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Elizabeth O'Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602

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OCT 27 2006

**PUBLIC SERVICE
COMMISSION**

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

October 27, 2006

Kent W. Blake
Director
T 502-627-2573
F 502-217-2442
kent.blake@eon-us.com

**Re: The Application of Kentucky Utilities Company for an Order
Authorizing the Issuance of Securities and the Assumption of
Obligations – Case No. 2006-00390**

Dear Ms. O'Donnell:

Enclosed please find an original and five (5) copies of the Response of Kentucky Utilities Company to Appendix A of the Commission Staff's Order dated October 19, 2006 in the above-referenced docket.

Should you have any questions concerning the enclosed, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Kent Blake". The signature is written in a cursive, flowing style.

Kent Blake

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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OCT 27 2006

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ORDER AUTHORIZING)
THE ISSUANCE OF SECURITIES AND THE) CASE NO. 2006-00390
ASSUMPTION OF OBLIGATIONS)

RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
APPENDIX A OF COMMISSION STAFF'S ORDER
DATED OCTOBER 19, 2006

FILED: OCTOBER 27, 2006

KENTUCKY UTILITIES COMPANY

CASE NO. 2006-00390

**Response to Appendix A of Commission Staff's Order
Dated October 19, 2006**

Question No. 1

Witness: Daniel K. Arbough, Director, Corporate Finance and Treasurer

Q-1. Refer to KU's application, Exhibit 7, pages 2 and 3 of 9. Explain which debt comprises the \$87.1 million of non-insured floating rate debt referenced in the application at page 10.

A-1. The \$87.1 million of non-insured floating rate debt is comprised of the following bonds:

Pollution Control Series 10	\$54.0 million
Pollution Control Series 12	\$20.9 million
Pollution Control Series 13	\$ 2.4 million
Pollution Control Series 14	\$ 2.4 million
Pollution Control Series 15	<u>\$ 7.4 million</u>
Total	\$87.1 million

KENTUCKY UTILITIES COMPANY

CASE NO. 2006-00390

**Response to Appendix A of Commission Staff's Order
Dated October 19, 2006**

Question No. 2

Witness: Daniel K. Arbough, Director, Corporate Finance and Treasurer

- Q-2. For each note listed in KU's application, Exhibit 7, page 3 of 3, paragraph 6, explain why the interest rate would not have been lower if either: (a) the note had been secured by a first mortgage lien on KU's property; or (b) KU had issued a bond secured by a first mortgage lien in lieu of the note.
- A-2. The first note listed in Exhibit 7 is the short-term money pool debt of the Company. KU is not authorized to use secured debt for short-term loan, and its short-term debt instruments have never been secured. In addition, internal corporate treasury and legal resources and external short-term capital markets are not structured for such type of debt. The process would be very cumbersome due to the issuance limitations contained in the indenture which require a legal opinion and voluminous documentation to be delivered with each new borrowing. The use of secured debt as a form of indebtedness is not suitable for the daily changes in working capital needs for which the money pool is used and therefore is not comparable for purposes of the requested information with the other types of notes listed in Exhibit 7 at page 3 of 3.

For the remainder of the notes, the rate was determined using the Best Rate Method wherein the rate was set using the lower of:

a) the average of three quotes obtained by E.ON AG from international investment banks for an unsecured bond issued by E.ON for the applicable term of the loan, or

b) the lowest of three quotes obtained by the Company from international investment banks for a secured bond issued by the Company with the applicable term of the loan.

There would be no difference in the interest rate on a note verses bond if each is secured by a first mortgage lien. Thus, utilizing the Best Rate Method has ensured that the Company has paid no more for the loans than it would have if it had issued either a) a note secured by a first mortgage lien on KU's property, or b) a bond secured by a first mortgage lien.

In addition, the use of intercompany loans from Fidelia has allowed the company to avoid significant legal costs associated with bond documentation required by capital market participants. Based on an estimated average cost of \$200,000 in legal expenses per issuance, the savings total nearly \$1.5 million.

For these reasons, the interest rate for each note listed in KU's application, Exhibit 7, page 3 of 3, paragraph 6, would not have been lower if either: the note had been secured by a first mortgage lien on KU's property; or KU had issued a bond secured by a first mortgage lien in lieu of the note.

KENTUCKY UTILITIES COMPANY

CASE NO. 2006-00390

**Response to Appendix A of Commission Staff's Order
Dated October 19, 2006**

Question No. 3

Witness: Daniel K. Arbough, Director, Corporate Finance and Treasurer

Q-3. Refer to KU's application, Exhibit 5, page 1. For each line, beginning November 1, 2007 through August 1, 2028, explain the derivation of the figure shown in the column labeled "net periodic (cost) or savings."

A-3. Net Periodic (Cost) or Savings

The calculation of the "Net Periodic (Cost) or Savings" column is the sum of the numbers in the columns labeled "Increase in Interest Charges and Ins Premium", "Interest Savings due to Maturity Extension", "Administrative Savings", "Underwriting, Defeasance and Issue Expenses", and "Taxes".

Increase in Interest Charges and Ins Premium

The calculation of the amount shown in the "Increase in Interest Charges and Ins Premium" column is shown on page 2 of Exhibit 5 as shown below:

Increased Interest Rate on Uninsured Bonds	0.10%
Times the Amount of Uninsured Bonds	<u>x \$87,130,000</u>
Total	\$87,130

Plus

Insurance Premium Increase	0.07%
times the Amount of Insurance with Variable Premium	<u>x \$96,000,000</u>
Total	\$67,200

The final entry in this column was pro-rated for a partial year (9 months) and was calculated as $\$154,330 \times 9/12 = \$115,853$.

Interest Savings due to Maturity Extension

The calculation of the amount shown in the "Interest Savings due to Maturity Extension" column is also based on the assumptions shown on page 2 of Exhibit 5. The expected savings of floating rate tax-exempt bonds as compared to floating rate taxable bonds is 1.31% and the principal amount of the bond being extended under the proposal is \$54 million. The product of these two numbers is

\$707,400. Once again, the final entry was pro-rated for the partial year.
 $\$707,400 \times 9/12 = \$530,550$.

Administrative Savings

The estimates of administrative savings were developed internally based on actual charges incurred in recent years. The breakdown of the estimated savings follows:

External legal counsel (SEC filings)	\$30,000
External legal counsel (State UCC filings)	\$7,500
First Mortgage Bond trustee fees	\$41,000
Financial printer costs (10-K)	\$14,000
External auditor fee for SEC filings	\$25,000
Internal accounting department costs	\$100,000
External auditor fee – Sarbanes Oxley	<u>\$50,000</u>
Total	\$267,500

An inflation rate of 3% was applied to this total each year. The final year was pro-rated for the 9 month period.

Underwriting, Defeasance and Issue Expenses

The Underwriting, Defeasance and Issue Expenses are detailed on page 2 of Exhibit 5.

The Underwriting Cost is expected to be $0.35\% \times \$54,000,000 = \$189,000$.

The Defeasance Cost of \$100,000 is comprised of estimated trustee and legal fees of \$12,000 and additional interest of \$88,000. The Company would deposit sufficient funds to satisfy future interest payments and principal repayment and direct the Trustee to invest the deposit in Treasury obligations for the remaining period until maturity. The additional interest is the present value of the difference the Company would pay to borrow the debt defeasance amount less the amount of interest the deposit will earn until the maturity date on May 15.

The Issuance Expenses totaling \$312,194 are detailed on page 2 of Exhibit 5. They include costs for legal counsel, rating agency fees, printing, external auditor fees and trustee fees.

Taxes

Taxes are calculated at a rate of 40.3625% of the total of the first four columns of the exhibit. For example, the 2007 number is calculated as illustrated below:

$$[(\$154,330) + (23,043) + 267,500] \times (0.403625) = (36,378).$$

Additional Debt Expense Amortization

The amounts listed in the column entitled “Additional Debt Expense Amortization” are used in determining the tax liability/(savings), but are non-cash items. Consequently, they are not included in the summation of cash flows under the heading “Net Periodic (Cost) or Savings”. The annual amount of debt expense amortization is calculated by taking the sum of the underwriting fees of \$189,000 plus the issuance cost of \$312,194 and dividing that sum by the number of months the bonds will be outstanding (261). This results in a monthly number which is annualized by multiplying by 12.

$$[\$189,000 + \$312,194] / 261 \times 12 = \$23,043$$

Once again, in the final year the amount is prorated for 9 months.

KENTUCKY UTILITIES COMPANY

CASE NO. 2006-00390

**Response to Appendix A of Commission Staff's Order
Dated October 19, 2006**

Question No. 4

Witness: Daniel K. Arbough, Director, Corporate Finance and Treasurer

- Q-4. Does there currently exist a draft copy of the bond documents for the proposed \$54 million of pollution control refunding bonds? If yes, provide copies.
- A-4. Yes. Copies of the draft versions of a Loan Agreement between Carroll County and KU, and an Indenture of Trust with Carroll County as Trustor are attached.

**LOAN AGREEMENT
BETWEEN
CARROLL COUNTY AND KU**

COUNTY OF CARROLL, KENTUCKY

AND

KENTUCKY UTILITIES COMPANY

A Kentucky and Virginia Corporation

* * * * *

LOAN AGREEMENT IN CONNECTION
WITH ENVIRONMENTAL FACILITIES

* * * * *

Dated as _____, 2006

* * * * *

NOTICE: The interest of the County of Carroll, Kentucky, in and to this Loan Agreement has been assigned to _____, as Trustee, under the Indenture of Trust dated as of _____, 2006

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EXHIBIT A - DESCRIPTION OF PROJECT

LOAN AGREEMENT IN CONNECTION
WITH ENVIRONMENTAL FACILITIES

This LOAN AGREEMENT, dated as of _____, 2006, by and between the COUNTY OF CARROLL, KENTUCKY, a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and KENTUCKY UTILITIES COMPANY, a corporation organized and existing under the laws of Kentucky and Virginia;

W I T N E S S E T H:

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

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

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

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

WHEREAS, Kentucky Utilities Company, a Kentucky and Virginia corporation ("Company"), has heretofore, by the issuance of the Refunded 1994 Series A Bonds, hereinafter defined, financed all or a portion of the qualified costs of acquisition, construction, installation and equipping of certain solid waste disposal facilities to serve the Ghent Generating Station of Company, which facilities constitute the 1994 Project, as defined in the Indenture and as described in Exhibit A hereto (the "1994 Project"), which 1994 Project is located within the corporate boundaries of Issuer and consists of certain solid waste disposal facilities and which 1994 Project qualifies for financing within the meaning of the Act; and

WHEREAS, the 1994 Project has been completed and placed in operation and has contributed and does contribute to the collection, storage, treatment, processing and final disposal of solid wastes in the Commonwealth of Kentucky; and

WHEREAS, under date of November 23, 1994, the Issuer, at the request of the Company, issued its "County of Carroll, Kentucky, Collateralized Solid Waste Disposal Facilities Revenue Bonds (Kentucky Utilities Company Project) 1994 Series A", dated November 23, 1994, of which \$54,000,000 principal amount of such bonds remains outstanding and unpaid (the "Refunded 1994 Series A Bonds"), such Refunded 1994 Series A Bonds having been issued to finance a portion of the Cost of Construction of the 1994 Project, hereinafter described; and in connection with the issuance of the Refunded 1994 Series A Bonds, the right was reserved to Issuer, upon direction by Company, to redeem the Refunded 1994 Series A Bonds in advance of their scheduled maturity; and the Refunded 1994 Series A Bonds are by their terms currently subject to redemption at the option of the Issuer in whole or in part on any date, at the price of 102% of the principal amount thereof and accrued interest to the date of redemption, as provided in the hereinafter defined 1994 Series A Indenture; and the immediate redemption and discharge of the Refunded 1994 Series A Bonds will result in benefits to the general public and the Company and should be carried out forthwith in the public interest by the issuance by the Issuer of the 2006 Series B Bonds, hereinafter defined, and the application of the proceeds of the 2006 Series B Bonds, together with funds to be provided by Company, for the refunding, payment and discharge of the Refunded 1994 Series A Bonds on or prior to the 90th day after the date of issuance of the 2006 Series B Bonds; and

WHEREAS, in respect of the Refunded 1994 Series A Bonds, Issuer entered into a certain Indenture of Trust dated as of November 1, 1994 (the "1994 Series A Indenture"), with Bank One, Lexington, N.A. (now known as JPMorgan Chase Bank, N.A.), as Trustee, Paying Agent and Bond Registrar (the "Prior Trustee"), and it is provided in ARTICLE VIII of the 1994 Series A Indenture that the Refunded 1994 Series A Bonds, or any of them, shall be deemed to have been paid within the meaning of such 1994 Series A Indenture when there shall have been irrevocably deposited with the Prior Trustee, in trust, either cash or Governmental Obligations, as defined in the 1994 Series A Indenture, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal and the applicable redemption premium, if any, on the Refunded 1994 Series A Bonds plus interest thereon to the date of payment and discharge thereof (whether at maturity or upon redemption or otherwise), plus sufficient moneys to pay all necessary and proper fees, compensation and expenses of the Prior Trustee, authenticating agent, bond registrar and any paying agent; together with irrevocable instructions to call and redeem the Refunded 1994 Series A Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Fiscal Court of Issuer on October 24, 2006, and in furtherance of the purposes of the Act, Issuer proposes to issue, sell and deliver a series of its bonds in fully registered form which will be designated "County of Carroll, Kentucky, Environmental Facilities Revenue Bonds, 2006 Series B (Kentucky Utilities Company Project)" (the "2006 Series B Bonds"), the proceeds of which will be lent to Company to cause the outstanding principal amount of the Refunded 1994 Series A Bonds to be refunded, paid and discharged in full on or prior to the 90th day after the date of issuance of the 2006 Series B Bonds; and

WHEREAS, the 2006 Series B Bonds are to be issued under and pursuant to and are secured by an Indenture of Trust by and between Issuer and _____, as trustee thereunder, dated as of _____, 2006 (the "Indenture"); and

WHEREAS, Issuer proposes to lend to Company and Company desires to borrow from Issuer the proceeds from the sale of the 2006 Series B Bonds to cause the outstanding principal amount of the Refunded 1994 Series A Bonds to be refunded, paid and discharged on or prior to the 90th day after the date of issuance of the 2006 Series B Bonds;

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

ARTICLE I

DEFINITIONS

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

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

“Act”
“Agreement”
“Authorized Denomination”
“Bond Counsel”
“Bond Insurer”
“Bond Fund”
“Bond Year”
“Business Day”
“Code”
“Company”
“Company Bonds”
“Company Representative”
“Cost of Construction”
“Cumulative Excess Earnings”
“Excess Earnings”
“Governmental Obligations”
“Indenture”
“Initial Broker-Dealer”
“Interest Payment Date”
“Issuer”
“Issuer Representative”
“Loan”
“Net Proceeds”
“No Auction Rate”
“Paying Agent”

“Permitted Investments”
“Plans and Specifications”
“Pollution Control Facilities”
“Prevailing Rating”
“1994 Project”
“Project Site”
”Purchase Date”
“Purchase Fund”
“Rating Service”
“Rebate Fund”
“Redemption Date”
“Refunded 1994 Series A Bonds”
“2006 Series B Bonds”
“1994 Series A Indenture
”Solid Waste Disposal Facilities”
“Tender Agent”
“Trustee”

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

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

- (1) liabilities for indebtedness, including short-term debt, long-term debt and current maturities of long-term debt; and
- (2) common stock, preferred stock, capital surplus, premium on capital stock, capital in excess of par value and retained earnings (however the foregoing may be designated), less to the extent not otherwise deducted, the cost of shares of capital stock of the Company held in its treasury.

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

“Debt” shall mean any outstanding debt for money borrowed.

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

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

- (1) intangible assets including, but without limitation, such items as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset on said balance sheet; and
- (2) appropriate adjustments, if any, on account of minority interests.

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

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

“Prior Bond Fund” means the “County of Carroll, Kentucky, Collateralized Solid Waste Disposal Facilities Revenue Bond Fund (Kentucky Utilities Company Project) 1994 Series A” created by the 1994 Series A Indenture.

“Prior Trustee” means Bank One, Lexington, N.A. (now known as JPMorgan Chase Bank, N.A.), acting as trustee in respect of the Refunded 1994 Series A Bonds.

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

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

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

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

(a) Issuer is a public body corporate and politic duly created and existing as a county and de jure political subdivision under the Constitution and laws of the Commonwealth of Kentucky and, pursuant to the Act, Issuer has the power and duty to issue the 2006 Series B Bonds, to enter into this Agreement and the Indenture and the transactions contemplated hereby and to carry out its obligations hereunder and thereunder. Issuer is not in default under or in violation of the Constitution or any of the laws of the Commonwealth of Kentucky relevant to the issuance of the 2006 Series B Bonds or the consummation of the transactions contemplated hereby or in connection with such issuance, and has been duly authorized to issue the 2006 Series B Bonds and to execute and deliver this Agreement and the Indenture. Issuer agrees that it will do or cause to be done in timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement.

(b) Issuer agrees to loan funds derived from the sale of the 2006 Series B Bonds to Company to provide for the refunding, payment and discharge of the outstanding principal amount of the Refunded 1994 Series A Bonds, to the end that solid wastes be collected, stored, neutralized and abated in the Commonwealth.

(c) To accomplish the foregoing, Issuer agrees to issue \$54,000,000 aggregate principal amount of its 2006 Series B Bonds following the execution of this Agreement on such terms and conditions as are set forth in the Indenture. The proceeds from the sale of the 2006 Series B Bonds shall be applied exclusively and in whole to refund, pay and discharge the outstanding principal amount of the Refunded 1994 Series A Bonds on or prior to the 90th day after the date of issuance of the 2006 Series B Bonds.

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

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

(f) Ordinance No. 2006-_____ of the Fiscal Court of the Issuer adopted on second reading on October 24, 2006 has been in continuous effect since the date of adoption thereof.

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

(a) Company (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealths of Kentucky and Virginia, (ii) is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business and (iii) is not in violation of any provision of its Articles of Incorporation, its By-Laws or any laws of the Commonwealths of Kentucky and Virginia relevant to the transactions contemplated hereby or in connection with the issuance of the 2006 Series B Bonds.

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

(c) The 1994 Project currently refinanced by application of the proceeds of the Refunded 1994 Series A Bonds was designed and constructed to collect, store, treat, process and dispose of solid wastes at the Project Site. The 1994 Project was and is necessary for the public health and welfare, and has been designed for the purposes of solid waste collection, storage, treatment, processing and final disposal of solid wastes, consisting of contaminated scrubber sludge solid wastes created by operation of desulphurization facilities at the Project Site. The 1994 Project constitutes solid waste disposal facilities and facilities functionally related and subordinate to such facilities under Section 142(a)(6) of the Code and the Act. The Company has determined and represents that at least 65%, measured by weight or volume of all material introduced into the facilities constituting the 1994 Project has consisted of and will consist entirely of contaminated gypsum sludge wastes, and will be material that was, beginning on the date of service of the 1994 Project (_____, 19____) and has been, at all times

subsequent, solid waste which has been and is, useless, unwanted or discarded solid waste material, which is such state has no market or other value at the place where it is located, in the sludge disposal ponds and landfills adjacent to the Ghent Generating Plant.

(d) All of the proceeds of the 2006 Series B Bonds, exclusive of accrued interest, if any, shall be used on or prior to the 90th day after the date of issuance of the 2006 Series B Bonds exclusively and only to redeem, pay and discharge the principal of the Refunded 1994 Series A Bonds, not less than substantially all of the net proceeds of the Refunded 1994 Series A Bonds (i.e., at least 95% of the net proceeds thereof, including investment income thereon) were used to finance the Cost of Construction of solid waste disposal facilities, together with facilities functionally related and subordinate to such facilities, and all of such solid waste disposal facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section 167 of the Code.

(e) The 1994 Project is of the type authorized and permitted by the Act, and the Cost of Construction of the 1994 Project was not less than \$54,000,000.

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

(g) Company intends to continue to operate or cause the 1994 Project to be operated as Solid Waste Disposal Facilities until all of the 2006 Series B Bonds are paid and discharged.

(h) No portion of the proceeds of 2006 Series B Bonds will be invested at a yield in excess of the yield on the 2006 Series B Bonds except (i) during any permitted temporary period provided by the Code, (ii) proceeds of a reasonably required reserve or replacement fund and (iii) as part of a minor portion of the proceeds of the 2006 Series B Bonds, not in excess of the lesser of 5% of the proceeds of the 2006 Series B Bonds or \$100,000. As used herein, "yield" shall have the meaning assigned to it for purposes of Section 148 of the Code and applicable tax regulations.

(i) No portion of the proceeds from the sale of the 2006 Series B Bonds will be deposited to the account of any reasonably required reserve or replacement fund or used to pay (i) any costs of issuance of the 2006 Series B Bonds or (ii) any redemption premium or accrued interest on the Refunded 1994 Series A Bonds, but such proceeds will be applied and used solely

and exclusively to refund, pay and discharge the outstanding principal amount of the Refunded 1994 Series A Bonds on or prior to the 90th day after the issuance of the 2006 Series B Bonds.

(j) Company will provide any additional moneys, including investment proceeds of the 2006 Series B Bonds, required for the payment and discharge of the Refunded 1994 Series A Bonds, payment of redemption premium, if any, and accrued interest in respect thereto and payment of all underwriting discount and costs of issuance of the 2006 Series B Bonds. Any investment proceeds of the 2006 Series B Bonds shall be used exclusively to pay interest or redemption premium due, if any, on the Refunded 1994 Series A Bonds on the Redemption Date.

(k) Company will cause no investment of 2006 Series B Bond proceeds to be made and will make no other use of or omit to take any action with respect to the proceeds of the 2006 Series B Bonds or any funds reasonably expected to be used to pay the 2006 Series B Bonds which will cause the 2006 Series B Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or would otherwise result in the loss or impairment of the exclusion of the interest on such 2006 Series B Bonds from gross income for federal income tax purposes.

(l) The average maturity of the 2006 Series B Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life (as of the date of issuance of the 2006 Series B Bonds) of the Solid Waste Disposal Facilities refinanced by the proceeds of the 2006 Series B Bonds.

(m) Company will provide all information requested by the Issuer necessary to evidence compliance with the requirements of the Code, including the information in United States Internal Revenue Service Form 8038 filed by Issuer with respect to the 2006 Series B Bonds and the Solid Waste Disposal Facilities constituting the 1994 Project, and such information will be true and correct in all material respects.

(n) Within the meaning of Section 149 of the Code, no portion of the payment of the principal or interest on the 2006 Series B Bonds or the Refunded 1994 Series A 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 1994 Series A Bonds have been fully expended and the 1994 Project has been completed and placed in service. All of the actual Cost of Construction of the 1994 Project represents amounts paid or incurred which were chargeable to the capital account of the 1994 Project or would be so chargeable either with a proper election by the Company or but for a proper election by the Company to deduct such amounts. Substantially all (i.e. at least 95%) of the net proceeds of the sale of the Refunded 1994 Series A Bonds (including investment income therefrom), were used to finance Cost of Construction of the 1994 Project as described above, pay costs and expenses of issuing the Refunded 1994 Series A Bonds, within then applicable Code limits, and pay interest and carrying charges on the Refunded 1994 Series A Bonds during the period of construction of the 1994 Project and prior to its in-service date.

(p) All of the depreciable properties which were taken into account in determining the qualifying costs of the 1994 Project constitute properties either (i) used for the collection, storage, treatment, processing or final disposal of solid wastes or (ii) facilities which are functionally related and subordinate to such facilities constituting the 1994 Project. All of such functionally related and subordinate facilities are of a size and character commensurate with the character and size of the solid waste disposal facilities constituting the 1994 Project.

(q) Within the meaning of Section 147(e) of the Code, no portion of the proceeds of the 2006 Series B Bonds shall be used to provide any airplane, skybox or other private luxury box, any health club facility, any facilities used primarily for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off the premises.

(r) The costs of the issuance of the 2006 Series B Bonds paid from the proceeds of the 2006 Series B Bonds, if any, shall not exceed 2% of the proceeds of the 2006 Series B Bonds to the public (less accrued interest).

(s) Less than twenty-five percent (25%) of the net proceeds of the Refunded 1994 Series A Bonds were used directly or indirectly to acquire land or any interest therein and no portion of such land, if acquired, was or is to be used for farming purposes. No portion of the proceeds of the Refunded 1994 Series A Bonds was used to acquire existing property or any interest therein with respect to which the Company was not the first user for federal income tax purposes.

(t) No portion of the proceeds of the 2006 Series B Bonds will be deposited to the account of any reserve or replacement fund.

