The Securities of this series are issuable only in registered form without coupons, and in denominations of \$1,000 and integral multiples thereof.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder hereof or its attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and of like tenor and aggregate principal amount, shall be issued to the designated transferee or transferees.

As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of the same series, of any authorized denominations, as requested by the Holder surrendering the same, and of like tenor upon surrender of the Security or Securities to be exchanged at the office or agency of the Company for such purpose.

No service or other charge shall be made for any such registration of transfer or exchange.

Anything herein to the contrary notwithstanding, this Security shall not be transferable except to a successor Revenue Bond Trustee under the Revenue Bond Indenture specified above.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the absolute owner hereof for all purposes (subject to Sections 305 and 307 of the Indenture), whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and this Security shall be governed by and construed in accordance with the laws of the State of New York (including, without limitation, Section 5-1401 of the New York General Obligations Law or any successor to such statute), except to the extent that the Trust Indenture Act shall be applicable and except to the extent that the law of any other jurisdiction shall mandatorily govern.

As used herein, "Business Day," means any day, other than a Saturday or Sunday, that is not a day on which banking institutions or trust companies in The City of New York, New York, or other city in which a paying agent for this Security is located, are generally authorized or required by law, regulation or executive order to remain closed. All other terms used in this Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

As provided in the Indenture, no recourse shall be had for the payment of the principal of or premium, if any, or interest on any Securities, or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under the Indenture, against, and no personal liability whatsoever shall attach to, or be incurred by, any incorporator, stockholder, member, officer or director, as such, past, present or future of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Securities are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of the Securities.

Unless the certificate of authentication hereon has been executed by the Trustee referred to herein by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Date of Security:

KENTUCKY UTILITIES COMPANY

By:

Name:

Title:

Name:

Title:

A-5

ASSIGNMENT FORM

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

[please insert social security or other identifying number of assignee]

[please print or typewrite name and address of assignee]

the within Security of KENTUCKY UTILITIES COMPANY and does hereby irrevocably constitute and appoint _____, Attorney, to transfer said Security on the books of the within-mentioned Company, with full power of substitution in the premises.

Dated:

[signature of registered holder]

Notice: The signature to this assignment must correspond with the name as written upon the face of the Security in every particular without alteration or enlargement or any change whatsoever.

A-6