(u) The Refunded 1994 Series A Bonds were issued on December 22, 1994.

(v) No construction, reconstruction or acquisition of the 1994 Project was commenced prior to the taking of official action by the Issuer with respect thereto except for preparation of plans and specifications and other preliminary engineering work.

(w) Acquisition, construction and installation of the 1994 Project has been accomplished and the 1994 Project is being utilized substantially in accordance with the purposes of the 1994 Project and in conformity with all applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, which permits, variances and orders have not been withdrawn or otherwise suspended, and consistently with the Act.

(x) The Company has used, is currently using and presently intends to use or operate the 1994 Project in a manner consistent with the purposes of the 1994 Project and the Act until the date on which the 2006 Series B Bonds have been fully paid and knows of no reason why the 1994 Project will not be so operated

(y) The proceeds derived from the sale of the 2006 Series B Bonds (other than any accrued interest thereon) will be used exclusively and solely to refund the principal of the Refunded 1994 Series A Bonds. The principal amount of the 2006 Series B Bonds does not exceed the principal amount of the Refunded 1994 Series A Bonds. The redemption of the

outstanding principal amount of the Refunded 1994 Series A Bonds with such proceeds of the 2006 Series B Bonds will occur not later than 90 days after the date of issuance of the 2006 Series B Bonds. Any earnings derived from the investment of such proceeds of the 2006 Series B Bonds will be fully needed and used on such redemption date to pay a portion of the interest accrued and payable on the Refunded 1994 Series A Bonds on such date.

(z) Company reasonably expects that (i) all of the spendable proceeds of the 2006 Series B Bonds will be used for the governmental purpose of the issue within three years from date of issuance of such 2006 Series B Bonds and (ii) none of the proceeds of such 2006 Series B Bonds will be invested in nonpurpose obligations having a substantially guaranteed yield for three years or more.

(aa) The Company will cause the Issuer to comply in all respects with the requirements of Section 148 of the Code in respect of the rebate of Excess Earnings with respect to the 2006 Series B Bonds to the United States of America.

(bb) Upon the date of issuance of the 2006 Series B Bonds, the Company will have caused the Issuer to comply with the public approval requirements of Section 147 of the Code and at or following the issuance of the 2006 Series B Bonds the Company will cause the Issuer to comply with the information reporting requirements of Section 149 of the Code by the filing of Internal Revenue Service Form 8038 with the United States Internal Revenue Service.

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

(dd) The solid waste which is collected, stored, treated, processed and disposed of by the 1994 Project is and will be useless, unused and unwanted and constitute discarded solid waste materials which have no market or other value at the place where it is located. To the best knowledge of the Company, no person is or would be willing to purchase such solid waste material in its condition when disposed of in waste pits at any price. Such solid waste, being sludge created by sulphur dioxide removal facilities at the Ghent Generating Station of the Company will be disposed of by placing such SO₂ scrubber sludge into solid waste landfills, as required by law.

(ee) It is not anticipated, as of the date hereof, that there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2006 Series B Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

(ff) On the date of issuance and delivery of the Refunded 1994 Series A Bonds, the Company reasonably expected that all of the proceeds of the Refunded 1994 Series A Bonds would be used to carry out the governmental purposes of such issue within the 3-year period

beginning on the date such issue was issued and none of the proceeds of such issue, if any, was invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

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

Company need not comply with the covenants or representations in this Section if and to the extent that Issuer and Company receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2006 Series A Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE III

COMPLETION AND OWNERSHIP OF 1994 PROJECT

Section 3.1. Completion and Equipping of 1994 Project. Company represents that:

(a) it has previously caused the 1994 Project to be constructed as herein provided on the Project Site in accordance with the Plans and Specifications.

(b) the 1994 Project was completed as previously evidenced by the filing of a completion certificate by the Company with the Prior Trustee in respect of the Refunded 1994 Series A Bonds.

Section 3.2. Agreement as to Ownership of 1994 Project. Issuer and Company agree that title to and ownership of the 1994 Project shall remain in and be the sole property of Company in which Issuer shall have no interest. Notwithstanding any other provision hereof, the Company shall be permitted to sell or otherwise dispose of all or any portion of the 1994 Project, provided that the Company first receives the opinion of Bond Counsel that such sale or disposition shall not adversely affect the exclusion of the interest on the 2006 Series B Bonds from gross income for federal income tax purposes and provided further that in the event of any assignment, in whole or in part, of this Agreement, such assignment shall be in accordance with Section 8.1 hereof.

Section 3.3. Use of 1994 Project. Issuer does hereby covenant and agree that it will not take any action during the term of this Agreement, other than pursuant to ARTICLE IX of this Agreement or ARTICLE IX of the Indenture, to interfere with Company's ownership of the 1994 Project or to prevent Company from having possession, custody, use and enjoyment of the 1994 Project.

Section 3.4. Financing of Additional Solid Waste Disposal Facilities. Company and Issuer hereby recognize that additional Solid Waste Disposal Facilities at the Project Site (other than those Solid Waste Disposal Facilities which constitute the 1994 Project) have in the past been and may in the future be acquired, constructed, installed and equipped at the Project Site, and that same may be financed with proceeds of one or more series of Issuer's solid waste disposal facility revenue bonds issued in addition to the 2006 Series B Bonds issued pursuant to the Indenture, to the extent permitted by law.

ARTICLE IV

ISSUANCE OF 2006 SERIES B BONDS; APPLICATION OF PROCEEDS

Section 4.1. Agreement to Issue 2006 Series B Bonds; Application of 2006 Series B Bond Proceeds. In order to provide funds to make the Loan, Issuer will issue, sell and deliver the 2006 Series B Bonds to the initial purchasers thereof and deposit the proceeds thereof with Trustee, as follows:

(a) Into the Bond Fund, a sum equal to the accrued interest, if any, to be paid by the initial purchasers of the 2006 Series B Bonds.

(b) Into the Prior Bond Fund held by the Prior Trustee, for the benefit of and payment of the Refunded 1994 Series A Bonds, an amount not less than all of the balance of all such proceeds, being the principal amount of the 2006 Series B Bonds.

Section 4.2. Payment and Discharge of Refunded 1994 Series A Bonds. Company covenants and agrees with Issuer that it will, upon the date of issuance of the 2006 Series B Bonds, give irrevocable instructions to the Prior Trustee to call and redeem the Refunded 1994 Series A Bonds in accordance with their terms and will simultaneously deposit into the Prior Bond Fund cash or direct United States obligations ("Governmental Obligations") sufficient on the date of issuance of the 2006 Series B Bonds, to fully defease and discharge the Refunded 1994 Series A Bonds on such date in accordance with ARTICLE VIII of the 1994 Series A Indenture, without reference to any interest earnings to be accrued during the period from the date of issuance of the 2006 Series B Bonds to the redemption date of the Refunded 1994 Series A Bonds. Such matters shall be confirmed by issuance of an appropriate written certificate of the Prior Trustee confirming defeasance and full discharge of the Refunded 1994 Series A Bonds upon the date of issuance of the 2006 Series B Bonds. Such irrevocable instructions, deposit of sufficient cash and Governmental Obligations and issuance by the Prior Trustee of a certificate of defeasance and discharge is a condition precedent to the issuance of the 2006 Series B Bonds.

Section 4.3. Investment of Bond Fund and Rebate Fund Moneys. Subject to the provisions of Section 148 of the Code, any moneys held as a part of the Bond Fund or the Rebate Fund, shall be invested or reinvested by Trustee, at the written request of and as specifically directed by Company, in one or more of the Permitted Investments. The Trustee may make any and all such investments through its own investment department.

Any such investments shall be held by or under the control of Trustee. All moneys invested shall be deemed at all times a part of the fund for which such investments were made. The interest accruing thereon and any profit realized from such investments shall be credited pro rata to such fund, and any loss resulting from such investments shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2006 Series B Bonds or any other amount payable from the Bond Fund when due or upon any required disbursement from the Rebate Fund, respectively. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment) or any fee, tax or other charge in respect of any investments, reinvestments or any liquidation of

investments made pursuant to this Agreement or the Indenture. The Rebate Fund shall never be commingled with any other fund or account.

Section 4.4. Special Arbitrage Certifications.

(a) Company covenants and agrees that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken which results or would result in interest paid on any of the 2006 Series B Bonds being included in gross income of any owner thereof for purposes of federal income taxation (other than an owner who is a "substantial user" of the 1994 Project or a "related person" within the meaning of Section 147(a) of the Code) or adversely affects the validity of the 2006 Series B Bonds.

(b) Company warrants, represents and certifies to Issuer that the proceeds of the 2006 Series B Bonds will not be used in any manner that would cause the 2006 Series B Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 and other applicable sections of the Code. To the best knowledge and belief of Company, there are no facts, estimates or circumstances that would materially change the foregoing conclusion.

(c) Company hereby covenants that it will at all times comply and cause Issuer to comply with the provisions of Section 148 and other applicable sections of the Code and will restrict the use of the proceeds of the 2006 Series B Bonds, in such manner and to such extent, if any, as may be necessary, and remit Excess Earnings with respect to all of the 2006 Series B Bonds, if any, to the United States of America pursuant to Section 148(f)(2) of the Code and carry out such actions so that the 2006 Series B Bonds will not constitute "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code. An officer or officers of Issuer having responsibility with respect to the issuance of the 2006 Series B Bonds is or are hereby authorized and directed to give an appropriate certificate of Issuer, for inclusion in the transcript of proceedings for the 2006 Series B Bonds, setting forth the reasonable expectations of Issuer regarding the amount and use of the proceeds of the 2006 Series B Bonds and the facts, estimates and circumstances on which they are based and related matters, all as of the date of delivery of and payment for the 2006 Series B Bonds pursuant to said Section 148 of the Code. Company shall provide the Issuer, and Issuer's certificate may be expressly based on, a certificate of Company setting forth the facts, estimates and circumstances and reasonable expectations of Company on the date of delivery of and payment for the 2006 Series B Bonds regarding the amount and use of the proceeds of the 2006 Series B Bonds and related matters. In the event any such representation of Company relied upon by the Issuer is untrue or inaccurate and Issuer thereby suffers costs or damages, Company shall indemnify Issuer for any such costs or damages.

(d) Consistent with the foregoing, Company covenants and certifies to the Issuer and to and for the benefit of the purchasers of the 2006 Series B Bonds, that no use will be made of the proceeds of the sale of the 2006 Series B Bonds which would cause the 2006 Series B Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and that Company and Issuer will, after issuance of the 2006 Series B Bonds, comply with the provisions of the Code at all times, including after the 2006 Series B Bonds are discharged, to the extent Excess Earnings with respect to the 2006 Series B Bonds are required to be rebated to the United States of America pursuant to Section 148(f)(2) of the Code. Pursuant to such

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

(e) Company warrants, represents and certifies to Issuer that the proceeds of the Refunded 1994 Series A Bonds were applied and invested in compliance with the current requirements of Section 149(g) of the Code and that consequently the 2006 Series B Bonds will not be "hedge bonds" under such Section 149(g) of the Code.

(f) Company hereby covenants and agrees that it will at all times comply with the provisions of Section 148, including Section 148(f) of the Code and with Section 6.06 of the Indenture. Specifically, Company shall carry out, do and perform all acts stipulated to be performed by Company pursuant to such Section 6.06 of the Indenture. Company shall further undertake to assure and cause rebate payments to be calculated and made to the United States of America in accordance with Section 148(f)(2) of the Code from moneys on deposit in the Rebate Fund from time to time after the end of each Computation Period, as defined in the Indenture, and following discharge of the 2006 Series B Bonds. Company also covenants to take all necessary acts and steps as required to cause Issuer to comply with the provisions of Sections 7.02 and 7.03 of the Indenture.

Section 4.5. Opinion of Bond Counsel. Company need not comply with the covenants or representations in Section 4.4 if and to the extent that Issuer and Company (with a copy to Trustee) receive a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on any of the 2006 Series B Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

ARTICLE V

PROVISIONS FOR PAYMENT

Section 5.1. Loan Payments and Other Amounts Payable.

(a) Company hereby covenants and agrees to repay the Loan, as follows: on or before any Interest Payment Date for the 2006 Series B Bonds or any other date that any payment of interest, premium, if any, purchase price or principal is required to be made in respect of the 2006 Series B Bonds at the times specified in accordance with the more specific provisions and requirements of the Indenture, until the principal of, premium, if any, and interest on the 2006 Series B Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, it will pay to the Trustee, for disbursement by the Trustee, as Paying Agent, or for disbursement by any Paying Agent such sums which will enable the Paying Agent to pay the amounts payable on such date, in immediately available funds, as principal of (whether at purchase, maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the 2006 Series B Bonds as provided in the Indenture; provided that such payments by Company to enable the Tender Agent to pay the purchase price of Bonds shall be made within the times required by Section 3.05 of the Indenture.

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

(b) Company will also pay the reasonable expenses of the Issuer related to the issuance of the 2006 Series B Bonds and incurred upon the request of Company.

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

(d) The Company further agrees to hold harmless the Trustee, Bond Registrar and Paying Agent against any loss, liability or expense, including reasonable attorneys' fees and expenses, incurred by it without negligence or bad faith on its part in connection with the issuance of the 2006 Series B Bonds or the acceptance or administration of the trusts under the Indenture, including the costs of defending itself against any claim or liability in connection therewith.

(e) The Company covenants, for the benefit of the Bondholders, 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 2006 Series B Bonds delivered to it for purchase, all as more particularly described in Sections 3.03 and 3.05 of the Indenture, and, in that regard, it will maintain an account with the Tender Agent and will pay in immediately available funds, a sum which will enable the Tender Agent to pay the purchase price of 2006 Series B Bonds delivered to it for purchase, as provided in the Indenture.

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

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

Section 5.3. Taxes and Other Governmental Charges. Company agrees to pay during the term of this Agreement, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed, levied or charged against or with respect to the 1994 Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Company shall be obligated to pay only such installments as may have become due and provided further that nothing herein shall be construed as obligating Company to pay taxes on any interest or principal on the 2006 Series B Bonds disbursed to Bondholders.

Company may, at its expense and in its own name, in good faith contest any such taxes, assessments and other governmental charges and, in the event of any such contest, may permit the taxes, assessments or other governmental charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of its counsel, by nonpayment of any such items the security provided pursuant to the provisions of the Indenture will be materially endangered, in which event such taxes, charges for payments in lieu of taxes, assessments or charges shall be paid forthwith. Issuer will cooperate fully with Company in any such contest. In the event Company shall fail to pay any of the foregoing items required by this Section to be paid by Company, Issuer or Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by Issuer or Trustee shall become an additional

obligation of Company to the one making the advancement, which amounts, together with interest thereon Company agrees to pay at a rate which shall be one percent above the lowest minimum lending rate publicly quoted at such time as being charged by any commercial bank which is a member of the New York Clearing House on ninety-day commercial loans to its prime commercial borrowers or the maximum rate permitted by law, whichever is lesser, until paid; provided, however, that no such advancement shall operate to relieve the Company from any default hereunder. Company may at its expense and in its own name and behalf apply for any tax exemption or exemption from payments in lieu of taxes allowed by the Commonwealth of Kentucky, or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant any such tax exemption or exemption from payments in lieu of taxes.

Section 5.4. Obligations of Company Unconditional. The obligation of Company to make the payments pursuant to this Agreement and to make any payments required in respect of the Rebate Fund as provided in Section 6.06 of the Indenture shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the 2006 Series B Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, Company (i) will not suspend or discontinue any payments pursuant to this Agreement and (ii) except as provided in ARTICLE X hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, failure of title to the 1994 Project or any part thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 1994 Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth of Kentucky or any political subdivision thereof or any failure of Issuer or Trustee to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release Issuer from the performance of any of the agreements on its part herein contained; and in the event Issuer should fail to perform any such agreement on its part, Company may institute such action against Issuer as Company may deem necessary to compel performance so long as such action shall be in accordance with the agreements on the part of Company contained in the preceding sentence. Company may, however, at its own cost and expense and in its own name or in the name of Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which Company deems reasonably necessary in order to secure or protect its right of ownership, possession, occupancy and use of the 1994 Project, and in such event Issuer hereby agrees to cooperate fully with Company.

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

Section 5.6. Redemption of the 2006 Series B Bonds in Advance of Scheduled Maturity. Under the terms of the Indenture, the 2006 Series B Bonds are and will be subject to redemption prior to their scheduled maturity. The Issuer agrees that it shall direct the Trustee to redeem and call 2006 Series B Bonds at the written direction of the Company.

Section 5.7. Cancellation of 2006 Series B Bonds. The cancellation by the Bond Registrar of any 2006 Series B Bond or Bonds purchased by the Company and delivered to the Bond Registrar for cancellation or of any 2006 Series B Bond or Bonds redeemed or purchased by the Issuer through funds other than funds received as Loan payments hereunder shall constitute a Loan repayment equal to the principal amount of the 2006 Series B Bond or Bonds so cancelled.

ARTICLE VI

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

Section 6.1. Maintenance. So long as any 2006 Series B Bonds are Outstanding, as that term is defined in the Indenture, Company will maintain, preserve and keep the 1994 Project, or cause the 1994 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 1994 Project as Solid Waste Disposal Facilities; provided, however, that Company will have no obligation to maintain, preserve, keep, repair, replace or renew any element or portion of the 1994 Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to Company because of damage or destruction by a cause not within the control of Company, or condemnation of all or substantially all of the 1994 Project or the generating facilities to which the element or unit of the 1994 Project is an adjunct, or obsolescence (including economic obsolescence) or change in government standards and regulations, or the termination by Company of the operation of the generating facilities to which the element or unit of the 1994 Project is an adjunct, and (b) with respect to which Company has furnished to Issuer and Trustee a certificate executed by Company Representative certifying that the maintenance, preservation, keeping, repair, replacement or renewal of such element or unit of the 1994 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 2006 Series B Bonds from gross income for federal income tax purposes under Section 103(a) of the Code.

Company shall have the privilege at its own expense of remodeling the 1994 Project or making substitutions, modifications and improvements to the 1994 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 1994 Project; provided, however, that Company shall take no actions which will change or alter the basic nature of the 1994 Project as Solid Waste Disposal Facilities.

If, prior to full payment of all 2006 Series B Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the 1994 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 1994 Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer or the Company receives Net Proceeds from insurance or any condemnation award in connection therewith, Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 10.1(b) or

(c) hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the 1994 Project, or (ii) take any other action, including the redemption of 2006 Series B Bonds, in whole or in part, on any date which is a Business Day, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on any of the 2006 Series B Bonds from gross income for federal income tax purposes under Section 103(a) of the Code; provided that if the 2006 Series B Bonds bear interest at the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the 2006 Series B Bonds are otherwise subject to optional redemption.

Section 6.2. Insurance. The Company agrees to insure, or self-insure, the 1994 Project at all times reasonably in accordance with investor-owned public utility industry general practices and standards.

ARTICLE VII

SPECIAL COVENANTS

Section 7.1. No Warranty of Condition or Suitability by Issuer. Issuer makes no warranty, either express or implied, as to the 1994 Project or that it will be suitable for Company's purposes or needs.

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

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

including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

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

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

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

Section 7.7. Financing Statements. Company shall, to the extent required by law, file and record, refile and rerecord, or cause to be filed and recorded, refiled and rerecorded, all documents or notices, including financing statements and continuation statements, required by law in order to perfect, or maintain the perfection of, the lien of the Indenture. Issuer shall cooperate fully with Company in taking any such action. Concurrently with the execution and delivery of the 2006 Series B Bonds, Company shall cause to be delivered to the Trustee an opinion of counsel (a) stating that in the opinion of such counsel, either (i) such action has been taken, as set forth therein, with respect to the recording and filing of such documents, notices and financing statements as is necessary to perfect the lien of the Indenture under the Uniform Commercial Code of the Commonwealth of Kentucky, or (ii) no such action is necessary to so perfect such lien, and (b) stating the requirements for the filing of continuation statements or other documentation or notices in order to maintain the perfection of the lien of the Indenture, which filings the Company agrees to undertake.

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

Section 7.9. Negative Pledge.

(a) The Company agrees that so long as any 2006 Series B Bonds remain outstanding, the Company will not issue, assume or guarantee any Debt secured by any mortgage, security interest, pledge or lien (herein referred to as a "mortgage") of or upon any Operating Property of the Company, whether owned at the date of the Indenture or thereafter acquired, and will not permit to exist any Debt secured by a mortgage on any Operating Property, without in any such case effectively securing, on the later to occur of the issuance,

assumption or guaranty of any such Debt, the 2006 Series B Bonds equally and ratably with such Debt; provided, however, that the foregoing restriction shall not apply to Debt secured by any of the following:

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

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

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

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

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

(b) Notwithstanding the provisions of Section 7.9(a) and so long as any 2006 Series B Bonds remain outstanding, the Company may issue, assume or guarantee Debt, or permit to exist Debt, secured by mortgages which would otherwise be subject to the restrictions of this Section up to an aggregate principal amount that, together with the principal amount of all other Debt of the Company secured by mortgages (other than mortgages permitted by Section 7.9(a) that would otherwise be subject to the foregoing restrictions) does not at the time exceed the greater of 10% of Net Tangible Assets or 10% of Capitalization.

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

(d) If at any time the Company shall issue, assume or guarantee any Debt secured by any mortgage and if Section 7.9(a) requires that the 2006 Series B Bonds be secured equally and ratably with such Debt, the Company will promptly execute, at its expense, any instruments necessary to so equally and ratably secure such 2006 Series B Bonds.

ARTICLE VIII

ASSIGNMENT; INDEMNIFICATION; REDEMPTION

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

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

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

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

(d) prior to such assignment, the Company shall have obtained an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the 2006 Series B Bonds from gross income for Federal income tax purposes under Section 103(a) of the Code.

Section 8.2. Release and Indemnification Covenants. Company releases Issuer from and covenants and agrees that Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless against, any expense or liability incurred by Issuer, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the 1994 Project or from any action commenced in connection with the financing thereof. If any such claim is asserted, Issuer agrees to give prompt notice to the Company and Company will assume the defense thereof, with full power to litigate, compromise or to settle the same in its sole discretion, it being understood that Issuer will not settle or consent to the settlement of the same without the consent of Company.

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

Section 8.4. Redemption of 2006 Series B Bonds. Upon the agreement of Company to deposit moneys in the Bond Fund in an amount sufficient to redeem 2006 Series B Bonds subject to redemption, Issuer, at the request of Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the 2006 Series B Bonds outstanding, as may be specified by Company, on the redemption date specified by the Company.

Section 8.5. Reference to 2006 Series B Bonds Ineffective after 2006 Series B Bonds Paid. Upon payment in full of the 2006 Series B Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all amounts required to be paid to the United States of America pursuant to Section 4.4 hereof and payment of all fees and charges of the Trustee (including reasonable attorney's fees and expenses), the Bond Registrar, the Authenticating Agent and any Paying Agent, all references in this Agreement to the 2006 Series B Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the 2006 Series B Bonds shall thereafter have any rights hereunder except as set forth in Section 11.1.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

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

(a) Failure by the Company to pay any amount required to be paid under subsections (a) and (e) of Section 5.1 hereof which results in failure to pay principal of, premium or interest on or the purchase price of the 2006 Series B Bonds, and such failure shall cause an event of default under the Indenture.

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

(c) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Company, or of a

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

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

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

The provisions of Section 9.1(b) are subject to the following limitations: If by reason of force majeure Company is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of Company contained in Section 2.2(j) and (k), Section 4.2, Section 4.4 or Section 7.2 or ARTICLE V hereof and the general covenant and obligation of Company to take all necessary actions for the continued exclusion of interest on the 2006 Series B Bonds from gross income for federal and Kentucky income taxes, Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean any cause or event not reasonably within the control of Company, including without limitation the following: acts of God; strikes; wars or national police actions, lockouts or other industrial disturbances; acts of public enemies, including terrorists; orders of any kind of the government of the United States or of the Commonwealth of Kentucky or any of their departments, agencies or officials, or any civil or military authority; evacuations and quarantines; insurrections; riots; epidemics; plague; famine; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; typhoons; cyclones; volcanic eruptions; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakage or accident to machinery and transmission lines or pipes; or partial or entire failure of utility services. Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Company, and Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Company unfavorable to Company.

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

(a) By written notice to Company, the Trustee, on behalf of the Issuer at the direction of the Bond Insurer, may declare an amount equal to the principal and accrued interest on the 2006 Series B Bonds then Outstanding, as defined in the Indenture, to be immediately due and payable under this Agreement, whereupon the same shall become immediately due and payable.

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

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

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

Any amounts collected pursuant to action taken under this Section (other than the compensation and expenses referred to in the immediately prior sentence) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the 2006 Series B Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and all reasonable and necessary fees and expenses of Trustee and any paying agents accrued and to accrue through final payment of the 2006 Series B Bonds, and all other liabilities of Company accrued and to accrue hereunder or under the Indenture through final payment of the 2006 Series B Bonds have been paid, such amounts so collected shall be paid to Company.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall

be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required. Such rights and remedies as are given Issuer hereunder shall also extend to Trustee, and Trustee and the holders of the 2006 Series B Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

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

Section 9.5. Waiver of Events of Default. If, after the acceleration of the maturity of the outstanding 2006 Series B Bonds by Trustee pursuant to the Indenture, and before any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been obtained or entered, Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2006 Series B Bonds and the principal of, and premium, if any, on any and all 2006 Series B Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installments of interest, at the rate per annum which is one percent above the highest rate borne by any 2006 Series B Bond, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default, and all defaults under the Indenture and this Agreement, other than nonpayment of principal of 2006 Series B Bonds which shall have become due by said declaration, shall have been remedied, and such event of default under the Indenture shall be deemed waived by Trustee in accordance with Section 9.12 of the Indenture with the consequence that under the Indenture such acceleration is rescinded, then Company's default hereunder shall be deemed to have been waived by Issuer and no further action or consent by Trustee or Issuer shall be required. In the event any agreement or covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

PREPAYMENT OF LOAN

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

(a) If in the judgment of Company, unreasonable burdens or excessive liabilities shall have been imposed after the issuance of the 2006 Series B Bonds upon Company with respect to the 1994 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 1994 Project;

(b) If the 1994 Project or a portion thereof or other property of Company in connection with which the 1994 Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the 1994 Project or other property of Company in connection with which the 1994 Project is used unsatisfactory to Company for its intended use and such condition shall continue for a period of six months;

(c) There shall have occurred condemnation of all or substantially all of the 1994 Project or the taking by eminent domain of such use or control of the 1994 Project or other property of Company in connection with which the 1994 Project is used so as, in the judgment of the Company, to render the 1994 Project or other property of Company in connection with which the 1994 Project is used unsatisfactory to Company for its intended use;

(d) In the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of the 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 2006 Series B Bonds including but not limited to changes in solid waste abatement, control and disposal requirements, shall have occurred such that the Company shall determine that use of the 1994 Project is no longer required or desirable;

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

(f) A final order or decree of any court or administrative body after the issuance of the 2006 Series B 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 (or if any 2006 Series B Bonds be redeemed in whole or in part pursuant to Section 6.1 hereof), the Loan prepayment price shall be a sum sufficient, together with other funds deposited with Trustee and available for such purpose, to redeem all 2006 Series B Bonds then outstanding (or, in the case any 2006 Series B Bonds are redeemed in part pursuant to Section 6.1 hereof, such portion of the 2006 Series B Bonds then outstanding) under the Indenture at a price equal to 100% of the principal amount thereof plus interest accrued and to accrue to the date of redemption of the 2006 Series B Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any Paying Agents and

all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2006 Series B Bonds. In order to exercise any option to prepay the Loan and to cancel or terminate this Agreement by reason of the occurrence of any of the events mentioned in (a) through (f) above, Company is required to give written notice to Trustee of its election to prepay the Loan within 180 days of the occurrence of any of the events mentioned in (a) through (f) above.

Section 10.2. Additional Option to Prepay Loan. Company shall have, and is hereby granted, further options, to the extent that the 2006 Series B Bonds are, from time to time, subject to optional redemption, during any period of optional redemption, to prepay all, or any portion, of the relevant and applicable Loan payments due or to become due hereunder by depositing with Trustee moneys sufficient to pay, together with other funds deposited with Trustee and available for such purpose, the principal of and applicable premium, if any, and accrued interest, through the date of redemption (which must be a Business Day), on all or any portion of the 2006 Series B Bonds then outstanding under the Indenture and, upon depositing with Trustee moneys sufficient to pay the principal, applicable premium, if any, and accrued interest, through the date of redemption, on all 2006 Series B Bonds then outstanding under the Indenture, as well as all reasonable and necessary expenses of Trustee and any Paying Agents and all other liabilities of Company accrued and to accrue hereunder, to cancel or terminate the term of this Agreement.

Section 10.3. Obligations to Prepay Loan. Company shall be obligated to prepay the entire Loan or any part thereof, as provided below, prior to the required full payment of the 2006 Series B Bonds (or prior to making provision for payment thereof in accordance with the Indenture) on the 180th day (or such earlier date as may be designated by Company), which, in every case, must be a Business Day, upon the occurrence of a Determination of Taxability. The Issuer and Company shall take all actions required to mandatorily redeem the 2006 Series B Bonds at the cost of the Company upon the terms specified in this Agreement and in ARTICLE IV of the Indenture following the occurrence of a Determination of Taxability, including, but not limited to, prepaying appropriate amounts due on the 2006 Series B Bonds in order to effect such redemption. The 2006 Series B Bonds shall be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a Determination of Taxability. For purposes of this Section, a "Determination of Taxability" shall mean the receipt by the Trustee of written notice from a current or former registered owner of a 2006 Series B Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in this Agreement or any other agreement or certificate delivered in connection with the 2006 Series B Bonds, the interest on the 2006 Series B Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect

to a person who is a “substantial user” or a “related person” of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the “Code”); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a 2006 Series B Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the 2006 Series B Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any 2006 Series B Bond in the computation of minimum or indirect taxes. All of the 2006 Series B Bonds shall be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of the 2006 Series B Bonds of one or more series or one or more maturities would have the result that interest payable on the remaining 2006 Series B Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the 2006 Series B Bonds being conducted by the Internal Revenue Service, the party so put on notice shall give immediate written notice to the other parties of such matters.

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

In the case of the mandatory obligation of Company to prepay the Loan or any part thereof after the occurrence of a Determination of Taxability, Company shall be obligated to prepay such Loan or such part thereof not later than 180 days after any such final determination as specified in this Section hereof and to provide to Trustee for deposit in the Bond Fund an amount sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem such 2006 Series B Bonds at the price of 100% of the principal amount thereof in accordance with Section 5.1 hereof plus interest accrued and to accrue to the date of redemption of the 2006 Series B Bonds and to pay all reasonable and necessary fees and expenses of Trustee and any paying agents and all other liabilities of Company accrued and to accrue hereunder to the date of redemption of the 2006 Series B Bonds.

Section 10.4. Notice of Prepayment; Redemption Procedures. It is understood and agreed by the parties hereto that in order to exercise an option granted in, or to consummate a mandatory prepayment required by, this Article, Company shall give written notice to Issuer and Trustee which notice shall (i) contain the agreement of Company to deposit moneys in the Bond Fund on or before the redemption date in an amount sufficient to redeem a principal amount of the 2006 Series B Bonds equal to the amount of the prepayment, including, in the case of a prepayment under Section 10.2 hereof, any applicable redemption premium in respect of such

2006 Series B Bonds, and any other amounts required under this Agreement and (ii) specify the prepayment date (which must be a Business Day and which shall also be the redemption date), which date shall not be less than 30 days (45 days if the 2006 Series B Bonds are bearing interest at the Semi-annual, Annual or Long Term Rate or in all cases such shorter period as may be acceptable to the Trustee) nor more than 90 days from the date the notice is mailed by Company to Issuer and Trustee.

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

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 _____ 1, 20____, or until such earlier or later time as all of the 2006 Series B Bonds shall have been fully paid (or provision made for such payment pursuant to the Indenture), whichever shall be later; provided, however, that this Agreement may be cancelled and terminated prior to said date if Company shall prepay all of the Loan pursuant to ARTICLE X hereof; and provided further, however, that all obligations of Company under ARTICLE V and Section 8.1 hereof (a) to pay the agreed fees and expenses of Trustee, the Bond Insurer, the Tender Agent, the Bond Registrar and any Paying Agent and (b) to pay any amount required by Section 5.5 hereof shall continue in effect even though 2006 Series B Bonds may no longer be outstanding and this Agreement may otherwise be terminated. All representations and certifications by Company as to all matters affecting the tax-exempt status of interest on the 2006 Series B Bonds shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2006 Series B Bonds and shall survive the termination of this Agreement and all obligations of Company contained herein relating to indemnification of Issuer, Trustee, Bond Registrar, Authenticating Agent, Tender Agent and any Paying Agent shall survive the termination of this Agreement.

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

If to Issuer, at 440 Main Street, Carrollton, Kentucky 41008, Attention: County Judge/ Executive;

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

If to Trustee, at _____.

If to Bond Insurer, at _____.

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

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

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

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

Section 11.5. Amounts Remaining in 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 2006 Series B Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the reasonable and necessary fees and expenses of Trustee (including reasonable attorneys fees and expenses) and any Paying Agent in accordance with the Indenture and the payment in full of all other amounts required to be paid under this Agreement or the Indenture, shall belong to and be paid to Company by Trustee. Any amounts remaining in the Rebate Fund at such time shall be held, applied and disbursed strictly and only in accordance with the provisions of Section 6.06 of the Indenture. Following the payment and discharge of the Refunded 1994 Series A Bonds on their redemption date and the making of provision for payment of the Refunded 1994 Series A Bonds not presented for payment, any remaining moneys in the Prior Bond Fund shall belong to and be paid to Company by the Prior Trustee.

Section 11.6. Amendments, Changes and Modifications. Subsequent to the issuance of the 2006 Series B Bonds and prior to payment in full of all 2006 Series B Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated, and no provision hereof waived, without the written consent of Trustee, given in accordance with the Indenture.

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

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

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

Section 11.10. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Agreement or breach thereof shall constitute or give rise to a pecuniary liability of Issuer or a charge upon its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except with respect to the 1994 Project and the application of the revenues of this Agreement, as hereinabove provided.

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

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

(remainder of page left blank intentionally)

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

COUNTY OF CARROLL, KENTUCKY

(SEAL)

By _____
HAROLD TOMLINSON
County Judge/Executive

ATTEST:

Fiscal Court Clerk

KENTUCKY UTILITIES COMPANY

(SEAL)

By _____
DANIEL K. ARBOUGH
Treasurer

ATTEST:

JOHN R. McCALL
Secretary

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 _____ day of November, 2006, the foregoing instrument was produced to me in said County by Harold Tomlinson and _____, personally known to me and personally known by me to be the County Judge/Executive and 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 _____ day of November, 2006. My commission expires _____.

(SEAL)

Notary Public
State at Large, Kentucky

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the _____ day of November, 2006, the foregoing instrument was produced to me in said County by Daniel K. Arbough and John R. McCall, personally known to me and personally known by me to be the Treasurer and the Secretary, respectively, of KENTUCKY UTILITIES COMPANY, a corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

Witness my hand and seal this _____ day of November, 2006. My commission expires _____.

(SEAL)

Notary Public
State at Large, Kentucky

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

SPENCER E. HARPER, JR.

**INDENTURE OF TRUST WITH
CARROLL COUNTY AS TRUSTOR**

COUNTY OF CARROLL, KENTUCKY,
AS TRUSTOR

TO

AS TRUSTEE,
PAYING AGENT AND BOND REGISTRAR

* * * * *

INDENTURE OF TRUST
SECURING COUNTY OF CARROLL, KENTUCKY,
ENVIRONMENTAL FACILITIES REVENUE BONDS
2006 SERIES B (KENTUCKY UTILITIES COMPANY PROJECT)

* * * * *

Dated as of _____, 2006

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Exhibit A - Description of Project

INDENTURE OF TRUST
SECURING COUNTY OF CARROLL, KENTUCKY,
ENVIRONMENTAL FACILITIES REVENUE BONDS, 2006 SERIES B
(KENTUCKY UTILITIES COMPANY PROJECT)

THIS INDENTURE OF TRUST, dated as of _____, 2006, by and between the COUNTY OF CARROLL, KENTUCKY, a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, and _____, a [_____ banking corporation] [national association], duly organized and existing under the laws of the State of _____ and authorized to accept and execute trusts of the character herein set out (said banking corporation and any successor trustee under this Indenture of Trust hereinafter sometimes referred to as the "Trustee");

W I T N E S S E T H:

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

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

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

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

WHEREAS, Kentucky Utilities Company, a Kentucky and Virginia corporation ("Company"), has heretofore, by the issuance of the Refunded 1994 Series A Bonds, hereinafter defined, financed all or a portion of the qualified costs of acquisition, construction, installation and equipping of certain solid waste disposal facilities to serve the Ghent Generating Station of Company, which facilities constitute the 1994 Project, as hereinafter defined in ARTICLE I (the "1994 Project"), which 1994 Project is located within the corporate boundaries of Issuer and consists of certain solid waste disposal facilities and which 1994 Project, qualifies for financing within the meaning of the Act; and

WHEREAS, the 1994 Project has been completed and placed in operation and has contributed and does contribute to the collection, storage, treatment, processing and final disposal of solid wastes in the Commonwealth of Kentucky; and

WHEREAS, under date of November 23, 1994, the Issuer, at the request of the Company, issued its "County of Carroll, Kentucky, Collateralized Solid Waste Disposal Facilities Revenue Bonds (Kentucky Utilities Company Project) 1994 Series A", dated November 23, 1994, of which \$54,000,000 principal amount of such bonds remains outstanding and unpaid (the "Refunded 1994 Series A Bonds"), such Refunded 1994 Series A Bonds having been issued to finance a portion of the Cost of Construction of the 1994 Project, hereinafter described, and in connection with the issuance of the Refunded 1994 Series A Bonds, the right was reserved to Issuer, upon direction by Company, to redeem the Refunded 1994 Series A Bonds in advance of their maturity; and the Refunded 1994 Series A Bonds are by their terms currently subject to redemption at the option of Issuer in whole or in part on any date, at the price of 102% of the principal amount thereof and accrued interest to the date of redemption, as provided in the hereinafter defined 1994 Series A Indenture; and the immediate redemption and discharge of the Refunded 1994 Series A Bonds will result in benefits to the general public and the Company and should be carried out forthwith in the public interest by the issuance by the Issuer of the 2006 Series B Bonds, hereinafter defined, and the application of the proceeds of the 2006 Series B Bonds, together with funds to be provided by Company, for the refunding, payment and discharge of the Refunded 1994 Series A Bonds on or prior to the 90th day after the date of issuance of the 2006 Series B Bonds; and

WHEREAS, in respect of the Refunded 1994 Series A Bonds, Issuer entered into a certain Indenture of Trust dated as of November 1, 1994 (the "1994 Series A Indenture"), with Bank One, Lexington, N.A. (now known as JPMorgan Chase Bank, N.A.), as Trustee, Paying Agent and Bond Registrar (the "Prior Trustee"), and it is provided in Article VIII of the 1994 Series A Indenture that the Refunded 1994 Series A Bonds, or any of them, shall be deemed to have been paid within the meaning of such 1994 Series A Indenture when there shall have been irrevocably deposited with the Prior Trustee, either cash or Governmental Obligations, as defined in the 1994 Series A Indenture, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal and the applicable redemption premium, if any, on the Refunded 1994 Series A Bonds plus interest thereon to the date of payment and discharge thereof (whether at maturity or upon redemption or otherwise), plus sufficient moneys to pay all necessary and proper fees, compensation and expenses of the Prior Trustee, authenticating agent, bond registrar and any paying agent; together with irrevocable instructions to call and redeem the Refunded 1994 Series A Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Fiscal Court of Issuer on October 24, 2006, and in furtherance of the purposes of the Act, Issuer proposes to issue, sell and deliver a series of its bonds in fully registered form which will be designated "County of Carroll, Kentucky, Environmental Facilities Revenue Bonds, 2006 Series B (Kentucky Utilities Company Project)" (the "2006 Series B Bonds"), the proceeds of which will be lent to Company to cause the outstanding principal amount of the Refunded 1994 Series A Bonds to be refunded, paid and discharged in full on or prior to the 90th day after the date of issuance of the 2006 Series B Bonds; and

WHEREAS, a purchase agreement for the purchase of the 2006 Series B Bonds has been executed and delivered, and the issuance and delivery of the 2006 Series B Bonds will be carried out, subject to certain conditions, on a date which is not in excess of 90 days prior to the date of the refunding, payment and discharge of the Refunded 1994 Series A Bonds; and

WHEREAS, Issuer proposes to lend to Company and Company desires to borrow from Issuer the proceeds from the sale of the 2006 Series B Bonds to cause the outstanding principal amount of the Refunded 1994 Series A Bonds to be refunded, paid and discharged on or prior to the 90th day after the date of issuance of the 2006 Series A Bonds; and

WHEREAS, Issuer and Company have entered into a Loan Agreement of even date herewith (the "Agreement") pursuant to which Issuer will lend the proceeds of the 2006 Series B Bonds to Company upon the terms and conditions set forth therein; and

WHEREAS, certain interests of Issuer in the Agreement have been assigned to the Trustee for the security of the holders of the 2006 Series B Bonds; and

WHEREAS, it has been determined that the refunding of the outstanding principal amount of Refunded 1994 Series A Bonds on or prior to the 90th day after the date of issuance of the 2006 Series B Bonds will necessitate the issuance, sale and delivery of 2006 Series B Bonds as hereinafter provided; and

WHEREAS, the 2006 Series B Bonds shall be issued in substantially the following form, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture of Trust, to-wit:

(FORM OF 2006 SERIES B BONDS)

UNLESS THIS 2006 SERIES B BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY 2006 SERIES B BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF CARROLL, KENTUCKY,
ENVIRONMENTAL FACILITIES REVENUE BOND, 2006 SERIES B
(KENTUCKY UTILITIES COMPANY PROJECT)

No. R-1

<u>MATURITY DATE</u>	<u>INTEREST RATE MODE</u>	<u>BOND DATE</u>	<u>CUSIP</u>
_____1, 20____	Dutch Auction Rate*	_____, 2006	14483R_____

To be filled in only if the Interest Rate Mode identified above is the Flexible Rate and Cede & Co. is not the Registered Owner:

<u>Purchase Date and Interest Payment Date</u>	<u>Number of Days in Rate Period</u>	<u>Flexible Rate</u>	<u>Amount of Interest Payable</u>
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Registered Owner:

Principal Amount:

* If Long Term Rate, also identify
length of Long Term Rate Period

KNOW ALL MEN BY THESE PRESENTS: that the County of Carroll, Kentucky (“Issuer”), a public body corporate and politic duly created and existing as a County under the Constitution and laws of the Commonwealth of Kentucky, and being a de jure political subdivision of the Commonwealth of Kentucky, for value received, hereby acknowledges itself obligated to, and promises to pay to, the Registered Owner identified above or any registered transferees and assigns thereof (the “Registered Owner”), but only out of the special funds pledged for that purpose as hereinafter provided, and not otherwise, the principal amount identified above, on the maturity date identified above, unless this 2006 Series B Bond shall have been called for redemption in whole or in part and payment of the redemption price shall have been duly made or provided for, upon surrender hereof, and to pay (but only out of the sources hereinafter set out) interest thereon from the last date to which interest has accrued and been paid or duly provided for, or, if no interest has been paid or duly provided for, from the date of the 2006 Series B Bonds set forth above, until payment of said Principal Amount has been made or provided for, at the interest rate determined from time to time for the applicable Interest Rate Mode in the manner described herein and in the Indenture identified herein and payable on the dates set forth herein and in the Indenture, commencing on the first such Interest Payment Date thereafter.

Principal and interest shall be paid in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts. Interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the person in whose name this 2006 Series B Bond is registered at the close of business of the Bond Registrar on the Regular Record Date for such interest or, in the case of an Interest Payment Date for a Flexible Rate Period at the opening of business on such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Registered Owner on such Regular Record Date, or, in the case of such Flexible Rate Period, on such Interest Payment Date, and may be paid to the person in whose name this 2006 Series B Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Bond Registrar, or may be paid, at any time in any other lawful manner, all as more fully provided in the Indenture. The principal or redemption price of this 2006 Series B Bond (or a portion of this 2006 Series B Bond, in the event of a partial redemption) is payable to the Registered Owner hereof, upon presentation and surrender thereof at the designated corporate trust office of _____ (the "Trustee") or at the duly designated office of any duly appointed alternate or successor paying agent (the "Paying Agent"). The interest on this 2006 Series B Bond shall be payable by check mailed on the Interest Payment Date to the Registered Owner of this 2006 Series B Bond as of the applicable Regular Record Date (or, in the event of a Flexible Rate Period, as of the opening of business on such Interest Payment Date) or Special Record Date at such Registered Owner's address as it appears on the Bond Register of the Issuer; provided that interest payable on this 2006 Series B Bond shall, (i) if the Interest Rate Mode is the Daily Rate, the Weekly Rate, the Flexible Rate or the Dutch Auction Rate, or (ii) at the written request of the Registered Owner of at least \$1,000,000 aggregate principal amount of 2006 Series B Bonds, in the event the Interest Rate Mode for the 2006 Series B Bonds is the Semi-Annual Rate, the Annual Rate or the Long Term Rate, received by the Bond Registrar at least one Business Day prior to any Record Date, be payable to such Registered Owner in immediately available funds by wire transfer to a bank account number of such Registered Owner within the United States or by deposit into a bank account maintained with Trustee or any Paying Agent; provided further that, if the Interest Rate Mode is the Flexible Rate, interest on this 2006 Series B Bond shall be paid only upon presentation and surrender of this 2006 Series B Bond.

The Issuer has established a book-entry system of registration for the 2006 Series B Bonds (the "Book-Entry System"). Except as specifically provided otherwise in the Indenture, DTC (or its nominee) will be the Registered Owner of this 2006 Series B Bond. By acceptance of a confirmation of purchase, delivery or transfer, the Beneficial Owner of this Bond shall be deemed to have agreed to this arrangement. DTC (or its nominee), as Registered Owner of this 2006 Series B Bond, shall be treated as the owner of it for all purposes.

THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE 2006 SERIES B BONDS (HEREINAFTER DEFINED) ARE PAYABLE SOLELY AND ONLY FROM THE SPECIAL FUNDS PLEDGED FOR THEIR BENEFIT PURSUANT TO THE INDENTURE. THIS 2006 SERIES B BOND, AND THE INTEREST AND PREMIUM, IF ANY, THEREON, DO NOT REPRESENT OR CONSTITUTE AN INDEBTEDNESS OF ISSUER OR THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH OF KENTUCKY WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE

COMMONWEALTH OF KENTUCKY OR A PLEDGE OF THE FAITH AND CREDIT OF ISSUER, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF.

If an event of default as defined in the Indenture occurs, the principal of all 2006 Series B Bonds issued under the Indenture may become due and payable upon the conditions and in the manner and with the effect provided in the Indenture.

No recourse shall be had for the payment of the principal or redemption price of, or interest on, this 2006 Series B Bond, or for any claim based hereon or on the Indenture, against any elected official, member, officer, commissioner or employee, past, present or future, of Issuer or of any successor body, as such, either directly or through Issuer or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise.

It is certified and recited that there have been done or performed and have happened in regular and due form, as required by law, all acts and conditions necessary to be done or performed by Issuer or to have happened (i) precedent to and in the issuing of the 2006 Series B Bonds in order to make them legal, valid and binding special and limited obligations of Issuer, and (ii) precedent to and in the execution and delivery of the Indenture and the Agreement (as hereinafter defined); that payment in full for the 2006 Series B Bonds has been received; and that the 2006 Series B Bonds do not exceed or violate any constitutional or statutory limitation.

This 2006 Series B Bond is one of an authorized issue of 2006 Series B Bonds of Issuer designated County of Carroll, Kentucky, Environmental Facilities Revenue Bonds, 2006 Series B (Kentucky Utilities Company Project), and issued in the original aggregate principal amount of \$54,000,000 (the "2006 Series B Bonds") for the purpose of paying and discharging the outstanding principal amount of an issue of County of Carroll, Kentucky Collateralized Solid Waste Disposal Facilities Revenue Bonds (Kentucky Utilities Company Project) 1994 Series A, dated November 23, 1994 (the "Refunded 1994 Series A Bonds") which provided funding for a portion of the costs of the acquisition, construction, installation and equipping of certain facilities for the collection, storage, treatment, processing and final disposal of solid wastes at the Ghent Generating Station of Kentucky Utilities Company, a Kentucky and Virginia corporation ("Company"), located within the corporate boundaries of Issuer, which facilities are hereinafter sometimes referred to as the "1994 Project." The 1994 Project has been and will be owned and operated by Company to aid in the collection, storage, treatment, processing and final disposal of solid wastes. The proceeds of the 2006 Series B Bonds will be loaned to Company under the terms of a Loan Agreement dated as of _____, 2006 (which Loan Agreement, as from time to time amended and supplemented, is hereinafter referred to as the "Agreement", and the loan to be made pursuant to the Agreement is hereinafter referred to as the "Loan").

The 2006 Series B Bonds are issued under and are equally and ratably secured and entitled to the protection given by an Indenture of Trust dated as of _____, 2006 (which Indenture of Trust, as from time to time amended and supplemented, is hereinafter referred to as the "Indenture"), duly executed and delivered by Issuer to _____, as Trustee. Pursuant to the Indenture, the Trustee has been appointed as Authenticating Agent, Bond Registrar, Paying Agent and Tender Agent. Reference is made to the Indenture for a

description of the property assigned, the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of Issuer, Trustee and the Registered Owners of the 2006 Series B Bonds, the terms upon which the 2006 Series B Bonds are issued and the terms and conditions upon which the 2006 Series B Bonds will be deemed to be paid, at or prior to maturity or redemption of the 2006 Series B Bonds, upon the making of provision for the payment thereof in the manner set forth in the Indenture. Capitalized terms used herein shall have the meanings set forth in the Indenture.

This 2006 Series B Bond shall bear interest at the interest rate or rates determined for the "Interest Rate Mode" (as described more fully in the Indenture) selected from time to time by Company. The Interest Rate Mode for the 2006 Series B Bonds from and including the date of their original issuance is the Dutch Auction Rate until Conversion to a different Interest Rate Mode is specified by Company. Company may from time to time convert the Interest Rate Mode for the 2006 Series B Bonds to any other permitted Interest Rate Mode in accordance with the terms of the Indenture. The "Interest Rate Modes" which may be selected are as follows: (i) a Daily Rate in which the interest rate is determined each Business Day; (ii) a Weekly Rate in which the interest rate is determined on the day preceding each Weekly Rate Period or, if such day is not a Business Day, on the next preceding Business Day; (iii) a Semi-Annual Rate in which the interest rate is determined not later than the Business Day preceding each Semi-Annual Rate Period; (iv) an Annual Rate in which the interest rate is determined not later than the Business Day preceding each Annual Rate Period; (v) a Long Term Rate for a period selected by Company of more than one year ending on the day preceding an Interest Payment Date, in which the interest rate is determined not later than the Business Day preceding such Long Term Rate Period; (vi) a Flexible Rate for Flexible Rate Periods of not more than 364 days ending on a day preceding a Business Day selected by the Remarketing Agent in which the interest rate is determined on the first day of such Flexible Rate Period and (vii) a Dutch Auction Rate in which the interest rate for a Dutch Auction Rate Period is determined pursuant to the Dutch Auction Procedures set forth in the Indenture.

Interest on this 2006 Series B Bond at the interest rate or rates for the Daily Rate and the Weekly Rate is payable on the first Business Day of each month; for the Semi-Annual Rate, the Annual Rate and the Long Term Rate on June 1 and December 1; for the Long Term Rate on the Conversion Date to another Interest Rate Mode or on the effective date of a change in the Long Term Rate Period; for the Flexible Rate on the last day of each Flexible Rate Period (or if such day is not a Business Day the next succeeding Business Day); for the Dutch Auction Rate, (i) for an Auction Period of 91 days or less, the Business Day immediately succeeding the last day of such Auction Period and (ii) for an Auction Period of more than 91 days, each 13th Wednesday after the first day of such Auction Period and the Business Day immediately succeeding the last day of such Auction Period (in each case it being understood that in those instances where the immediately preceding Auction Date falls on a day that is not a Business Day, the Interest Payment Date with respect to the succeeding Auction Period shall be one Business Day immediately succeeding the next Auction Date); and, for each Interest Rate Mode, on the Conversion Date to another Interest Rate Mode or on the effective date of a change in the Long Term Rate Period. In any case, the final Interest Payment Date shall be the maturity date of the 2006 Series B Bonds. Interest on this 2006 Series B Bond bearing interest at the Daily Rate, the Weekly Rate and the Flexible Rate shall be computed on the basis of a year of 365 or 366 days, as appropriate, based on the year in which the period commences for the actual number

of days elapsed. If the Interest Rate Mode is the Semi-Annual Rate, the Annual Rate or the Long Term Rate, interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the 2006 Series B Bonds bearing interest at a Dutch Auction Rate will be computed on the basis of a 360-day year for the actual number of days elapsed. The interest rate or rates for each Interest Rate Mode (other than the Dutch Auction Rate and, if the Interest Rate Mode is the Flexible Rate, the Flexible Rate Periods) for the 2006 Series B Bonds shall be determined by the Remarketing Agent on the dates and at such times as specified in Section 2.02 of the Indenture. If the Remarketing Agent fails to determine the interest rate in accordance with Section 2.02 of the Indenture, the interest rate on this 2006 Series B Bond shall be the interest rate in effect for the previous Rate Period, except as otherwise provided in the Indenture. Except for the Dutch Auction Rate, each interest rate determined by the Remarketing Agent shall be the minimum rate of interest necessary, in the judgment of the Remarketing Agent taking into account Prevailing Market Conditions, to enable the Remarketing Agent to sell the 2006 Series B Bonds (or, in the case of the Flexible Rate, the particular 2006 Series B Bond) at a price equal to the principal amount thereof, plus accrued interest, if any. Notwithstanding the foregoing, the interest rate borne by this 2006 Series B Bond shall not exceed the lesser of (i) the maximum interest rate permitted by applicable law or (ii) 15% per annum.

Redemption; General. The 2006 Series B Bonds are non-callable for redemption except as set forth below and except in the event and to the extent that (1) Company is required to prepay the Loan in whole or in part pursuant to Section 10.3 of the Agreement or (2) Company shall exercise any of its options to prepay the Loan in whole as provided in Section 10.1 of the Agreement or (3) Company elects to redeem 2006 Series B Bonds in whole or in part pursuant to Section 6.1 of the Agreement. If called for redemption pursuant to clause (1), (2) or (3) above, the 2006 Series B Bonds shall be subject to redemption by Issuer at any time in whole or (in the case of redemption pursuant to Sections 6.1 or 10.3 of the Agreement) in part, on any redemption date (which shall be a Business Day) established pursuant to Section 10.4 of the Agreement by lot in such manner as Trustee may determine, at 100% of the principal amount thereof plus accrued interest to the redemption date.

Redemption During Dutch Auction Rate Periods. Whenever the Interest Rate Mode for this Bond is the Dutch Auction Rate, this Bond shall be subject to optional redemption, in whole or in part, at a redemption price of 100% of the principal amount hereof plus accrued interest, if any, on the Business Day immediately succeeding any Auction Date.

Redemption During Daily, Weekly, Semi-Annual and Flexible Rate Periods. Whenever the Interest Rate Mode is the Semi-Annual Rate or the Flexible Rate, this 2006 Series B Bond shall be subject to optional redemption, in whole or in part, at a redemption price of 100% of the principal amount hereof on any Interest Payment Date for this 2006 Series B Bond. Whenever the Interest Rate Mode is the Daily Rate or the Weekly Rate, this 2006 Series B Bond shall be subject to optional redemption, in whole or in part, at a redemption price of 100% of the principal amount hereof, plus accrued interest, if any, to the redemption date, on any Business Day.

Redemption During Annual Rate Periods. Whenever the Interest Rate Mode is the Annual Rate, this 2006 Series B Bond shall be subject to optional redemption, in whole or in part, at a redemption price of 100% of the principal amount hereof on the final Interest Payment Date for each Annual Rate Period.

Redemption During Long Term Rate Periods. Whenever the Interest Rate Mode for the 2006 Series B Bonds is the Long Term Rate, the 2006 Series B Bonds will be subject to redemption, in whole or in part, at the option of the Issuer, upon the written direction of the Company, (A) on the final Interest Payment Date for the then applicable Interest Rate Period at a redemption price of 100% of the principal amount thereof and (B) prior to the end of the then current Long Term Rate Period at any time during the redemption period and at the redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date:

<u>Original Length of Current Long Term Rate</u>	<u>Commencement of Redemption Period</u>
More than or equal to 11 years	First Interest Payment Date on or after the tenth anniversary of commencement of Long Term Rate Period
Less than 11 years	Non-callable

If, at the time of Company's notice of a change in the Long Term Rate Period, or its notice of Conversion of the Interest Rate Mode for the 2006 Series B Bonds to the Long Term Rate, or, when the Interest Rate Mode for the 2006 Series B Bonds is the Long Term Rate, at least forty days prior to the Purchase Date, Company provides a certification of the Remarketing Agent to Trustee, the Bond Registrar, the Paying Agent, the Tender Agent and Issuer that the foregoing schedule is not consistent with Prevailing Market Conditions and an opinion of Bond Counsel that a change in the redemption provisions for the 2006 Series B Bonds will not adversely affect the exclusion from gross income of interest on the 2006 Series B Bonds for federal income tax purposes, the foregoing redemption periods and redemption prices may be revised, effective as of the date of such change in the Long Term Rate Period, the Conversion Date or that Purchase Date, as determined by the Remarketing Agent in its judgment, taking into account the then Prevailing Market Conditions, as stipulated in such certification.

Redemption Procedures and Notices. At least thirty days, and not in excess of forty-five days before the redemption date of any 2006 Series B Bonds in the case of 2006 Series B Bonds bearing interest at the Semi-Annual Rate, the Annual Rate or the Long Term Rate, and at least fifteen days and not in excess of forty-five days before the redemption date of any 2006 Series B Bonds in the case of 2006 Series B Bonds bearing interest at the Daily Rate, Weekly Rate, Flexible Rate or Dutch Auction Rate, Trustee shall cause notice of redemption to be sent by first class mail, postage prepaid, to all Registered Owners of 2006 Series B Bonds to be redeemed in whole or in part at their registered addresses as shown on the Bond Register maintained by the Bond Registrar and to the Auction Agent.

Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, irrespective of whether the Registered Owner receives the notice. Failure to mail any notice or any defect therein in respect of any 2006 Series B Bond shall not affect the validity of the redemption of any other 2006 Series B Bond. All 2006 Series B Bonds called for redemption as herein provided will cease to bear interest after the date fixed for redemption provided funds for their redemption are on deposit with the Trustee at the place of payment at that time.

So long as DTC or its nominee is the sole registered owner of the 2006 Series B Bonds under the Book-Entry System, any failure on the part of DTC or a DTC Participant to notify the Beneficial Owner so affected shall not affect the validity of any redemption of 2006 Series B Bonds.

PURCHASE OF BONDS

This 2006 Series B Bond shall be subject to mandatory tender for purchase in whole (i) on the effective date of (a) any Conversion of the Interest Rate Mode for the 2006 Series B Bonds or (b) a change by Company of the length of a Long Term Rate Period, (ii) on each Interest Payment Date for a Flexible Rate Period and (iii) on the first Business Day after the end of each Semi-Annual Rate Period, Annual Rate Period and Long Term Rate Period, in each case, at a purchase price equal to 100% of the principal amount hereof, plus, if the Interest Rate Mode is the Long Term Rate, the optional redemption premium, if any, which would be payable if the 2006 Series B Bonds were redeemed on such date, plus accrued interest, if any, to the Purchase Date.

This 2006 Series B Bond, or a portion hereof in an Authorized Denomination (provided that the portion of this 2006 Series B Bond to be retained by the Registered Owner shall also be in an Authorized Denomination), shall be purchased on the demand of the Registered Owner hereof at the times and the prices set forth below for the applicable Interest Rate Mode; provided, that if the Interest Rate Mode is the Dutch Auction Rate or Flexible Rate, the Registered Owner shall have no right to demand purchase of this 2006 Series B Bond. If the Interest Rate Mode is the Daily Rate, this 2006 Series B Bond shall be purchased on the demand of the Registered Owner hereof on any Business Day at a purchase price equal to the principal amount hereof plus accrued interest, if any, to the Purchase Date upon written notice or telephonic notice to the Tender Agent not later than 11:00 a.m. (New York City time) on such Business Day. If the Interest Rate Mode is the Weekly Rate, this 2006 Series B Bond shall be purchased on the demand of the Registered Owner hereof on any Business Day at a purchase price equal to the principal amount hereof, plus accrued interest, if any, to the Purchase Date, upon written notice to the Tender Agent at or before 5:00 p.m. (New York City time) on a Business Day not later than the seventh day prior to the Purchase Date. If the Interest Rate Mode is the Semi-Annual Rate, this 2006 Series B Bond shall be purchased on the demand of the Registered Owner hereof on any Interest Payment Date, at a purchase price equal to the principal amount hereof, upon written notice to the Tender Agent on a Business Day not later than the fifteenth day prior to such Purchase Date. If the Interest Rate Mode is the Annual Rate or the Long Term Rate, this 2006 Series B Bond shall be purchased on the demand of the Registered Owner hereof on the final Interest Payment Date for the Annual Rate Period or the Long Term Rate Period, as the

case may be, at a purchase price equal to the principal amount hereof, upon written notice to the Tender Agent on a Business Day not later than the fifteenth day prior to such Purchase Date.

Any notice in connection with a demand for purchase of this 2006 Series B Bond as set forth in the preceding paragraph hereof shall be given at the address of the Tender Agent designated to Trustee and shall (A) state the number and principal amount (or portion hereof in an Authorized Denomination) of this 2006 Series B Bond to be purchased, (B) state the Purchase Date on which this 2006 Series B Bond shall be purchased and (C) irrevocably request such purchase and state that the Registered Owner agrees to deliver this 2006 Series B Bond to the Tender Agent on the Purchase Date. ANY SUCH NOTICE SHALL BE IRREVOCABLE WITH RESPECT TO THE PURCHASE FOR WHICH SUCH DIRECTION WAS DELIVERED AND, UNTIL SURRENDERED TO THE TENDER AGENT, THIS 2006 SERIES B BOND OR ANY PORTION HEREOF WITH RESPECT TO WHICH SUCH DIRECTION WAS DELIVERED SHALL NOT BE TRANSFERABLE. When a Book-Entry System is not in effect, this 2006 Series B Bond must be delivered (together with an appropriate instrument of transfer executed in blank with all signatures guaranteed in form satisfactory to the Tender Agent) at the principal corporate trust office of the Tender Agent at or prior to 12:00 noon (1:00 p.m. during a Daily Rate Period) (New York City time) on the date specified in the aforesaid notice in order for the Registered Owner hereof to receive payment of the purchase price due on such Purchase Date; provided, that, if this 2006 Series B Bond is being delivered for purchase during a Semi-Annual Rate Period, Annual Rate Period or Long Term Rate Period, such 2006 Series B Bond must be so delivered by 11:00 a.m. (New York City time) on such Purchase Date. WHEN A BOOK-ENTRY SYSTEM IS NOT IN EFFECT, NO REGISTERED OWNER SHALL BE ENTITLED TO PAYMENT OF THE PURCHASE PRICE DUE ON SUCH PURCHASE DATE EXCEPT UPON SURRENDER OF THIS 2006 SERIES B BOND AS SET FORTH HEREIN. When a Book-Entry System is in effect, the requirement for physical delivery of the 2006 Series B Bonds under this paragraph shall be deemed satisfied when the ownership rights in the 2006 Series B Bonds (to the extent of the principal amount tendered for the purchase) are transferred by DTC Participants on the records of the DTC. Notwithstanding the foregoing, this 2006 Series B Bond shall not be purchased during the existence of an Event of Default under Section 9.01(a) or (b) of the Indenture. No purchase of 2006 Series B Bonds pursuant to Section 3.01 of the Indenture shall be deemed to be a payment or redemption of such 2006 Series B Bonds or any portion thereof within the meaning of the Indenture.

BY ACCEPTANCE OF THIS 2006 SERIES B BOND, THE REGISTERED OWNER HEREOF AGREES THAT THIS 2006 SERIES B BOND WILL BE PURCHASED, WHETHER OR NOT SURRENDERED, (A) ON THE APPLICABLE PURCHASE DATE IN CONNECTION WITH THE EXPIRATION OF EACH FLEXIBLE RATE PERIOD FOR THIS 2006 SERIES B BOND OR ON A CHANGE OF THE LONG TERM RATE PERIOD OR ON CONVERSION OF THE INTEREST RATE MODE OF THE 2006 SERIES B BONDS OR (B) ON ANY PURCHASE DATE SPECIFIED BY THE REGISTERED OWNER HEREOF IN THE EXERCISE OF THE RIGHT TO DEMAND PURCHASE OF THIS 2006 SERIES B BOND AS DESCRIBED ABOVE. IN SUCH EVENT, THE REGISTERED OWNER OF THIS 2006 SERIES B BOND SHALL NOT BE ENTITLED TO RECEIVE ANY FURTHER INTEREST HEREON AND SHALL HAVE NO FURTHER RIGHTS UNDER THIS 2006

SERIES B BOND OR THE INDENTURE EXCEPT TO PAYMENT OF THE PURCHASE PRICE HELD THEREFOR.

The initial Remarketing Agent and Initial Broker-Dealer under the Indenture is _____ . The initial Tender Agent under the Indenture is _____ . The initial Auction Agent under the Indenture is _____ . The Remarketing Agent, the Initial Broker-Dealer, the Tender Agent and the Auction Agent may be changed at any time in accordance with the Indenture. The initial Bond Registrar and Paying Agent under the Indenture is the Trustee.

The 2006 Series B Bonds are issuable only as fully-registered 2006 Series B Bonds in the following authorized denominations: if the Interest Rate Mode is the Daily Rate or Weekly Rate, a minimum denomination of \$100,000 and integral multiples thereof; if the Interest Rate Mode is the Flexible Rate, a minimum denomination of \$100,000 and integral multiples of \$5,000 in excess of such minimum denomination; if the Interest Rate Mode is the Semi-Annual Rate, Annual Rate or Long Term Rate, denominations of \$5,000 and any integral multiple thereof; and if the Interest Rate Mode is the Dutch Auction Rate, denominations of \$25,000 and any integral multiple thereof. Subject to the limitations provided in the Indenture and upon payment of any tax or governmental charge, 2006 Series B Bonds may be exchanged for a like aggregate principal amount of 2006 Series B Bonds of other authorized denominations.

This 2006 Series B Bond is transferable by the Registered Owner hereof or his duly authorized attorney at the principal corporate trust office of the Bond Registrar upon surrender of this 2006 Series B Bond, accompanied by a duly executed instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, subject to such reasonable regulations as Issuer, Trustee or the Bond Registrar may prescribe, and upon payment of any tax or other governmental charge incident to such transfer; PROVIDED, THAT, IF MONEYS FOR THE PURCHASE OF THIS 2006 SERIES B BOND HAVE BEEN DEPOSITED WITH THE TENDER AGENT IN THE MANNER PROVIDED UNDER THE INDENTURE FOR PURCHASE OF 2006 SERIES B BONDS UNDER CERTAIN CIRCUMSTANCES, THIS 2006 SERIES B BOND SHALL NOT BE TRANSFERABLE TO ANYONE UNTIL DELIVERED TO THE TENDER AGENT AND PROVIDED FURTHER THAT NEITHER THE ISSUER NOR THE BOND REGISTRAR SHALL BE REQUIRED (i) TO REGISTER THE TRANSFER OF OR EXCHANGE ANY 2006 SERIES B BOND DURING A PERIOD BEGINNING AT THE OPENING OF BUSINESS FIFTEEN (15) DAYS BEFORE THE DAY OF MAILING OF A NOTICE OF REDEMPTION OF 2006 SERIES B BONDS SELECTED FOR REDEMPTION AND ENDING AT THE CLOSE OF BUSINESS ON THE DAY OF SUCH MAILING, (ii) TO REGISTER THE TRANSFER OF OR EXCHANGE ANY 2006 SERIES B BOND SO SELECTED FOR REDEMPTION IN WHOLE OR IN PART, OR (iii) OTHER THAN PURSUANT TO ARTICLE III OF THE INDENTURE, TO REGISTER ANY TRANSFER OF OR EXCHANGE ANY 2006 SERIES B BOND WITH RESPECT TO WHICH THE OWNER HAS SUBMITTED A DEMAND FOR PURCHASE IN ACCORDANCE WITH SECTION 3.01(a) OR WHICH HAS BEEN PURCHASED PURSUANT TO SECTION 3.01(b) OF THE INDENTURE. Upon any such transfer, a new 2006 Series B Bond or 2006 Series B Bonds in the same aggregate principal amount will be issued to the transferee. Except as set forth in this 2006 Series B Bond and as otherwise provided in the Indenture, the person in whose name this 2006 Series B Bond is registered shall be deemed the Registered Owner hereof for all

purposes, and the Issuer, any Paying Agents, the Bond Registrar, the Tender Agent, the Remarketing Agent, the Initial Broker-Dealer, the Auction Agent and the Trustee shall not be affected by any notice to the contrary. Except as otherwise specifically provided herein and in the Indenture with respect to rights of DTC Participants and Beneficial Owners when a Book-Entry System is in effect, the Registered Owner of this 2006 Series B Bond shall be treated as the owner of it for all purposes.

The 2006 Series B Bonds are issued pursuant to and in full compliance with the Constitution and laws of the Commonwealth of Kentucky, particular reference being made to Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes, and pursuant to an Ordinance duly adopted by Issuer, which Ordinance authorizes the execution and delivery of the Agreement and the Indenture. This 2006 Series B Bond and the issue of which it forms a part are special and limited obligations of Issuer and are payable solely and only out of the revenues and other amounts derived from the Agreement, and are secured as set forth in the Indenture. The 2006 Series B Bonds and the interest thereon shall never constitute a debt, indebtedness or general obligation or a pledge of the faith and credit of the Commonwealth of Kentucky or any political subdivision thereof, including Issuer, within the meaning of any provision or limitation of the Constitution or Statutes of the Commonwealth of Kentucky, and shall not constitute nor give rise to a pecuniary liability of Issuer, or a charge against its general credit or taxing powers. Neither the Commonwealth of Kentucky nor any political subdivision thereof nor Issuer shall be obligated to pay the principal of the 2006 Series B Bonds, the premium, if any, or interest thereon or other costs incident thereto except from the revenues and amounts pledged therefor and neither the faith and credit nor the taxing power of the Commonwealth of Kentucky or any political subdivision thereof or Issuer is pledged to the payment of the principal of the 2006 Series B Bonds or the premium, if any, or interest thereon or other costs incident thereto. Payments sufficient for the prompt payment when due of the principal of, premium, if any, and interest on the 2006 Series B Bonds are to be paid to Trustee by Company for the account of Issuer and deposited in a special account created by Issuer and designated "County of Carroll, Kentucky, Environmental Facilities Revenue Bond Fund, 2006 Series B (Kentucky Utilities Company Project)," and have been duly assigned for that purpose. The Agreement and all rights of Issuer under the Agreement (except for certain rights to indemnification and payment of expenses) have been assigned to Trustee to further secure payment of such principal, premium, if any, and interest, under the Indenture.

The Registered Owner of this 2006 Series B Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of the 2006 Series B Bonds may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of Issuer and the rights of the holders of the 2006 Series B Bonds, at any time by Issuer with the consent of the Registered Owners of a majority in aggregate principal amount of the 2006 Series B Bonds at the time outstanding, as defined in the Indenture. Any such consent or waiver by the Registered Owner of this 2006

Series B Bond shall be conclusive and binding upon such Registered Owner and upon all future Registered Owners of this 2006 Series B Bond and of any 2006 Series B Bond issued upon the transfer or exchange of this 2006 Series B Bond whether or not notation of such consent or waiver is made upon this 2006 Series B Bond. The Indenture also contains provisions permitting Trustee to waive certain past defaults under the Indenture and their consequences.

This 2006 Series B Bond is issued under and pursuant to the Constitution and statutory laws of the Commonwealth of Kentucky, and its construction shall be governed thereby.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and issuance of this 2006 Series B Bond do exist, have happened and have been performed in due time, form and manner as required by law; that the issuance of this 2006 Series B Bond and the issue of which it forms a part, together with all other obligations of Issuer, does not exceed or violate any constitutional or statutory limitation; and that the revenues assigned to the payment of the principal of, premium, if any, and interest on this 2006 Series B Bond and the issue of which it forms a part, as the same become due, will be sufficient in amount for that purpose.

This 2006 Series B Bond shall not be valid or become obligatory for any purpose, or be entitled to any security or benefit under the Indenture until the Certificate of Authentication hereon endorsed shall have been executed by the Trustee, as Authenticating Agent, or any other Authenticating Agent. All acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky to happen, exist, and be performed precedent to and in the issuance of this 2006 Series B Bond, have happened, do exist, and have been performed as so required.

This 2006 Series B Bond is exempt from taxation by the Commonwealth of Kentucky and by all of the municipalities and political subdivisions thereof.

IN WITNESS WHEREOF, the County of Carroll, Kentucky, under the authority aforesaid, has caused this 2006 Series B Bond to be executed with the reproduced facsimile of the official signature or official manual signature of the County Judge/Executive, to be sealed by an impression or a reproduced facsimile of the official seal of such County and to be attested by the reproduced facsimile signature or official manual signature of the Fiscal Court Clerk or Deputy Fiscal Court Clerk, each as an Authorized Officer.

(SEAL)

CERTIFICATE OF AUTHENTICATION

COUNTY OF CARROLL, KENTUCKY

This 2006 Series B Bond is one of the 2006 Series B Bonds authorized and described in the within-mentioned Indenture.

(Manual or Facsimile Signature)
County Judge/Executive

Date of Authentication: _____

Trustee, Paying Agent and
Bond Registrar

ATTEST:

By _____
(Manual Signature)
Authorized Signatory

(Manual or Facsimile Signature)
Authorized Signatory

[Form of Abbreviations]

The following abbreviations, when used in the inscription on the face of the within 2006 Series B Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common

JT TEN - as joint tenants with right of

survivorship and not as tenants in common

UNIF TRANS MIN ACT - _____ Custodian _____
(Cust) (Minor)

under Uniform Transfers to Minors Act _____
(State)

Additional abbreviations may also be used though not in list above.

STATEMENT OF INSURANCE

TO BE INSERTED

ASSIGNMENT

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

(Name and Address of Assignee)

the within 2006 Series B Bond and does hereby irrevocably constitute and appoint to transfer the said 2006 Series B Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature guaranteed: _____

NOTICE: The signature on this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within 2006 Series B Bond in every particular, without alteration or enlargement or any change whatever.

(END FORM OF 2006 SERIES B BOND)

WHEREAS, all things necessary to make the 2006 Series B Bonds, when authenticated by Authenticating Agent and issued as in this Indenture provided, the valid, binding and legal obligations of Issuer according to the import thereof, and to constitute this Indenture of Trust a valid assignment of the amounts pledged to the payment of principal of or purchase price, premium, if any, and interest on the 2006 Series B Bonds and a valid assignment of the Agreement and all rights of Issuer under the Agreement (except for certain rights to indemnification and payment of expenses) have been done and performed, and the creation, execution and delivery of this Indenture, and execution and issuance of the 2006 Series B Bonds, subject to the terms hereof, have in all respects been duly authorized;

GRANTING CLAUSES

NOW, THEREFORE, Issuer, in consideration of the premises and the acceptance by Trustee of the trusts hereby created and of the purchase and acceptance of the 2006 Series B Bonds by the holders and owners thereof, and of the sum of one dollar, in lawful money of the United States of America, to it duly paid at or before the execution and delivery of these presents, and for other good and valuable considerations, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the 2006 Series B Bonds according to their tenor and effect and to secure the performance and observance by Issuer of all the covenants and obligations expressed or implied herein and in the 2006 Series B Bonds, does hereby grant, alien, bargain, sell, convey, mortgage, assign and pledge unto, and grant a security interest in the following to, _____, as Trustee, and its successors in trust and assigns forever:

GRANTING CLAUSE FIRST

The Agreement, including all rights, titles and interests of Issuer, as lender therein, thereto and thereunder, including any extensions and renewals of the term thereof, including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any payments and other sums of money or securities payable or receivable thereunder (including, without limitation, the right to receive any payments made under the Bond Insurance Policy pursuant to the Bond Insurance Agreement (as herein defined)) whether payable or receivable as loan payments thereunder or otherwise, to bring any actions and proceedings thereunder or for the enforcement thereof, and to do any and all other things which Issuer or any lender is or may become entitled to do under the Agreement, provided that the assignment made by this clause shall not extend to or include Issuer's rights to indemnification, reimbursement or notice or payment of fees or expenses under the Agreement and shall not impair or diminish any obligation of Issuer under the provisions of the Agreement.

GRANTING CLAUSE SECOND

The Bond Fund (as hereinafter defined and including all moneys and securities therein), all other moneys and securities from time to time held by Trustee under the terms of this Indenture and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, pledged, assigned or transferred as and for additional security hereunder by Issuer or by anyone in its behalf, or with its written consent (including, but not limited to any bond insurance payments or payments under similar credit guarantees or bonds, which the Issuer reserves the right to procure from time to time for the further security and payment of the 2006 Series B Bonds), to Trustee and Trustee is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof, provided that the assignment shall not extend to or include any moneys held in or earnings on the Rebate Fund and the Purchase Fund, each, as hereinafter defined.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto Trustee and its respective successors in trust and assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future holders and owners of any 2006 Series B Bonds issued under and secured by this Indenture of Trust without privilege, priority or distinction as to the lien or otherwise of any of the 2006 Series B Bonds over any of the other 2006 Series B Bonds;

PROVIDED, HOWEVER, that if Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of, premium, if any, and interest on the 2006 Series B Bonds due or to become due thereon, at the times and in the manner mentioned in the 2006 Series B Bonds, according to the true intent and meaning thereof, and shall cause the payments to be made into the Bond Fund as required under ARTICLE VI hereof, or shall provide, as permitted hereby, for the payment thereof by depositing with Trustee certain securities or the entire amount due or to become due thereon, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture of Trust to be kept, performed and observed by it, and shall pay or cause to be paid to Trustee and any Paying Agent all sums of money due or to become due to either of them in accordance with the terms and provisions hereof, then upon such final payments and subject to ARTICLE VIII this Indenture of Trust and the rights hereby granted shall cease, determine and be void; otherwise this Indenture of Trust to be and remain in full force and effect.

THIS INDENTURE OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all 2006 Series B Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all said property, rights and interests, including, without limitation, the amounts hereby assigned, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and that Issuer has agreed and covenanted, and does hereby agree and covenant with Trustee and with the respective holders and owners, from time to time, of said 2006 Series B Bonds or any part thereof, as follows:

ARTICLE I

DEFINITIONS

Unless the context clearly indicates some other meaning, the following words and terms shall, for all purposes of this Indenture of Trust, have the following meanings:

“Act” means Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing. With respect to 2006 Series B Bonds bearing interest at the Dutch Auction Rate, if any, that term shall mean any person known to the Auction Agent to be controlled by, in control of or under common control with the Company; provided that no Broker-Dealer shall be deemed an Affiliate solely because a director or executive officer of such Broker-Dealer or of any person controlling, controlled by or under common control with such Broker-Dealer is also a director of the Company.

“Agent Member” means a member of, or participant in, DTC who shall act on behalf of a Bidder.

“Agreement” means the Loan Agreement dated as of _____, 2006, by and between Issuer and Company, and any amendments and supplements thereto.

“_____” shall mean the Bond Insurer, as further defined under that term.

“Annual Rate” means the Interest Rate Mode for the 2006 Series B Bonds in which the interest rate on the 2006 Series B Bonds is determined annually in accordance with Section 2.02(c)(v).

“Annual Rate Period” means the period beginning on, and including, the Conversion Date to the Annual Rate and ending on, and including, the day next preceding the second Interest Payment Date thereafter, and each successive twelve (12) month period (or portion thereof) thereafter until the day preceding the earlier of the Conversion to a different Interest Rate Mode or the maturity of the 2006 Series B Bonds.

“Applicable Percentage” shall mean, on any date of determination, the percentage of the Index (in effect on such Auction Date) determined in accordance with this Indenture, based on the Prevailing Rating of the 2006 Series B Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date:

<u>Applicable Prevailing Rating</u>	<u>Percentages</u>
AAA/Aaa	150%
AA/Aa	250%
A/A	350%
Below A/A	550%

“Auction” shall mean each periodic implementation of the Dutch Auction Procedures.

“Auction Agent Agreement” shall mean the Auction Agent Agreement dated as of _____, 2006 between the Company and the Auction Agent, as amended or supplemented from time to time.

“Auction Agent” shall mean the auction agent appointed in accordance with Section 11.04.

“Auction Date” means during any period in which the Auction procedures set forth in Section 2.14 hereof are not suspended in accordance with the provisions of this Indenture, (i) if the 2006 Series B Bonds are in a daily Auction Period, each Business Day, and (ii) if the 2006 Series B Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such 2006 Series B Bonds (whether or not an Auction will be conducted on such date); provided, however, that the last Auction Date with respect to the 2006 Series B Bonds in an Auction Period other than a daily Auction Period will be the earlier of (a) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the 2006 Series B Bonds and (b) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the 2006 Series B Bonds; and provided, further, that if the 2006 Series B Bonds are in a daily Auction Period, the last Auction Date will be the earlier of (x) the Business Day next preceding the Conversion Date for the 2006 Series B Bonds and (y) the Business Day next preceding the final maturity date for the 2006 Series B Bonds. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there will be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion. The first Auction Date for the 2006 Series B Bonds is _____, 2006.

“Auction Period” shall mean, (i) with respect to 2006 Series B Bonds in a daily mode, a period beginning on each Business Day and extending to but not including the next succeeding Business Day, (ii) with respect to 2006 Series B Bonds in a seven-day mode, a period of generally seven days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) with respect to 2006 Series B Bonds in a 28-day mode, a period of generally 28 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) with respect to 2006 Series B Bonds in a 35-day mode, a period of generally 35 days

beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (v) with respect to 2006 Series B Bonds in a three-month mode, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the first day of the month that is the third calendar month following the beginning date of such Auction Period, and (vi) with respect to 2006 Series B Bonds in a semiannual mode, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding June 1 or December 1; provided, however, that if there is a conversion of 2006 Series B Bonds from a daily Auction Period to a seven-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and will end on the next succeeding Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), if there is a conversion from a daily Auction Period to a 28-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and will end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and, if there is a conversion from a daily Auction Period to a 35-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and will end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but not more than 35 days from such date of conversion.

“Authenticating Agent” means the Trustee, the Bond Registrar and any agent so designated in and appointed pursuant to Section 2.06 each of which shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934, as amended.

“Authorized Denomination” means (i) if the Interest Rate Mode is the Daily Rate or the Weekly Rate, a minimum denomination of \$100,000 and any integral multiple thereof; (ii) if the Interest Rate Mode is the Flexible Rate, a minimum denomination of \$100,000 and integral multiples of \$5,000 in excess of such minimum denomination; (iii) if the Interest Rate Mode is the Semi-Annual Rate, Annual Rate or Long Term Rate, a denomination equal to \$5,000 or any integral multiple thereof; and (iv) if the Interest Rate Mode is the Dutch Auction Rate, a denomination equal to \$25,000 or any integral multiple thereof.

“Available Auction Bonds” shall have the meaning set forth in Section 2.14(e).

“Bankruptcy Counsel” means nationally recognized counsel experienced in bankruptcy matters as selected by the Company.

“Beneficial Owner” shall mean the person in whose name a 2006 Series B Bond is recorded as the beneficial owner thereof by the respective systems of DTC and each of the DTC Participants, or the Registered Holder of such 2006 Series B Bond if such 2006 Series B Bond is not then registered in the name of CEDE & Co.

“Bid” shall have the meaning set forth in Section 2.14(c).

“Bidder” shall have the meaning set forth in Section 2.14(c).

“Bond Counsel” means an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds and municipal finance, reasonably acceptable to Company.

“Bond Fund” means the fund so designated which is established pursuant to Section 6.02 hereof.

“Bond Insurance Agreement” means the Insurance Agreement, dated as of July 20, 2006, entered into between the Company and the Bond Insurer in connection with the issuance of the Bond Insurance Policy.

“Bond Insurance Policy” or “[Financial Guaranty] Insurance Policy” means the [financial guaranty] insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the 2006 Series B Bonds as provided therein.

“Bond Insurer” or “_____” means _____, a _____-domiciled stock insurance company, or any successor thereto.

“Bond Register” and “Bond Registrar” shall have the respective meanings specified in Section 2.03. “Principal Office” of the Bond Registrar means the office or offices designated as such in writing to Issuer, Trustee, the Paying Agent, the Tender Agent, the Remarketing Agent and Company provided that if the Trustee is also the Bond Registrar, “Principal Office” shall mean the principal corporate trust office of the Trustee.

“Bond Year” means, during the period while 2006 Series B Bonds remain outstanding, the annual period provided for the computation of Excess Earnings under Section 148(f)(2) of the Code.

“Book-Entry System” shall mean the system in which the 2006 Series B Bonds (represented by one certificate for each maturity) are delivered into the possession of DTC and are issued and fully registered as to principal and interest in the name of CEDE & Co. and whereby beneficial interests in such 2006 Series B Bonds are purchased by investors through DTC Participants, such interests shown and transfers thereof effected only through the records maintained by the respective DTC Participants from whom each Beneficial Owner acquired its interest.

“Broker-Dealer” shall mean any entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Dutch Auction Procedures (i) that is an Agent Member (or an affiliate of an Agent Member), (ii) that has been selected by the Company with the consent of the Auction Agent and (iii) that has entered into a Broker-Dealer Agreement with the Auction Agent that remains effective.

“Broker-Dealer Agreement” shall mean, if the 2006 Series B Bonds are in the Dutch Auction Rate Mode, each agreement between a Broker-Dealer and the Auction Agent, substantially in the form attached to the Auction Agent Agreement as Exhibit A, pursuant to which a Broker-Dealer, among other things, agrees to participate in Auctions as set forth in the Dutch Auction Procedures, as from time to time amended and supplemented.

“Business Day” means any day other than a Saturday or Sunday or legal holiday or a day on which banking institutions located in the City of New York, New York, or the New York Stock Exchange or banking institutions in the city in which the principal office of the Trustee, the Bond Registrar, the Tender Agent, the Paying Agent, the Auction Agent, the Company or the Remarketing Agent are located are authorized by law or executive order to close.

“CEDE & Co.” shall mean CEDE & Co., as nominee of DTC, and any successor nominee of DTC substituted in accordance with Section 2.01(d) hereof.

“Code” means the United States Internal Revenue Code of 1986, as amended. Each reference to a Section of the Code herein shall be deemed to include the United States Treasury regulations, including temporary and proposed regulations, relating to such Section which are applicable to the 2006 Series B Bonds or the use of the proceeds thereof.

“Company” means Kentucky Utilities Company, a Kentucky and Virginia corporation, and its successors and assigns, including any surviving, resulting or transferee corporation.

“Company Bonds” means 2006 Series B Bonds held for remarketing which were tendered for purchase by the Registered Owners thereof pursuant to Section 3.01(a) or (b) hereof and that were purchased from moneys received by the Tender Agent pursuant to a demand for payment from Company.

“Company Representative” means the person or persons at the time designated to act on behalf of Company by written certificate furnished to Issuer, Trustee, Paying Agent and Bond Registrar containing the specimen signature of such person and signed on behalf of Company by the president, any vice president or the treasurer of Company. Such certificate may designate an alternate or alternates. Company Representative may be an employee of Company.

“Computation Period” means the period of time over which Excess Earnings with respect to the 2006 Series B Bonds are required to be computed under Section 148(f) of the Code.

“Continuing Disclosure Agreement” means any Continuing Disclosure Agreement which may be given by the Company in connection with the 2006 Series B Bonds, as may, at the time be legally required, as amended or supplemented from time to time.

“Conversion” means any conversion from time to time in accordance with the terms of this Indenture of the 2006 Series B Bonds from one Interest Rate Mode to another Interest Rate Mode.

“Conversion Date” means initially the date of original issuance of the 2006 Series B Bonds and thereafter means the date on which any Conversion becomes effective.

“Cost of Construction” with respect to the 1994 Project, shall be deemed to include the following costs which are or have been either (i) charged, or (ii) with or but for a proper election may be or could have been charged, by Company to a capital account:

(i) obligations of Company incurred for labor, property, and materials (including reimbursements payable to Company and payments on contracts in the name of Company) in connection with the acquisition, construction, installation and equipping of the 1994 Project (including capitalization of interest on bonds, if any, and interest costs incurred in respect of any interim financing of the 1994 Project), together with allowances permitted by the Code in connection with the acquisition, construction and installation of the 1994 Project;

(ii) the cost of contract bonds and of insurance of all kinds that may be necessary or desirable during the course of construction, acquisition and installation of the 1994 Project;

(iii) all costs of engineering services, including the costs of Company for test borings, surveys, estimates, plans and specifications and preliminary investigation therefor, and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of the 1994 Project;

(iv) allowable costs and expenses incurred in connection with the issuance and sale of the original issue of bonds which financed the 1994 Project, including, without limitation, compensation and expenses of trustee under the 1994 Series A Indenture, legal expenses and fees, financial advisory fees, underwriting fees and compensation, printing, engraving and photocopying costs and recording and filing fees;

(v) all other costs which Company has paid or shall be required to pay, under the terms of any contract or contracts, for the acquisition, construction, installation or equipping of the 1994 Project;

(vi) any sums required to reimburse Issuer or Company for advances made by either of them for any of the above items, including sales taxes and other taxes and fees, or for any other costs incurred for work done by either of them which are properly chargeable to the 1994 Project; and

(vii) to the extent authorized by the Act, all other items related to the acquisition, construction, installation and equipping of the 1994 Project, the costs of which are, or with a proper election by the Company, may be, or could have been, carried to a capital account on the books of the Company.

“Cumulative Excess Earnings” means the amount of all Excess Earnings earned from the date of the original delivery of the 2006 Series B Bonds through the end of the relevant Computation Period, less the amount of any Excess Earnings previously paid to the United States pursuant to Section 6.06 hereof.

“Daily Rate” means the Interest Rate Mode for the 2006 Series B Bonds in which the interest rate on the 2006 Series B Bonds is determined on each such Business Day in accordance with Section 2.02(c)(ii).

“Daily Rate Period” means the period beginning on and including the Conversion Date to the Daily Rate and ending on and including the day preceding the next Business Day and each period thereafter beginning on and including a Business Day and ending on and including the day preceding the next succeeding Business Day until the day preceding the earlier of the Conversion to a different Interest Rate Mode or the maturity of the 2006 Series B Bonds.

“Date of the Bonds” means _____, 2006.

“Default” and “event of default” mean any occurrence or event specified in Section 9.01 of this Indenture.

“Delivery” or “deliver” shall mean, when used with respect to the 2006 Series B Bonds held in the Book-Entry System pursuant to Section 2.01(d), the making of or the irrevocable authorization to make appropriate entries on the books of DTC.

“Depository” means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry-system to record ownership of book-entry interests in Bonds, and to effect transfers of book-entry interests in Bonds in book-entry form, and includes and means initially DTC.

“Designated Office” of the Trustee means the designated office of the Trustee, which office at the date of acceptance by the Trustee of the duties and obligations imposed on the Trustee by this Indenture is located in _____, _____.

“Determination of Taxability” shall have the meaning ascribed to such term in the Agreement.

“DTC” shall mean The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns (in each case, which shall be a qualified and registered “clearing agency” under Section 17A of the Securities Exchange Act of 1934, as amended) or if The Depository Trust Company or its successor or assign resigns from its functions as depository for the 2006 Series B Bonds, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the 2006 Series B Bonds and which is selected by the Issuer, at the direction of the Company with the consent of the Initial Broker-Dealer.

“DTC Participants” shall mean trust companies, banks, brokers, dealers, clearing corporations, and certain other organizations that are direct or indirect participants or members of DTC, or if DTC or its successor or assign resigns from its functions as depository for the 2006 Series B Bonds, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the 2006 Series B Bonds and which is selected by the Issuer, at the direction of the Company, with the consent of the Initial Broker-Dealer.

“Dutch Auction Procedures” shall mean the procedures set forth in Section 2.14(c), (d), (e) and (f).

“Dutch Auction Rate” shall mean the interest rate or rates to be determined for the 2006 Series B Bonds pursuant to Section 2.14.

“Dutch Auction Rate Period” shall mean each period during which the 2006 Series B Bonds bear interest at a Dutch Auction Rate.

“Electronic Notice” means notice transmitted through a time-sharing terminal, if operative as between any two parties, or if not operative, in writing, by facsimile transmission or by telephone (promptly confirmed in writing or by facsimile transmission).

“Excess Earnings” means, with respect to the 2006 Series B Bonds, an amount equal to the sum of (i) plus (ii) where:

- (i) is the excess of
 - (a) the aggregate amount earned on all nonpurpose investments in which gross proceeds of the 2006 Series B Bonds are invested (other than investments attributable to an excess described in this clause (i)), over
 - (b) the amount which would have been earned if such nonpurpose investments (other than amounts attributable to an excess described in this clause (i)) were invested at a rate equal to the yield on the 2006 Series B Bonds; and
- (ii) any income attributable to the excess described in clause (i).

The sum of (i) plus (ii) shall be determined in accordance with Sections 148(f)(2) and 148(f)(4) of the Code and in accordance with the provisions of applicable Treasury Regulations. As used herein, the terms “gross proceeds,” “nonpurpose investment” and “yield” have the meanings assigned to them for purposes of Section 148(f)(6) of the Code and applicable federal income tax regulations.

“Existing Holder” when used with respect to the Bonds, means:

- (i) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a person who is a Broker-Dealer listed in the Existing Holder Registry at the close of business on the Business Day immediately preceding the Auction Date for such Auction; and

(ii) with respect to and for the purpose of dealing with the Broker-Dealer in connection with an Auction, a person who is a beneficial owner of the Bonds.

“Failure to Deposit” means any failure to make the deposits required by Section 2.14 by the time specified therein.

“[Financial Guaranty] Insurance Policy” shall have the meaning ascribed to such term in the definition of “Bond Insurance Policy”.

“Flexible Rate” means the Interest Rate Mode for the 2006 Series B Bonds in which the interest rate for each 2006 Series B Bond is determined with respect to such 2006 Series B Bond as provided in Section 2.02(c)(i)(A).

“Flexible Rate Period” means with respect to any 2006 Series B Bond, each period (which may be from 1 day to 270 days (or such lower maximum number of days as is then permitted hereunder)) determined for such 2006 Series B Bond as provided in Section 2.02(c)(i)(B).

“Governmental Obligations” has the meaning ascribed to such term in ARTICLE VIII of this Indenture.

“Hold Order” shall have the meaning set forth in Section 2.14(c).

“Indenture” or “Indenture of Trust” means this Indenture of Trust, including any indenture supplemental or amendatory hereto.

“Index” shall mean:

(i) On any Auction Date with respect to 2006 Series B Bonds in any Auction Period of less than 180 days, the Index shall be LIBOR. The Index with respect to 2006 Series B Bonds in any Auction Period of 180 days or more shall be the greater of LIBOR or the rate on the United States Treasury Securities having a maturity which closely approximates the length of the Auction Period, as last published in The Wall Street Journal.

(ii) If for any reason on any Auction Date the Index shall not be determined as hereinabove provided, the Index shall be the Index for the Auction Period ending on such Auction Date.

(iii) The determination of the Index as provided herein shall be conclusive and binding upon the Company, the Issuer, the Trustee, the Initial Broker-Dealer and any other Broker-Dealers, the Auction Agent and the Registered Owners and Beneficial Owners of the 2006 Series B Bonds.

“Initial Broker-Dealer” shall mean _____ or its successor or, if such firm is no longer acting as a Broker-Dealer for the 2006 Series B Bonds, such other Broker-Dealer as may be designated by the Company.

“Interest Payment Date” means (a) (i) if the Interest Rate Mode is the Daily Rate or the Weekly Rate, the first Business Day of each calendar month, (ii) if the Interest Rate Mode is the Flexible Rate, the last day of each Flexible Rate Period for the applicable 2006 Series B Bond (or if such last day is not a Business Day, the next succeeding Business Day) and (iii) if the Interest Rate Mode is the Semi-Annual Rate, the Annual Rate or the Long Term Rate, June 1 and December 1, and in the case of the Long Term Rate, also the Conversion Date or the effective date of a change to a new Long Term Rate Period; and (b) when used with respect to 2006 Series B Bonds bearing interest at a Dutch Auction Rate, (i) for an Auction Period of 91 days or less, the Business Day immediately succeeding the last day of such Auction Period and (ii) for an Auction Period of more than 91 days, each 13th Wednesday after the first day of such Auction Period and the Business Day immediately succeeding the last day of such Auction Period (in each case it being understood that in those instances where the immediately preceding Auction Date falls on a day that is not a Business Day, the Interest Payment Date with respect to the succeeding Auction Period shall be one Business Day immediately succeeding the next Auction Date); and (c) the Conversion Date (including the date of a failed Conversion) or the effective date of a change to a new Long Term Rate Period for such 2006 Series B Bond. In any case, the final Interest Payment Date shall be the maturity date of the 2006 Series B Bonds.

“Interest Period” means, for all 2006 Series B Bonds (for any 2006 Series B Bond if the Interest Rate Mode is the Flexible Rate) the period from and including each Interest Payment Date to and including the day immediately preceding the next Interest Payment Date; provided, however, that the first Interest Period for any 2006 Series B Bond shall begin on (and include) the Date of the 2006 Series B Bonds and the final Interest Period shall end the day next preceding the maturity date of the 2006 Series B Bonds.

“Interest Rate Mode” means the Flexible Rate, the Daily Rate, the Dutch Auction Rate, the Weekly Rate, the Semi-Annual Rate, the Annual Rate and the Long Term Rate.

“Internal Submission Deadline” means noon (New York City time) on any Auction Date, prior to the Submission Deadline or such other time so designated by a Broker-Dealer as the time by which Existing Holders or Potential Holders are required to submit Orders to the Broker-Dealers.

“Issuer” means the County of Carroll, Kentucky, a public body corporate and politic duly created and existing as a County and political subdivision under the Constitution and laws of the Commonwealth of Kentucky.

“Issuer Representative” means the person or persons at the time designated to act on behalf of Issuer by written certificate furnished to Company, Trustee, Paying Agent and Bond Registrar containing the specimen signature of such person and signed on behalf of Issuer by the County Judge/Executive of Issuer. Such certificate may designate an alternate or alternates. Issuer Representative may be an employee of Issuer.

“Letter Of Representations” shall mean, in respect of the 2006 Series B Bonds issued under the Book-Entry System, the Blanket Letter of Representations, dated October 1, 2004, from the Issuer to DTC, including any amendments thereto as shall be agreed upon from time to time by the Trustee, the Issuer and DTC.

“LIBOR” on any date of determination for any Auction Period, means: (i) for any Auction Period of fewer than 49 days, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on such date or, if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the immediately preceding day on which such dealings were transacted in such market and (ii) for any Auction Period of (A) 49 or more but fewer than 70 days, such rates for deposit in U.S. dollars for a two-month period, (B) 70 or more but fewer than 120 days, such rates for deposit in U.S. dollars for a three-month period, (C) 120 days or more but fewer than 148 days the arithmetic average of such rates for deposits in U.S. dollars for three and six-month period, (D) 148 or more but fewer than 180 days, such rate for deposits in U.S. dollars for a six month period, (E) 180 or more but fewer than 225 days, the arithmetic average of such rates for deposits in U.S. dollars for six and nine-month periods, (F) 225 or more but fewer than 290 days, such rate for deposits in U.S. dollars for a nine-month period, (G) 290 or more but fewer than 325 days, such rates for deposits in U.S. dollars for nine-month period, and (H) 325 or more but fewer than 365 days, such rate for deposits in U.S. dollars for a one-year period.

“Loan” means the loan by Issuer to Company of the proceeds from the sale of the 2006 Series B Bonds, excluding any accrued interest to be paid by the initial purchasers of the 2006 Series B Bonds, pursuant to the Agreement.

“Long Term Rate” means the Interest Rate Mode for the 2006 Series B Bonds in which the interest rate on the 2006 Series B Bonds is determined in accordance with Section 2.02(c)(vi).

“Long Term Rate Period” means any period established by Company pursuant to Section 2.02(d)(i) or (ii) and beginning on, and including, the Conversion Date to the Long Term Rate and ending on, and including, the day preceding the last Interest Payment Date for such period and, thereafter, each successive period of the same duration as that established period until the day preceding the earliest of the change to a different Long Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity of the 2006 Series B Bonds.

“Maximum Dutch Auction Rate” shall mean on any date of determination, the lesser of (i) the product of the Index multiplied by the Applicable Percentage, (ii) the maximum interest rate permitted by applicable law or (iii) 15%.

“Minimum Dutch Auction Rate” shall mean on any date of determination the interest rate per annum equal to the lesser of (i) 15% or (ii) 65% of the Index on such date.

“Moody's” means Moody's Investors Service, Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Company, with the consent of the Issuer. All notices to Moody's shall be sent to 99 Church Street, New York, New York 10007, or to such other address as designated in writing by Moody's to the Trustee.

“Municipal Index” means The Bond Market Association Municipal Swap Index™ as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or otherwise designated by The Bond Market Association; provided, however, that, if such index is no longer provided by Municipal Market Data, Inc. or its successor, the "Municipal Index" shall mean such other reasonably comparable index selected by the Remarketing Agent.

“Net Proceeds,” when used with respect to any insurance proceeds or any condemnation award, means the amount remaining after deducting all expenses (including attorneys' fees) incurred in the collection of such proceeds or award from the gross proceeds thereof.

“No Auction Rate” means, as of any Auction Date, the rate determined by multiplying the Percentage of Index set forth below, based on the Prevailing Rating of the 2006 Series B Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date, by the Index:

<u>Prevailing Rating</u>	<u>Percentage of Index</u>
AAA/Aaa	65%
AA/Aa	70%
A/A	85%
Below A/A	100%

provided, however that in no event will the No Auction Rate exceed the Maximum Dutch Auction Rate.

“Original Bonds” shall have the meaning ascribed to such term in the Agreement.

“Order” shall have the meaning set forth in Section 2.14(c).

“Outstanding” or “Bonds outstanding” or “Bonds then outstanding” means, as of the time in question, all 2006 Series B Bonds which have been authenticated and delivered by Trustee under this Indenture, except:

(i) 2006 Series B Bonds theretofore cancelled or delivered to the Trustee for cancellation or required to be cancelled pursuant to Section 2.11 hereof.

(ii) On or after any Purchase Date for 2006 Series B Bonds pursuant to ARTICLE III hereof, all 2006 Series B Bonds (or portions of 2006 Series B Bonds) which are tendered or deemed to have been tendered for purchase on such date, but which have not been delivered to the Tender Agent, provided that funds sufficient for such purchase are on deposit with the Tender Agent in accordance with the provisions hereof;

(iii) Subject, in every case to the provisions of Section 6.13, 2006 Series B Bonds for the payment or redemption of which the necessary amount shall have been theretofore or shall be concurrently deposited with Trustee (whether upon or prior to the maturity or redemption date of any such 2006 Series B Bonds) or for which provision for payment shall have been made in accordance with ARTICLE VIII of this Indenture; provided, that, if such 2006 Series B Bonds are to be redeemed prior to the maturity thereof, irrevocable notice of such redemption shall have been given or arrangements satisfactory to Trustee shall have been made therefor, or waiver of such notice satisfactory in form to Trustee shall have been filed with Trustee; and

(iv) 2006 Series B Bonds paid pursuant to Section 2.07 hereof and 2006 Series B Bonds in lieu of which other 2006 Series B Bonds have been authenticated and delivered under Section 2.09 or Section 2.10 of this Indenture, unless proof satisfactory to Trustee is presented that such 2006 Series B Bonds are held by a bona fide purchaser (as such term is defined in the Kentucky Uniform Commercial Code).

In determining whether the owners of a requisite aggregate principal amount of 2006 Series B Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions hereof, 2006 Series B Bonds which are held by or on behalf of the Company or any Affiliate (unless all of the Outstanding 2006 Series B Bonds, other than Company Bonds, are then owned by the Company or any Affiliate) shall be disregarded for the purpose of any such determination; provided that only those 2006 Series B Bonds which a responsible officer of the Trustee actually knows to be so held shall be so disregarded and provided further that 2006 Series B Bonds delivered to the Tender Agent pursuant to Section 3.04(a)(ii) shall not be so disregarded.

“Overdue Rate” shall mean, on any date of determination, the lesser of (i) 15% or (ii) the maximum interest rate permitted by applicable law.

“Paying Agent” or “Co-Paying Agent” means any bank or trust company designated pursuant to this Indenture to serve as Paying Agent or Co-Paying Agent for the 2006 Series B Bonds, and any successors designated pursuant to this Indenture. “Principal Office” of any Paying Agent shall mean the office thereof designated in writing to the Bond Registrar, Trustee and Company provided that if the Trustee is also Paying Agent “Principal Office” shall mean the principal corporate trust office of the Trustee.

“Permitted Investments” shall mean and include the following, and any other investments approved by the Bond Insurer:

(A) The following shall be Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts:

(i) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(ii) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- (a) U.S. treasury obligations
- (b) All direct or fully guaranteed obligations
- (c) Farmers Home Administration
- (d) General Services Administration
- (e) Guaranteed Title XI financing
- (f) Government National Mortgage Association (GNMA)
- (g) State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(B) The following shall be Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

(i) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- (a) Export-Import Bank
- (b) Rural Economic Community Development Administration
- (c) U.S. Maritime Administration
- (d) Small Business Administration
- (e) U.S. Department of Housing & Urban Development (PHAs)
- (f) Federal Housing Administration
- (g) Federal Financing Bank

(ii) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- (a) Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
- (b) Obligations of the Resolution Funding Corporation (REFCORP)
- (c) Senior debt obligations of the Federal Home Loan Bank System

(d) Senior debt obligations of other Government Sponsored Agencies approved by Bond Insurer

(iii) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(iv) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(v) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(vi) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(vii) Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.

(viii) Investment Agreements approved in writing by the Bond Insurer (supported by appropriate opinions of counsel); and

(ix) other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer.

(C) The value of the above investments shall be determined as follows:

(i) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup, Bear Stearns, or Lehman Brothers.

(ii) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and

(iii) As to any investment not specified above: the value thereof established by prior agreement among the Issuer, the Trustee, and the Bond Insurer.

"Person" or words importing persons means firms, associations, partnerships (including without limitation, general and limited partnerships), societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

"Plans and Specifications" means the plans and specifications for the Project on file with the Trustee.

"Pollution Control Facilities" means pollution control facilities as that term is defined in the Act, which definition includes Solid Waste Disposal Facilities.

"Potential Holder" means any person, including any Existing Holder, who may be interested in acquiring the beneficial ownership of Bonds during a Dutch Auction Rate Period or, in the case of an Existing Holder thereof, the beneficial ownership of an additional principal amount of Bonds during a Dutch Auction Rate Period.

"Prevailing Market Conditions" means, without limitation, the following factors: existing short-term or long-term market rates for securities, the interest on which is excluded from gross income for federal income tax purposes; indexes of such short-term or long-term rates and the existing market supply and demand for securities bearing such short-term or long-term rates; existing yield curves for short-term or long-term securities for obligations of credit quality comparable to the 2006 Series B Bonds, the interest on which is excluded from gross income for federal income tax purposes; general economic conditions; industry economic and financial conditions that may affect or be relevant to the 2006 Series B Bonds; and such other facts, circumstances and conditions as the Remarketing Agent, in its sole discretion, shall determine to be relevant.

"Prevailing Rating" means (a) AAA/Aaa, if the 2006 Series B Bonds will have a rating of AAA or better by S&P and a rating of Aaa or better by Moody's, (b) if not AAA/Aaa, AA/Aa if the 2006 Series B Bonds will have a rating of AA- or better by S&P and a rating of Aa3 or better by Moody's, (c) if not AAA/Aaa or AA/Aa, A/A if the 2006 Series B Bonds will have a rating of A- or better by S&P and a rating of A3 or better by Moody's, and (d) if not AAA/Aaa, AA/Aa or A/A, then below A/A, whether or not the 2006 Series B Bonds are rated by any securities rating agency. For purposes of this definition, S&P's rating categories of "AAA," "AA," and "A-" and

Moody's rating categories of "Aaa," "Aa3" and "A3," will be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Rating Agencies will have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof will use different rating categories. If the 2006 Series B Bonds are not rated by a Rating Agency, the requirement of a rating by such Rating Agency will be disregarded. If the ratings for the 2006 Series B Bonds are split between two of the foregoing categories, the lower rating will determine the Prevailing Rating. If there is no rating, then the Dutch Auction Rate will be the Maximum Dutch Auction Rate.

"Prior Bond Fund" shall have the meaning ascribed to such term in the Agreement.

"Prior Trustee" shall have the meaning ascribed to such term in the Agreement.

"1994 Project" means the solid waste disposal facilities constructed to serve the Ghent Generating Station of the Company, located within the corporate boundaries of the Issuer, consisting of solid waste disposal facilities described in Exhibit A hereto (including any land incident thereto) as said Exhibit A may from time to time be amended pursuant to the provisions of the Agreement, which have been acquired, constructed, installed and equipped by the Company for operation as solid waste disposal facilities.

"Project Site" means the Ghent Generating Station of Company located within the corporate boundaries of Issuer.

"Publication Date" means three Business Days after the Auction Date next preceding such redemption date.

"Purchase Date" means (i) if the Interest Rate Mode is the Daily Rate or the Weekly Rate, any Business Day as set forth in Section 3.01(a)(i) and (ii) hereof, respectively, (ii) if the Interest Rate Mode is the Semi-Annual Rate, any Interest Payment Date as set forth in Section 3.01(a)(iii), (iii) if the Interest Rate Mode is the Annual Rate or the Long Term Rate, the final Interest Payment Date for each Annual Rate Period and Long Term Rate Period as set forth in Section 3.01(a)(iv) and (v) hereof, respectively, and (iv) each day that 2006 Series B Bonds are subject to mandatory purchase pursuant to Section 3.01(b); provided, however, that the date of the stated maturity of the 2006 Series B Bonds shall not be a Purchase Date.

"Purchase Fund" means the fund so designated which is established pursuant to Section 3.03 hereof.

"Rate Period" means, with respect to any 2006 Series B Bond, any period during which a single interest rate is in effect for such 2006 Series B Bond.

"Rating Service" means (a) Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and (b) Standard & Poor's Ratings Services, a corporation organized and existing under the laws of the State of New York, and its successors and assigns; provided, however, that if either such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Rating Service" shall be deemed to refer to any other nationally recognized securities rating agency designated in writing by Company to Issuer, Trustee and Remarketing Agent.

“Rebate Fund” means the fund created by Section 6.06 of this Indenture.

“Record Date” means, as the case may be, the applicable Regular Record Date or Special Record Date.

“Redemption Date” shall mean the last day on which the Refunded 1994 Series A Bonds are scheduled for redemption, payment and discharge in accordance with the 1994 Series A Indenture.

“Refunded 1994 Series A Bonds” means the \$54,000,000 “County of Carroll, Kentucky, Collateralized Solid Waste Disposal Facilities Revenue Bonds (Kentucky Utilities Company Project) 1994 Series A”, dated November 23, 1994, issued pursuant to the 1994 Series A Indenture.

“Registered Owner” or “Bondholder” or “Owner” or “Holder” (when used in reference to the 2006 Series B Bonds) means the person or persons in whose name or names a 2006 Series B Bond shall be registered on the books of Issuer maintained by the Bond Registrar in accordance with the terms of this Indenture.

“Regular Record Date” means (a) with respect to any Interest Period during which the Interest Rate Mode is the Daily Rate or the Weekly Rate, the close of business on the Business Day immediately preceding an Interest Payment Date for such Interest Period, (b) with respect to any Interest Period during which the Interest Rate Mode is the Dutch Auction Rate, the close of business on the second Business Day preceding an Interest Payment Date for such Interest Period, (c) with respect to any Interest Period during which the Interest Rate Mode is the Flexible Rate, on the Interest Payment Date for such Interest Period, and (d) with respect to any Interest Period during which the Interest Rate Mode is the Semi-Annual Rate, the Annual Rate or the Long Term Rate, will be the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date for such Interest Period.

“Remarketing Agent” means _____ and its successor or successors as provided in, and any other Remarketing Agent appointed pursuant to Section 11.01. “Principal Office” of the Remarketing Agent means the office or offices designated by each Remarketing Agent as such in writing to Issuer, Trustee, the Bond Registrar, the Paying Agent, the Tender Agent and Company.

“Remarketing Agreement” means the Remarketing Agreement between Company and the Remarketing Agent, as the same may be amended from time to time, and any remarketing agreement between Company and a successor or additional Remarketing Agent.

“Responsible Officer” means when used with respect to the Trustee, any managing director, director, vice president, assistant vice president, associate or any other officer within the corporate trust department of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also shall mean, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge and familiarity with the particular subject.

“S&P” means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies and its successors and assigns, and, if such division shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Company, with the consent of the Issuer. All notices to S&P shall be sent to 55 Water Street, New York, New York 10041, or to such other address as designated in writing by S&P to the Trustee.

“Sell Order” shall have the meaning set forth in Section 2.14(c).

“Semi-Annual Rate” means the Interest Rate Mode for the 2006 Series B Bonds in which the interest rate on the 2006 Series B Bonds is determined in accordance with Section 2.02(c)(iv).

“Semi-Annual Rate Period” means any period beginning on, and including, the Conversion Date to the Semi-Annual Rate and ending on, and including, the day preceding the first Interest Payment Date thereafter and each successive six (6) month period thereafter beginning on and including an Interest Payment Date and ending on and including the day next preceding the next Interest Payment Date until the day preceding the earlier of the Conversion to a different Interest Rate Mode or the maturity of the 2006 Series B Bonds.

“2006 Series B Bonds” means the \$54,000,000 principal amount of bonds designated as “County of Carroll, Kentucky, Environmental Facilities Revenue Bonds, 2006 Series B (Kentucky Utilities Company Project),” dated the Date of the Bonds, or such other date as shall be jointly determined by the Company and the Issuer, or as determined by or pursuant to this Indenture and to be originally issued pursuant to Section 2.01 of this Indenture.

“1994 Series A Indenture” means the Indenture of Trust dated as of November 1, 1994, by and between Issuer and Bank One, Lexington, N.A. (now known as JPMorgan Chase Bank, N.A.), as Prior Trustee, paying agent and bond registrar pursuant to which the Refunded 1994 Series A Bonds have been issued.

“Solid Waste Disposal Facilities” means solid waste disposal facilities as that term is used in the Act and as defined in Section 142(a)(6) of the Code.

“Special Payment Date” shall have the meaning ascribed to such term in Section 2.07.

“Special Record Date” means such nonregular date as may be fixed for the payment of Defaulted Interest, as defined in and in accordance with Section 2.07.

“Standard Auction Period” shall mean an Auction Period of 35 days unless and until the establishment of a different period pursuant to Section 2.14(b), at which time it shall mean such different period.

“Submission Deadline” means 1:00 p.m., New York City time, on any Auction Date or such other time on any Auction Date by which Brokers-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

“Submission Processing Deadline” means the earlier of (i) 40 minutes after the Submission Deadline and (ii) the time when the Auction Agent begins to disseminate the results of the Auction to the Broker-Dealers.

“Submission Processing Representation” shall have the meaning specified in Section 2.11 of the Auction Agent Agreement.

“Submitted Bid” shall have the meaning set forth in Section 2.14(e).

“Submitted Hold Order” shall have the meaning set forth in Section 2.14(e).

“Submitted Order” shall mean have the meaning set forth in Section 2.14(e).

“Submitted Sell Order” shall have the meaning set forth in Section 2.14(e).

“Sufficient Clearing Bids” shall have the meaning set forth in Section 2.14(e).

“Tender Agent” means the initial and any successor tender agent appointed in accordance with Section 11.02 hereof. “Principal Office” of the Tender Agent means the office thereof designated as such in writing to Issuer, Trustee, the Bond Registrar, the Paying Agent, Company and the Remarketing Agent, provided that if the Trustee is also the Tender Agent, “Principal Office” shall mean the principal corporate trust office of the Trustee.

“Trustee” means the Trustee at the time serving as such under this Indenture.

“Trust Estate” means the property conveyed to Trustee pursuant to the granting clauses of this Indenture.

“Weekly Rate” means the Interest Rate Mode for the 2006 Series B Bonds in which the interest rate on the 2006 Series B Bonds is determined in accordance with Section 2.02(c)(iii).

“Weekly Rate Period” means the period beginning on, and including, the Conversion Date to the Weekly Rate, and ending on, and including, the next Tuesday and thereafter the period beginning on, and including, any Wednesday and ending on, and including, the earliest of the next Tuesday, the day preceding the Conversion to a different Interest Rate Mode or the maturity of the 2006 Series B Bonds.

“Winning Bid Rate” shall have the meaning set forth in Section 2.14(e).

The words “hereof”, “herein”, “hereto”, “hereby” and “hereunder” (except in the form of 2006 Series B Bond) refer to this entire Indenture. Unless otherwise noted, all Section and Article references are to sections and articles in this Indenture.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF 2006 SERIES B BONDS

Section 2.01. Authorization for Indenture; Indenture to Constitute Contract; Amount, Terms and Issuance of 2006 Series B Bonds; Book-Entry System.

(a) This Indenture is adopted pursuant to the Act. In consideration of the purchase and acceptance of the 2006 Series B Bonds by those who shall purchase and hold the same from time to time, the provisions of this Indenture shall be a part of the contract of Issuer with the holders of the 2006 Series B Bonds, and shall be deemed to be and shall constitute a contract between Issuer, Trustee and the holders from time to time of the 2006 Series B Bonds, and such provisions are covenants and agreements with such holders which Issuer hereby determines to be necessary and desirable for the security and payment thereof. The provisions, covenants and agreements herein set forth to be performed on behalf of Issuer shall be for the equal and ratable benefit, protection and security of the holders of any and all of the 2006 Series B Bonds, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the 2006 Series B Bonds over any other thereof. No 2006 Series B Bonds may be issued under the provisions of this Indenture except in accordance with this Article.

(b) The 2006 Series B Bonds shall be issued in order to refund, pay and discharge the Refunded 1994 Series A Bonds on the date of issuance of the 2006 Series B Bonds. The 2006 Series B Bonds shall be designated "County of Carroll, Kentucky, Environmental Facilities Revenue Bonds, 2006 Series B (Kentucky Utilities Company Project)," and are hereby authorized to be issued in the aggregate principal amount of \$54,000,000, only as fully registered bonds without coupons in Authorized Denominations. Unless Issuer shall otherwise direct, 2006 Series B Bonds shall be lettered "R" and shall be numbered separately from 1 upward in such manner as Trustee shall determine.

(c) The 2006 Series B Bonds shall be issued in the Book-Entry System, as provided in clause (d) of this Section 2.01.

(d) So long as any of the 2006 Series B Bonds are held in the Book-Entry System:

(i) The Registered Owner of such 2006 Series B Bonds shall be DTC, and such 2006 Series B Bonds shall be registered in the name of CEDE & Co., as nominee for DTC. The provisions of the Letter of Representations shall be and are hereby incorporated herein by reference and, in the event that there shall be any inconsistency between the Letter of Representations and this Indenture, so long as such 2006 Series B Bonds are held in the Book-Entry System, the Letter of Representations shall govern.

(ii) The 2006 Series B Bonds shall be initially issued in the Book-Entry System, as a single fully registered certificate representing each maturity of principal, in accordance with the Letter of Representations. Upon initial issuance, the ownership of such 2006 Series B Bonds shall be registered in the registry books of the Issuer maintained by the Trustee in the name of CEDE & Co., as nominee for DTC. So long as

such 2006 Series B Bonds are held in the Book-Entry System, the Trustee and the Company shall treat DTC (or its nominee) as the sole and exclusive Registered Owner of such 2006 Series B Bonds registered in its name for the purposes of: (i) payment of the principal or redemption price of or interest on such 2006 Series B Bonds, (ii) selecting such 2006 Series B Bonds or portions thereof to be redeemed, (iii) giving any notice permitted or required to be given to Bondholders, (iv) registering the transfer of such 2006 Series B Bonds, and (v) obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and the Trustee and the Company shall not be affected by any notice to the contrary. The Trustee, Issuer and the Company shall have no liability, responsibility or obligation to any DTC Participant, any Beneficial Owner or any person claiming to be a Beneficial Owner, or any other person which is not shown on the registration books of the Trustee as being a Registered Owner with respect to: the accuracy of or any other aspect relating to any records maintained by DTC or any DTC Participant of any amount in respect of the principal or redemption or purchase price of or interest on any such 2006 Series B Bonds; any notice which is permitted or required to be given to 2006 Series B Bondholders once such notice is given to DTC, as 2006 Series B Bondholder; the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of any such 2006 Series B Bonds; or any consent given or other action taken by DTC as 2006 Series B Bondholder. In order to effect permissive purchase of 2006 Series B Bonds pursuant to this Indenture, Beneficial Owners must act only through their DTC Participants and the Issuer, the Trustee and the Company will have no responsibility therefor whatsoever.

(iii) So long as the 2006 Series B Bonds are held in the Book-Entry System, the Trustee shall pay all principal of and premium, if any, and interest on such 2006 Series B Bonds only to or “upon the order of” DTC (as that term is used in the Uniform Commercial Code as adopted in the Commonwealth of Kentucky), and all such payments shall be valid and effective to fully satisfy and discharge the Company's obligation with respect to the principal of and premium, if any, and interest on such 2006 Series B Bonds to the extent of the sum or sums so paid. Transfer or crediting of the applicable principal, interest or redemption premium payments made by the Trustee to DTC and by DTC to DTC Participants shall be the sole responsibility of DTC, and transfer of same to Beneficial Owners or their nominees shall be the sole responsibility of DTC and the DTC Participants. So long as any such 2006 Series B Bonds are held in the Book-Entry System, no person other than DTC shall receive an authenticated 2006 Series B Bond certificate.

(iv) Upon delivery by DTC to the Trustee of DTC's written notice to the effect that DTC has determined to substitute a new nominee in place of CEDE & Co., and subject to the provisions of the Indenture with respect to transfer of the 2006 Series B Bonds, the term “CEDE & Co.” in this Indenture shall refer to such new nominee of DTC.

(v) Except with respect to the Dutch Auction Rate (in which case the provisions of Section 2.14(g) shall control), at any time, upon thirty (30) days written notice to the Trustee and the Issuer, the Company may terminate the Book-Entry System in respect of any series of Bonds, in which event (i) the Company shall notify DTC and

the Trustee, and shall instruct DTC to notify the DTC Participants, of the availability through DTC of 2006 Series B Bond certificates and (ii) the Trustee shall issue, transfer and exchange, at the Company's expense, 2006 Series B Bond certificates as requested in writing by DTC in appropriate amounts.

(vi) Except with respect to the Dutch Auction Rate (in which case the provisions of Section 2.14(g) control), at any time, upon thirty (30) days written notice to the Trustee and the Issuer, DTC may determine to discontinue providing its services with respect to the 2006 Series B Bonds by giving written notice to the Company and the Trustee in accordance with the Letter of Representations and discharging its responsibilities under applicable law with respect to such 2006 Series B Bonds. Under such circumstances (unless a successor to DTC which is reasonably acceptable to the Trustee has been appointed to act as securities depository hereunder), the Company and the Trustee shall be obligated to deliver 2006 Series B Bond certificates as described in this Indenture.

Section 2.02. Maturity and Computation of Interest.

(a) Designation, Denominations and Maturity. The 2006 Series B Bonds shall be issuable only in Authorized Denominations.

The 2006 Series B Bonds shall be dated as of and shall accrue interest from, their initial date of issuance. Each 2006 Series B Bond shall bear interest from the last Interest Payment Date to which interest has accrued and has been paid or duly provided for, or if no interest has been paid or duly provided for, from the date of the 2006 Series B Bonds, until payment of the principal or redemption price thereof shall have been made or provided for in accordance with the provisions of this Indenture, whether upon maturity, redemption or otherwise.

The 2006 Series B Bonds shall mature on _____ 1, 20_____.

(b) Interest Rates on the 2006 Series B Bonds. Except with respect to the Dutch Auction Rate, which shall be governed by the Dutch Auction Procedures, as provided in Section 2.14, during each Interest Period for each Interest Rate Mode, the interest rate or rates for the 2006 Series B Bonds shall be determined in accordance with Section 2.02(c) and shall be payable on an Interest Payment Date for such Interest Period; provided that the interest rate or rates borne by the 2006 Series B Bonds shall not exceed the lesser of (i) the maximum interest rate permitted by applicable law or (ii) 15% per annum. Interest on the 2006 Series B Bonds at the interest rate or rates for the Daily Rate, the Weekly Rate and the Flexible Rate shall be computed upon the basis of a 365- or 366-day year, as applicable, based on the year in which the period commences, for the actual number of days elapsed. Interest on the 2006 Series B Bonds at the interest rate or rates for the Semi-Annual Rate, the Annual Rate and the Long Term Rate shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months. Interest on the 2006 Series B Bonds at the interest rate or rates for the Dutch Auction Rate shall be computed on the basis of a 360-day year for the actual number of days elapsed.

(c) Interest Rate Modes. The initial Interest Rate Mode for the 2006 Series B Bonds shall be the Dutch Auction Rate for an initial Dutch Auction Rate Period of thirty-five (35) days commencing as of the Date of the 2006 Series B Bonds. The first Auction shall occur on _____, 2006. The first Interest Payment Date is _____, 2006. The 2006 Series B Bonds shall thereafter remain in that Interest Rate Mode until the Conversion to a different Interest Rate Mode as provided in Section 2.02(e). The 2006 Series B Bonds shall bear interest at the Dutch Auction Rate stated above and thereafter at the Dutch Auction Rate (until Conversion to a different Interest Rate Mode as provided in Section 2.02(e)) determined as set forth in Section 2.14.

Pursuant to the mandatory requirements of KRS 103.220(3)(c) the Issuer reserves and retains the right to remove or replace any Remarketing Agent at any time and for any reason whatsoever.

Except for the Dutch Auction Rate, which shall be determined in accordance with Section 2.14 hereof, interest rates on (and, if the Interest Rate Mode is the Flexible Rate, Flexible Rate Periods for) the 2006 Series B Bonds shall be determined as follows:

Flexible Rate

(i) If the Interest Rate Mode for the 2006 Series B Bonds is the Flexible Rate:

(A) The interest rate on a 2006 Series B Bond for a specific Flexible Rate Period shall be the rate established by the Remarketing Agent no later than 12:00 noon (New York City time) on the first day of that Flexible Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agent taking into account then Prevailing Market Conditions, to enable the Remarketing Agent to sell such 2006 Series B Bond on that day at a price equal to the principal amount thereof.

(B) Each Flexible Rate Period applicable for a 2006 Series B Bond shall be determined separately by the Remarketing Agent on or prior to the first day of such Flexible Rate Period as being the Flexible Rate Period permitted hereunder which, in the judgment of the Remarketing Agent, taking into account then Prevailing Market Conditions, will, with respect to such 2006 Series B Bond, ultimately produce the lowest overall interest cost on the 2006 Series B Bonds while the Interest Rate Mode is the Flexible Rate; provided that each Flexible Rate Period shall be from one day to 270 days (or such lower maximum number of days as is then permitted hereunder) in length and shall end on a day preceding a Business Day.

(C) Notwithstanding subsection (B) above:

(1) if Company has previously determined to convert the Interest Rate Mode for the 2006 Series B Bonds from the Flexible Rate, no new Flexible Rate Period for a 2006 Series B Bond shall be established unless the last day of such Flexible Rate Period occurs prior to the Conversion Date;

(2) no Flexible Rate Period may be established after the making of a determination requiring mandatory redemption of all 2006 Series B Bonds pursuant to Section 4.01(a)(i) unless the Remarketing Agent discloses such determination to the purchaser and unless the last day of such Flexible Rate Period occurs prior to the redemption date;

(3) the Flexible Rate Period for any 2006 Series B Bond held by the Tender Agent pursuant to Section 3.04(a)(ii) shall be the period from and including the date of purchase thereof pursuant to Section 3.01 through the day immediately preceding the next Business Day, which period will be re-established automatically until the day preceding the earliest of the Conversion to a different Interest Rate Mode, the maturity of the 2006 Series B Bonds or the sale of such 2006 Series B Bond pursuant to Section 3.02(b), and during such Flexible Rate Period such 2006 Series B Bond shall not bear interest but shall nevertheless remain Outstanding under this Indenture; and

(4) if the Remarketing Agent should fail to set the length of a Flexible Rate Period for any 2006 Series B Bond, a new Flexible Rate Period lasting to, but not including, the next Business Day (or until the earlier of the Conversion or maturity of the 2006 Series B Bonds) shall be established automatically and, if in that instance the Remarketing Agent fails for whatever reason to determine the interest for such 2006 Series B Bond, then the interest rate for such 2006 Series B Bond for that Flexible Rate Period shall be the interest rate in effect for such 2006 Series B Bond for the preceding Flexible Rate Period.

Daily Rate

(ii) If the Interest Rate Mode for the 2006 Series B Bonds is the Daily Rate, the interest rate on the 2006 Series B Bonds for any Business Day shall be the rate established by the Remarketing Agent no later than 9:30 a.m. (New York City time) on each Business Day as the minimum rate of interest necessary, in the judgment of the Remarketing Agent taking into account then Prevailing Market Conditions, to enable the Remarketing Agent to sell the 2006 Series B Bonds on such Business Day at a price equal to the principal amount thereof, plus accrued interest, if any, thereon. For any day which is not a Business Day or if the Remarketing Agent does not give written notice of a change in the interest rate, the interest rate on the 2006 Series B Bonds shall be the interest rate in effect for the immediately preceding Business Day.

Weekly Rate

(iii) If the Interest Rate Mode for the 2006 Series B Bonds is the Weekly Rate, the interest rate on the 2006 Series B Bonds for a particular Weekly Rate Period shall be the rate established by the Remarketing Agent no later than 4:00 p.m. (New York City time) on the day immediately preceding the first day of such Weekly Rate Period, or, if such day is not a Business Day, on the next preceding Business Day, as the minimum rate

of interest necessary, in the judgment of the Remarketing Agent taking into account then Prevailing Market Conditions, to enable the Remarketing Agent to sell the 2006 Series B Bonds on such day at a price equal to the principal amount thereof, plus accrued interest, if any, thereon.

Semi-Annual Rate

(iv) If the Interest Rate Mode for the 2006 Series B Bonds is the Semi-Annual Rate, the interest rate on the 2006 Series B Bonds for a particular Semi-Annual Rate Period shall be the rate established by the Remarketing Agent no later than 2:00 p.m. (New York City time) on the Business Day preceding the first day of such Semi-Annual Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agent taking into account then Prevailing Market Conditions, to enable the Remarketing Agent to sell the 2006 Series B Bonds on such first day at a price equal to the principal amount thereof.

Annual Rate

(v) If the Interest Rate Mode for the 2006 Series B Bonds is the Annual Rate, the interest rate on the 2006 Series B Bonds for a particular Annual Rate Period shall be the rate of interest established by the Remarketing Agent no later than 12:00 noon (New York City time) on the Business Day preceding the first day of such Annual Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agent taking into account then Prevailing Market Conditions, to enable the Remarketing Agent to sell the 2006 Series B Bonds on such first day at a price equal to the principal amount thereof.

Long Term Rate

(vi) If the Interest Rate Mode for the 2006 Series B Bonds is the Long Term Rate, the interest rate on the 2006 Series B Bonds for a particular Long Term Rate Period shall be the rate established by the Remarketing Agent no later than 12:00 noon (New York City time) on the Business Day preceding the first day of such Long Term Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agent taking into account then Prevailing Market Conditions, to enable the Remarketing Agent to sell the 2006 Series B Bonds on such first day at a price equal to the principal amount thereof.

Notice

(vii) The Remarketing Agent shall provide the Tender Agent and the Bond Registrar with Electronic Notice of each interest rate determined and, in addition, if the Interest Rate Mode for the 2006 Series B Bonds is the Flexible Rate, all Flexible Rate Periods, in each case, by the times set forth for the corresponding Interest Rate Modes in Section 3.02(c) hereof. Notice of each interest rate determined pursuant to clauses (v) and (vi) above shall be given promptly by the Bond Registrar by first class mail to each Bondholder as of the close of business on the Interest Payment Date for the Rate Period then ending.

Failure to Set Rate

(viii) Except with respect to the Dutch Auction Rate, if for any reason the interest rate on a 2006 Series B Bond is not determined by the Remarketing Agent pursuant to clauses (ii), (iii), (iv), (v) or (vi) above, the interest rate for such 2006 Series B Bond for the next succeeding Rate Period shall be the interest rate in effect for such 2006 Series B Bond for the preceding Rate Period and, except as otherwise provided pursuant to Section 2.02(d)(iv) and Section 2.02(e)(iv) hereof, there shall be no change in the then applicable Long Term Rate Period or any Conversion from the then applicable Interest Rate Mode. Notwithstanding the foregoing, if for any reason the interest rate for a 2006 Series B Bond bearing interest at a Flexible Rate is not determined by the Remarketing Agent, the interest rate for such 2006 Series B Bond for the next succeeding Interest Period will be equal to the Municipal Index and the Interest Period for such 2006 Series B Bond shall extend through the day preceding the next Business Day, until the Trustee is notified in writing of a new Flexible Rate and Flexible Rate Period determined for such 2006 Series B Bond by the Remarketing Agent.

(d) Long Term Rate Periods.

(i) Selection of Long Term Rate Period. The Long Term Rate Period shall be established by Company in the notice given pursuant to Section 2.02(e) hereof and thereafter each successive Long Term Rate Period shall be the same as that so established by Company until a different Long Term Rate Period is specified by Company in accordance with this Section or until the occurrence of a Conversion Date or the maturity of the 2006 Series B Bonds. Each Long Term Rate Period shall be more than one year in duration, shall be for a period which is an integral multiple of six months, and shall end on the day next preceding an Interest Payment Date; provided that if a Long Term Rate Period commences on a date other than June 1 or December 1, such Long Term Rate Period may be for a period which is not an integral multiple of six months but shall be of a duration as close as possible to (but not in excess of) such Long Term Rate Period established by Company and shall terminate on a day preceding an Interest Payment Date and each successive Long Term Rate Period thereafter shall be for the full period established by Company until a different Long Term Rate Period is specified by Company in accordance with this Section or until the occurrence of a Conversion Date or the maturity of the 2006 Series B Bonds.

(ii) Change of Long Term Rate Period. Company may change from one Long Term Rate Period to another Long Term Rate Period on any Business Day on which the 2006 Series B Bonds are subject to optional redemption pursuant to Section 4.01(b)(vi) by notifying Issuer, Trustee, the Bond Registrar, the Paying Agent, the Tender Agent and the Remarketing Agent in writing at least seven calendar days prior to the thirtieth day prior to the proposed effective date of the change. Such notice shall specify (A) the information required to be contained in the notice given by the Bond Registrar to the Bondholders pursuant to Section 2.02(d)(iii) hereof, (B) that the last day of such new Long Term Rate Period shall be the earlier of the day before the maturity date of the 2006 Series B Bonds or the day immediately preceding a June 1 or December 1, and which is more than one year after the effective date of such change, and (C) the purchase price for

the 2006 Series B Bonds determined under Section 3.01(b)(i) hereof. Any such notice shall be accompanied by an opinion of Bond Counsel stating that such change is authorized or permitted by the Act and authorized by this Indenture and will not adversely affect the exclusion from gross income of the interest on the 2006 Series B Bonds for federal income tax purposes.

(iii) Notice of Change in Long Term Rate Period. The Bond Registrar shall, upon notification as specified in Section 2.02(d)(ii) notify the Bondholders of any change in the Long Term Rate Period pursuant to Section 2.02(d)(ii) by first class mail, postage prepaid, at least 30 but not more than 45 days before the effective date of such change. The notice will state:

(A) that the interest rate for the new Long Term Rate Period will be determined by the Remarketing Agent no later than 12:00 noon (New York City time) on the Business Day next preceding the first day of the new Long Term Rate Period,

(B) that the Bond Registrar will provide written notice of the interest rate for the new Long Term Rate Period,

(C) the effective date of and the end of the new Long Term Rate Period and that, on such effective date, the 2006 Series B Bonds will be purchased (and the purchase price therefor),

(D) that during the new Long Term Rate Period, Bondholders will have no right to have their 2006 Series B Bonds purchased on demand, but that on the final Interest Payment Date for such Long Term Rate Period, Bondholders will have the right to have their 2006 Series B Bonds purchased on written demand received by the Tender Agent on a Business Day not later than the fifteenth day prior to such Interest Payment Date,

(E) the redemption provisions to which the 2006 Series B Bonds are subject during the new Long Term Rate Period, and

(F) that if the Remarketing Agent should fail to determine the interest rate for the new Long Term Rate Period or if the opinion of Bond Counsel required by Section 2.02(d)(ii) is rescinded prior to the opening of business at the Principal Office of the Bond Registrar on the effective date of such change, the 2006 Series B Bonds shall bear interest at the Weekly Rate subject to the requirements set forth in Section 2.02(e)(iv) hereof.

(iv) Cancellation of Change in Long Term Rate Period. Notwithstanding any provision of this Section 2.02(d), the Long Term Rate Period shall not be changed to a new Long Term Rate Period if (A) the Remarketing Agent has not determined the interest rate for the new Long Term Rate Period in accordance with this Section 2.02, or (B) the Bond Registrar shall receive written notice from Bond Counsel prior to the opening of business at the Principal Office of the Bond Registrar on the effective date of such change that the opinion of such Bond Counsel required under Section 2.02(d)(ii) has been

rescinded. Subject to Section 2.02(e)(iv), upon the occurrence of any of the events described in the preceding sentence, the 2006 Series B Bonds will bear interest at the Weekly Rate, commencing on the date which would have been the effective date of the proposed change of the Long Term Rate Period.

(e) Conversion of Interest Rate Mode.

(i) Method of Conversion. The Interest Rate Mode for the 2006 Series B Bonds is subject to Conversion to a different Interest Rate Mode from time to time in whole and not in part by Company, such right to be exercised by notifying Issuer, Trustee, the Bond Registrar, the Paying Agent, the Tender Agent and the Remarketing Agent in writing at least seven calendar days prior to (x) in the cases of Conversion to or from the Semi-Annual Rate, the Annual Rate and the Long Term Rate, the thirtieth day prior to the effective date of such proposed Conversion and (y) in all other cases, the fifteenth day prior to such proposed effective date; provided that, in any event, with respect to Conversion from the Flexible Rate, the effective date of such Conversion may not occur until the Interest Payment Date relating to the last Flexible Rate Period then in effect, and, provided further, that no new Flexible Rate Period may be established subsequent to such notice which would have an Interest Payment Date later than the proposed date of Conversion. Such notice shall specify (A) the effective date of such Conversion and the information required by Section 2.02(e)(iii), (B) the proposed Interest Rate Mode, (C) if the Conversion is to the Long Term Rate, the duration of the Long Term Rate Period and the information required pursuant to Section 2.02(d)(iii) hereof, and (D) if the 2006 Series B Bonds will be subject to mandatory purchase on the Conversion Date and, if so, the purchase price of the 2006 Series B Bonds determined under Section 3.01(b)(i) hereof. Unless the Conversion is from the Daily Rate to the Weekly Rate or the Weekly Rate to the Daily Rate, the notice must be accompanied by a written opinion of Bond Counsel stating that the Conversion is authorized or permitted by the Act and is authorized by this Indenture and will not adversely affect the exclusion from gross income of interest on the 2006 Series B Bonds for federal income tax purposes.

(ii) Limitations. Any Conversion of the Interest Rate Mode for the 2006 Series B Bonds pursuant to paragraph (i) above must comply with the following:

(A) the Conversion Date must be a date on which the 2006 Series B Bonds are subject to optional redemption pursuant to Section 4.01(b) and, if the Conversion is to or from a Dutch Auction Rate Period, must be the last Interest Payment Date in respect of that Dutch Auction Rate Period, provided further that any Conversion from the Daily Rate to the Weekly Rate or from the Weekly Rate to the Daily Rate also must be a Wednesday;

(B) if the proposed Conversion Date would not be an Interest Payment Date except for such Conversion, the Conversion Date must be a Business Day;

(C) if the Conversion is from the Flexible Rate, (1) the Conversion Date shall be no earlier than the latest Interest Payment Date established prior to the giving of notice to the Remarketing Agent of the proposed Conversion and (2) no further Interest Payment Date may be established while the Interest Rate Mode is then the Flexible Rate if such Interest Payment Date would occur after the effective date of that Conversion;

(D) after a determination is made requiring mandatory redemption of all 2006 Series B Bonds pursuant to Section 4.01(a), no change in the Interest Rate Mode may be made prior to the redemption of 2006 Series B Bonds pursuant to Section 4.01(a); and

(E) before the Company may convert the Interest Rate Mode for 2006 Series B Bonds from the Dutch Auction Rate to another Interest Rate Mode the Company must first obtain the written consent of the Bond Insurer to such Conversion and, unless such Conversion is to a Long Term Rate Period fixed to maturity, the Bond Insurer may require that the Company obtain a liquidity facility.

(iii) Notice to Bondholders of Conversion of Interest Rate. The Bond Registrar shall, upon receipt of the notice specified in Section 2.02(e)(i), notify the Bondholders of each Conversion by first class mail, postage prepaid, at least 15 days (30 days in the case of Conversion from or to the Dutch Auction Rate, the Semi-Annual Rate, the Annual Rate or the Long Term Rate) but not more than 45 days before the Conversion Date. The notice will state:

(A) that the Interest Rate Mode will be converted and what the new Interest Rate Mode will be;

(B) the Conversion Date;

(C) the Interest Payment Dates and Regular Record Dates, if any, after Conversion;

(D) that all 2006 Series B Bonds will be subject to mandatory purchase on the Conversion Date in accordance with Section 3.01(b), and the purchase price and the procedures Bondholders are to follow; and

(E) that if (1) the Remarketing Agent should fail to determine the interest rate for the first Rate Period in the new Interest Rate Mode, (2) the 2006 Series B Bonds that are to be purchased pursuant to Section 3.01(a) or (b), as applicable, are not remarketed or sold by the Remarketing Agent or (3) the opinion of Bond Counsel required by Section 2.02(e)(i) is rescinded prior to the opening of business at the Principal Office of the Bond Registrar on the effective date of Conversion, there shall be no such Conversion.

If the Conversion is to the Long Term Rate, the notice will, if the Bond Registrar has received the notice specified in Section 2.02(d)(ii), also state the information required by Section 2.02(d)(iii).

If the Conversion is to the Flexible Rate, the notice will also state:

(A) that during the Flexible Rate Period Registered Owners will have no right to have 2006 Series B Bonds purchased by the Tender Agent under Section 3.01(a);

(B) that on the day following the last day of each Flexible Rate Period for a 2006 Series B Bond, such 2006 Series B Bond will be purchased;

(C) that no notice of any such purchase described in clause (B) immediately above will be given to the Bondholder; and

(D) that Registered Owners of 2006 Series B Bonds will be required to surrender their 2006 Series B Bonds in order to receive interest payments.

(iv) Cancellation of Conversion of Interest Rate Mode. Notwithstanding any provision of this Section 2.02, the Interest Rate Mode shall not be converted if (A) the Remarketing Agent has not determined the initial interest rate for the new Interest Rate Mode in accordance with this Section 2.02, (B) the 2006 Series B Bonds that are to be purchased pursuant to Section 3.01(b) are not remarketed or sold by the Remarketing Agent or (C) the Bond Registrar shall receive written notice from Bond Counsel prior to the opening of business at the Principal Office of the Bond Registrar on the effective date of Conversion that the opinion of such Bond Counsel required under Section 2.02(e)(i) has been rescinded. If such Conversion fails to occur, such 2006 Series B Bonds in the Dutch Auction Rate shall remain in the Dutch Auction Rate. The 2006 Series B Bonds in any other Interest Rate Mode shall be converted automatically to the Weekly Rate at the rate determined by the Remarketing Agent on the Failed Conversion Date (with the first period adjusted in length so that the last day of such period shall be a Tuesday); provided, however, that there must be delivered to Issuer, Trustee, the Bond Registrar, the Tender Agent, Company, the Bond Insurer and the Remarketing Agent, a written opinion of Bond Counsel to the effect that determining the interest rate to be borne by the 2006 Series B Bonds at a Weekly Rate by the Remarketing Agent on the failed Conversion Date is authorized or permitted by the Act and is authorized by the Indenture and will not adversely affect the exclusion from gross income of interest on the 2006 Series B Bonds for federal income tax purposes. If the opinion of Bond Counsel described in the proviso to the preceding sentence is not delivered on the failed Conversion Date, the 2006 Series B Bonds shall bear interest for a Rate Period of the same type and of substantially the same length as the Rate Period in effect prior to the failed Conversion Date at a rate of interest determined by the Remarketing Agent on the failed Conversion Date; provided that if the 2006 Series B Bonds then bear interest at the Long Term Rate, and if such opinion is not delivered on the date which would have been the effective date of a new Long Term Rate Period, the 2006 Series B Bonds will bear interest at the Annual Rate, commencing on such date, at an Annual Rate determined by the Remarketing Agent on

such date. If the proposed Conversion of the 2006 Series B Bonds or commencement of a new Long Term Rate Period is cancelled as provided in this paragraph, any mandatory purchase of the 2006 Series B Bonds is still effective and the 2006 Series B Bonds shall bear interest as provided in the two preceding sentences.

(f) Binding Effect of Determination and Computations. The determination of each interest rate in accordance with the terms of this Indenture shall be conclusive and binding upon the Registered Owners of the 2006 Series B Bonds, Issuer, Company, Trustee, the Bond Registrar, each Paying Agent, the Tender Agent and the Remarketing Agent.

Section 2.03. Registered 2006 Series B Bonds Required; Bond Registrar and Bond Register. All 2006 Series B Bonds shall be issued in fully registered form. The 2006 Series B Bonds shall be registered upon original issuance and upon subsequent transfer or exchange as provided in this Indenture.

Issuer shall designate a person to act as “Bond Registrar” for the 2006 Series B Bonds, provided that the Bond Registrar (if other than the Trustee) appointed for the 2006 Series B Bonds shall be a person which is acceptable to Company and which would meet the requirements for qualification as a successor trustee imposed by Section 10.08. Issuer hereby appoints Trustee, _____, acting through its corporate trust office located in _____, as the initial Bond Registrar. Any subsequent person other than Trustee undertaking to act as Bond Registrar shall first execute a written agreement, in form satisfactory to Trustee and Company, to perform the duties of a Bond Registrar under this Indenture, which agreement shall be filed with Trustee.

The Bond Registrar shall act as registrar and transfer agent for the 2006 Series B Bonds. Issuer shall cause to be kept at the office of the Bond Registrar a register (herein sometimes referred to as the “Bond Register”) in which, subject to such reasonable regulations as it, the Trustee or the Bond Registrar may prescribe, Issuer shall provide for the initial registration of the 2006 Series B Bonds and for the registration of transfers of the 2006 Series B Bonds. Issuer shall cause the Bond Registrar, if other than the Trustee, to designate, by a written notification to Trustee, a specific office location (which may be changed from time to time, upon similar notification) at which the Bond Register is kept.

The Bond Registrar shall at such time as reasonably requested by the Tender Agent, Company or the Remarketing Agent, certify and furnish to Trustee, the Tender Agent, the Remarketing Agent, Company and any Paying Agent, the names, addresses, and holdings of Bondholders and any other relevant information reflected in the Bond Register, and Trustee, the Tender Agent, the Remarketing Agent, Company and any such Paying Agent shall for all purposes be fully entitled to rely upon the information so furnished to them and shall have no liability or responsibility in connection with the preparation thereof except to the extent that any such information was furnished or supplied to the Bond Registrar by any such entity.

Section 2.04. Transfer and Exchange. As provided in Section 2.03, Issuer shall cause a Bond Register to be kept at the designated office of the Bond Registrar. Upon surrender for registration of transfer of any 2006 Series B Bond at such office, Issuer shall execute and the Bond Registrar or its Authenticating Agent shall authenticate and deliver in the name of the

transferee or transferees, one or more new fully registered 2006 Series B Bonds of Authorized Denominations for the aggregate principal amount which the Registered Owner is entitled to receive. In addition, if such 2006 Series B Bond bears interest at the Flexible Rate, the Bond Registrar, to the extent it has received the relevant notices pursuant to this Indenture, will make the appropriate insertions on the face of the 2006 Series B Bond.

Subject to the limitations set forth in Section 2.01(d) with respect to Bonds held in a Book-Entry System, at the option of the Registered Owner, 2006 Series B Bonds may be exchanged for other 2006 Series B Bonds of any other Authorized Denomination, of a like aggregate principal amount, upon surrender of the 2006 Series B Bonds to be exchanged at such office. Whenever any 2006 Series B Bonds are so surrendered for exchange, Issuer shall execute, and the Bond Registrar or the Authenticating Agent shall authenticate and deliver, the 2006 Series B Bonds which the Bondholder making the exchange is entitled to receive.

All 2006 Series B Bonds presented for registration of transfer, exchange, redemption or payment shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the Registered Owner or by his attorney duly authorized in writing.

No service charge shall be made to a Bondholder for any exchange or registration of transfer of 2006 Series B Bonds, but Issuer or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

Neither Issuer nor the Bond Registrar on behalf of Issuer shall be required (i) to register the transfer of or exchange any 2006 Series B Bond during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of 2006 Series B Bonds selected for redemption and ending at the close of business on the day of such mailing, (ii) to register the transfer of or exchange any 2006 Series B Bond so selected for redemption in whole or in part, or (iii) other than pursuant to ARTICLE III, to register any transfer of or exchange any 2006 Series B Bond with respect to which the Registered Owner has submitted a demand for purchase in accordance with Section 3.01(a) or which has been purchased pursuant to Section 3.01(b).

New 2006 Series B Bonds delivered upon any registration of transfer or exchange shall be valid obligations of Issuer, evidencing the same debt as the 2006 Series B Bonds surrendered, shall be secured by this Indenture and shall be entitled to all of the security and benefits hereof to the same extent as the 2006 Series B Bonds surrendered.

Section 2.05. Execution. The 2006 Series B Bonds shall be executed by the reproduced facsimile signature of the County Judge/Executive of Issuer, and a reproduced facsimile of the seal of Issuer shall be printed thereon and attested, by reproduced facsimile signature, by the Fiscal Court Clerk or Deputy Fiscal Court Clerk of Issuer.

2006 Series B Bonds executed as above provided may be issued and shall, upon the direction of Issuer, be authenticated by the Bond Registrar or the Authenticating Agent, notwithstanding that any officer signing such 2006 Series B Bonds or whose facsimile signature appears thereon shall have ceased to hold office at the time of issuance or authentication or shall

not have held office at the date of the 2006 Series B Bond. All authorized facsimile signatures shall have the same force and effect as manual signatures. The 2006 Series B Bonds are not and shall never in any event become general obligations of Issuer but are special and limited obligations payable solely and only from the payments and other amounts under the Agreement, which amounts (except with respect to any moneys held in or earnings on the Rebate Fund) together with the other security provided herein, are hereby specifically assigned and pledged to such purposes in the manner and to the extent provided herein. The 2006 Series B Bonds and the interest thereon shall never constitute a debt, indebtedness or a pledge of the faith and credit of the Commonwealth of Kentucky, or any political subdivision thereof, including Issuer, within the meaning of any provision or limitation of the Constitution or statutes of the Commonwealth of Kentucky or any political subdivision thereof, or Issuer, and shall not constitute or give rise to a pecuniary liability of Issuer or a charge against its general credit or taxing powers. Neither the Commonwealth of Kentucky nor any political subdivision thereof, nor Issuer, shall be obligated to pay the principal of the 2006 Series B Bonds, premium, if any, or the interest thereon or other costs incident thereto except from the revenues and amounts assigned and pledged therefor and neither the faith and credit nor the taxing power of the Commonwealth of Kentucky or any political subdivision thereof or Issuer is assigned or pledged to the payment of the principal of the 2006 Series B Bonds, premium, if any, or the interest thereon or other costs incident thereto. In case any officer of Issuer whose signature or a facsimile of whose signature shall appear on the 2006 Series B Bonds shall cease to be such officer before the delivery of such 2006 Series B Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

Section 2.06. Authentication; Authenticating Agent. No 2006 Series B Bond shall be valid for any purpose until the Certificate of Authentication thereon shall have been duly executed as provided in this Indenture, and such authentication shall be conclusive proof that such 2006 Series B Bond has been duly authenticated and delivered under this Indenture and that the Registered Owner thereof is entitled to the benefit of the trust hereby created. All 2006 Series B Bonds shall be dated the date of their authentication.

The Bond Registrar may appoint an Authenticating Agent with the power to act on the Bond Registrar's behalf and subject to its direction in the authentication and delivery of 2006 Series B Bonds in connection with the registration of transfers and exchanges under Section 2.04 hereof, and the authentication and delivery of 2006 Series B Bonds by an Authenticating Agent pursuant to this Section shall, for all purposes of this Indenture, be deemed to be the authentication and delivery "by the Bond Registrar". The Bond Registrar shall, however, itself authenticate all 2006 Series B Bonds upon their initial issuance and any 2006 Series B Bonds issued in substitution for other 2006 Series B Bonds pursuant to Section 2.09 and Section 2.10. The Company shall pay any Authenticating Agent reasonable compensation for its services.

Any corporation or national banking association into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation or national banking association resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of any Authenticating Agent, shall be the successor of the Authenticating Agent hereunder, if such successor corporation or national banking association is otherwise eligible as a Bond Registrar under Section 2.03, without the execution or filing of any

further act on the part of the parties hereto or the Authenticating Agent or such successor corporation or national banking association.

Any Authenticating Agent may at any time resign by giving written notice of resignation to Trustee, the Bond Registrar, Issuer and Company. The Bond Registrar may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent, Issuer, Trustee and Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section, the Bond Registrar may appoint a successor Authenticating Agent which shall be acceptable to Company, shall give written notice of such appointment to Issuer, Trustee and Company, and shall mail notice of such appointment to all Registered Owners of 2006 Series B Bonds as the names and addresses of such Registered Owners appear on the Bond Register.

Section 2.07. Payment of Principal and Interest; Interest Rights Preserved. The principal or redemption price of any 2006 Series B Bond shall be payable when due, upon surrender of such 2006 Series B Bond, in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts, at the Principal Office of any Paying Agent. Interest on any 2006 Series B Bond on each Interest Payment Date in respect thereof shall be payable by check mailed on the Interest Payment Date to the address of the person entitled thereto as such address shall appear in the Bond Register; provided that interest payable on any 2006 Series B Bond shall, (i) if the Interest Rate Mode is the Daily Rate, the Weekly Rate, the Dutch Auction Rate or the Flexible Rate, or (ii) at the written request of any Registered Owner of at least \$1,000,000 aggregate principal amount of 2006 Series B Bonds, if the Interest Rate Mode is the Semi-Annual Rate, Annual Rate or Long Term Rate, received by the Bond Registrar at least one Business Day prior to any Record Date, be payable to such Registered Owner on the applicable Interest Payment Date and thereafter in immediately available funds by wire transfer to a bank account number of such Registered Owner within the United States or by deposit into a bank account maintained with Trustee or a Paying Agent, in either case, to the bank account number of such owner specified in such request and entered by the Bond Registrar on the Bond Register; provided further, however, that if the Interest Rate Mode is the Flexible Rate, interest on any Bond shall be paid only upon presentation and surrender of such 2006 Series B Bond.

Interest on any 2006 Series B Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that 2006 Series B Bond is registered at the close of business on the Regular Record Date for such interest or, in the case of an Interest Payment Date for a Flexible Rate Period, at the open of business on such Interest Payment Date.

Any interest on any 2006 Series B Bond which is payable, but is not punctually paid or provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Registered Owner of such 2006 Series B Bond on the relevant Regular Record Date or Interest Payment Date by virtue of having been such Registered Owner, and such Defaulted Interest shall be paid to the person in whose name the 2006 Series B Bond is registered at the close of business on a Special Record Date to be fixed by the Bond Registrar as provided herein. At such time as the Trustee, as Paying Agent, shall have received adequate

moneys to make such payment of Defaulted Interest in accordance with the provisions of this Indenture, the Trustee shall determine such Special Record Date, which shall be no more than 15 nor fewer than 10 days prior to the date of proposed payment of such Defaulted Interest (the "Special Payment Date"). The Bond Registrar, on behalf of the Issuer, shall cause notice of the proposed payment of such Defaulted Interest on the Special Payment Date and the Special Record Date therefor to be mailed, first class postage prepaid, to the Trustee and the Paying Agent and to each Bondholder at his address as it appears in the Bond Register, not fewer than 10 days prior to such Special Record Date.

Subject to the foregoing provisions of this Section, each 2006 Series B Bond delivered under this Indenture upon registration of transfer of or exchange for or in lieu of any other 2006 Series B Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other 2006 Series B Bond.

Section 2.08. Persons Deemed Owners. Issuer, Trustee, the Bond Registrar, any Paying Agent, the Tender Agent and any Authenticating Agent may deem and treat the Registered Owner as the absolute owner thereof (whether or not such 2006 Series B Bond shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal of (and premium, if any, on), and (subject to Section 2.07) interest on, such 2006 Series B Bond, and for all other purposes, and neither Issuer, Trustee, the Bond Registrar, the Tender Agent, any Paying Agent nor the Authenticating Agent shall be affected by any notice to the contrary. All such payments so made to any such Registered Owner, or upon his order, shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such 2006 Series B Bond.

Section 2.09. Mutilated, Destroyed, Lost or Stolen 2006 Series B Bonds

(a) If any 2006 Series B Bond shall become mutilated, lost, stolen or destroyed, the affected Bondholder shall be entitled to the issuance of a substitute 2006 Series B Bond only as follows:

(i) in the case of a lost, stolen or destroyed 2006 Series B Bond, the Bondholder shall (i) provide notice of the loss, theft or destruction to the Issuer and the Bond Registrar within a reasonable time after the Bondholder receives notice of the loss, theft or destruction, (ii) request the issuance of a substitute Bond and (iii) provide evidence, satisfactory to Issuer and the Bond Registrar, of the ownership and the loss, theft or destruction of the affected 2006 Series B Bond;

(ii) in the case of a mutilated 2006 Series B Bond, the Bondholder shall surrender the 2006 Series B Bond to the Bond Registrar for cancellation; and

(iii) in all cases, the Bondholder shall provide indemnity against any and all claims arising out of or otherwise related to the issuance of substitute 2006 Series B Bonds pursuant to this Section satisfactory to Issuer, the Bond Registrar and Company.

Upon compliance with the foregoing, a new 2006 Series B Bond of like tenor and denomination, but bearing a number not contemporaneously outstanding executed by Issuer, shall be authenticated by the Bond Registrar and delivered to the Bondholder, all at the expense of the Bondholder to whom the substitute 2006 Series B Bond is delivered. Notwithstanding the foregoing, the Bond Registrar shall not be required to authenticate and deliver any substitute 2006 Series B Bond for a 2006 Series B Bond which has been called for redemption or which has matured or is about to mature and, in any such case, the principal or redemption price and interest then due or becoming due shall be paid by the Bond Registrar or a Paying Agent in accordance with the terms of the mutilated, lost, stolen or destroyed 2006 Series B Bond without substitution therefor.

(b) Every substituted 2006 Series B Bond issued pursuant to this Section shall constitute an additional contractual obligation of Issuer and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other 2006 Series B Bonds duly issued hereunder. In the event the 2006 Series B Bond alleged to have been destroyed, lost or stolen shall be enforceable by anyone, Issuer may recover the substitute 2006 Series B Bond from the Bondholder to whom it was issued or from anyone taking under the Bondholder except a bona fide purchaser for value without notice.

(c) All 2006 Series B Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen 2006 Series B Bonds, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or investment or other securities without their surrender.

Section 2.10. Temporary Bonds. Pending preparation of definitive 2006 Series B Bonds, or by agreement with the purchasers of all 2006 Series B Bonds, Issuer may issue, and, upon its request, the Bond Registrar shall authenticate, in lieu of definitive 2006 Series B Bonds one or more temporary printed or typewritten 2006 Series B Bonds of substantially the tenor recited above in any Authorized Denomination. Upon written request of Issuer, the Bond Registrar shall authenticate definitive 2006 Series B Bonds in exchange for and upon surrender of an equal principal amount of temporary 2006 Series B Bonds. Until so exchanged, temporary 2006 Series B Bonds shall have the same rights, remedies and security hereunder as definitive 2006 Series B Bonds.

Section 2.11. Cancellation of Surrendered 2006 Series B Bonds. 2006 Series B Bonds surrendered for payment, redemption, transfer or exchange, 2006 Series B Bonds surrendered for purchase pursuant to ARTICLE III hereof and 2006 Series B Bonds surrendered to the Bond Registrar by Issuer or by Company for cancellation shall be cancelled by the Bond Registrar, which, upon written request therefor, shall notify Company of such cancellation. Cancelled 2006 Series B Bonds shall be disposed of on a permanent basis by the Bond Registrar in accordance with its standard procedures.

Section 2.12. Conditions Precedent to Authentication and Delivery of 2006 Series B Bonds. Issuer shall execute and deliver to Trustee and Trustee shall authenticate 2006 Series B Bonds and deliver them to or upon the written order of Issuer and as hereinafter in this Section provided.

Prior to and as a condition precedent to the initial delivery by Trustee of 2006 Series B Bonds, there shall be filed with and delivered to Trustee:

(i) A copy, duly certified by the Fiscal Court Clerk of Issuer, of the ordinance adopted by Issuer authorizing the issuance of the 2006 Series B Bonds, and authorizing the execution and delivery of the Agreement and this Indenture.

(ii) Original executed counterparts of the Agreement and this Indenture.

(iii) A written request and authorization to Trustee on behalf of Issuer and signed by the County Judge/Executive and Fiscal Court Clerk of Issuer to authenticate and deliver the 2006 Series B Bonds to the purchasers therein identified or upon the written order of Issuer upon payment to Trustee but for the account of Issuer of a sum specified in such request and authorization plus accrued interest thereon, if any, to the date of delivery. The proceeds of such payment shall be paid over to Trustee and deposited in the Prior Bond Fund and applied, with other available moneys, to the defeasance, payment and discharge of the Refunded 1994 Series A Bonds by the immediate transfer by the Trustee, hereby ordered and directed, to the Prior Trustee in the amount of \$54,000,000 conditioned upon the issuance by the Prior Trustee of the Certificate described in clause (ix) hereof.

(iv) A certificate signed by authorized officers of Issuer and Company stating that neither Issuer nor Company is in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Indenture or the Agreement, and that all representations and warranties on its part contained in this Indenture or the Agreement are true and correct in all material respects.

(v) A copy, duly certified by the Secretary or an Assistant Secretary of Company, of all resolutions of the Board of Directors of Company (or a duly authorized committee thereof) (A) authorizing and approving the borrowing from Issuer, pursuant to the terms of the Agreement, of at least the amount specified in the request and authorization to Trustee specified in (iii) above, and (B) authorizing the execution and delivery of the Agreement.

(vi) A copy, addressed to Trustee, of the opinion required by Section 7.7 of the Agreement.

(vii) A copy of the certificate required to be delivered pursuant to Section 4.2 of the Agreement by the Prior Trustee as to the defeasance, payment and discharge in full of the Refunded 1994 Series A Bonds on the date of issuance of the 2006 Series B Bonds.

(viii) A written opinion of Bond Counsel to the effect that the 2006 Series B Bonds have been validly issued under this Indenture and are enforceable in accordance

with their terms, subject to usual qualifications, that all requirements precedent to the delivery of the 2006 Series B Bonds have been satisfied and that interest on the 2006 Series B Bonds is excludable from gross income of the Registered Owners thereof for purposes of Federal and Kentucky income taxation.

(ix) Such additional documents, certificates and showings, as shall be required by Bond Counsel, Issuer or the Company for the issuance of the 2006 Series B Bonds.

Section 2.13. Temporary 2006 Series B Bonds to be Replaced. In the event temporary 2006 Series B Bonds are issued pursuant to Section 2.10, Issuer will, without unreasonable delay, prepare and Trustee will authenticate definitive 2006 Series B Bonds in exchange for the temporary 2006 Series B Bonds. Such exchange shall be made by Trustee without charge.

Section 2.14. Dutch Auction Rate Periods; Dutch Auction Rate; Auction Period

(a) General.

(i) During any Dutch Auction Rate Period, the 2006 Series B Bonds shall bear interest at the Dutch Auction Rate determined as set forth in this subsection (a) and in subsections (b), (c), (d), (e) and (f) of this Section. The Dutch Auction Rate for any initial Auction Period immediately after either any Conversion to a Dutch Auction Rate Period or a mandatory purchase of 2006 Series B Bonds pursuant to Section 3.01(b)(iii) hereof, shall be the rate of interest per annum determined and certified to the Trustee (with a copy to the Bond Registrar, Paying Agent and the Company) by the Initial Broker-Dealer on a date not later than the effective date of such Conversion or the date of such mandatory purchase, as the case may be, as the minimum rate of interest which, in the opinion of the Initial Broker-Dealer, would be necessary as of the date of such Conversion or the date of such mandatory purchase, as the case may be, to market 2006 Series B Bonds in a secondary market transaction at a price equal to the principal amount thereof; provided that such interest rate shall not exceed the Maximum Dutch Auction Rate. Except as otherwise provided in Section 2.02(c) with respect to the initial Auction Period and in this Section for any other Auction Period, the Dutch Auction Rate shall be the rate of interest per annum that results from implementation of the Dutch Auction Procedures; provided that such interest rate shall not exceed the Maximum Dutch Auction Rate. Except as provided below, if on any Auction Date for any reason an Auction is not held, the Dutch Auction Rate for the next succeeding Auction Period shall equal the No Auction Rate on and as of such Auction Date. Determination of the Dutch Auction Rate pursuant to the Dutch Auction Procedures shall be suspended upon the occurrence of a Failure to Deposit or an Event of Default described in Section 9.01(a) or (b). Upon the occurrence of a Failure to Deposit or an Event of Default described in Section 9.01(a) or (b) on any Auction Date, no Auction will be held, all Submitted Bids and Submitted Sell Orders shall be rejected, the existence of Sufficient Clearing Bids shall be of no effect and the Dutch Auction Rate shall be equal to the Overdue Rate as determined on and as of the immediately preceding Auction Date for each Auction Period, commencing after the occurrence of such Failure to Deposit or Event of Default to and including the Auction Period, if any, during which or commencing less than two Business Days after the earlier of (A) such Failure to Deposit or Event of Default has

been cured or waived and (B) the first date on which all of the following conditions shall have been satisfied:

(A) no default shall have occurred and be continuing under the Bond Insurance Policy (the satisfaction of such condition to be conclusively evidenced, absent manifest error, to each of the Trustee and the Auction Agent by a certificate of a duly authorized officer of the Bond Insurer to such effect delivered to such entity);

(B) the Bond Insurer shall have delivered to the Auction Agent an instrument, satisfactory in form and substance to the Auction Agent, containing (x) an unconditional agreement of the Bond Insurer to furnish to the Auction Agent amounts sufficient to pay all fees of the Broker-Dealers, as provided in the Broker-Dealer Agreements, and of the Auction Agent, (y) such other agreements and representations as the Auction Agent shall reasonably require and (z) a direction not to suspend, or to resume, the implementation of the Dutch Auction Procedures, as the case may be; and

(C) the Auction Agent shall have advised the Trustee in writing that the Auction Agent has been directed by the Bond Insurer not to suspend, or to resume, the implementation of the Dutch Auction Procedures.

The Dutch Auction Rate for any Auction Period commencing after certificates representing the 2006 Series B Bonds have been distributed pursuant to Section 2.14(g) shall be equal to the Maximum Dutch Auction Rate on each Auction Date.

(ii) Auction Periods may be changed pursuant to Section 2.14(b) at any time unless a Failure to Deposit or an Event of Default has occurred and has not been cured or waived. Each Auction Period shall be a Standard Auction Period unless a different Auction Period is established pursuant to Section 2.14(b) and each Auction Period which immediately succeeds an Auction Period that is not a Standard Auction Period shall be a Standard Auction Period unless a different Auction Period is established pursuant to Section 2.14(b).

(iii) The Initial Broker-Dealer shall from time to time increase any or all of the percentages set forth in the definition of "Applicable Percentage" or the percentage set forth in the definition of "Minimum Dutch Auction Rate" in order that such percentages take into account any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury, after the date hereof which (a) changes or would change any deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (b) imposes or would impose or increases or would increase any federal tax (including, but not limited to, preference or excise taxes) upon, any interest on a governmental obligation the interest on which is excludable from federal gross income under Section 103 of the Code. The Initial Broker-Dealer shall give notice of any such increase by means of a written notice delivered at least two Business Days prior to the

Auction Date on which such increase is proposed to be effective to the Trustee, the Auction Agent, the Company and DTC.

(b) Dutch Auction Rate Period: Change of Auction Period.

(i) During a Dutch Auction Rate Period, the Company may change the length of the then applicable Auction Period by means of a written notice delivered at least 10 days prior to the Auction Date for such Auction Period to the Trustee, the Bond Insurer the Auction Agent, the Issuer and DTC. Any Auction Period or Standard Auction Period established pursuant to this Section 2.14(b) may not exceed 364 days in duration. If such Auction Period will be less than 35 days, such notice shall be effective only if it is accompanied by a written statement of the Registrar and Paying Agent, the Trustee, the Auction Agent and DTC to the effect that they are capable of performing their duties hereunder and under the Auction Agent Agreement with respect to such Auction Period. The length of an Auction Period or the Standard Auction Period may not be changed pursuant to this Section 2.14(b) unless Sufficient Clearing Bids existed at both the Auction immediately preceding the date the notice of such change was given and the Auction immediately preceding such changed Auction Period.

(ii) The change in length of an Auction Period or the Standard Auction Period shall take effect only if (A) the Trustee and the Auction Agent receive, by 11:00 a.m. (New York City time) on the Business Day immediately preceding the Auction Date for such Auction Period, a certificate from the Company, by telecopy or similar means, authorizing the change in the Auction Period or the Standard Auction Period, which shall be specified in such certificate, (B) the Trustee shall not have delivered to the Auction Agent by 12:00 noon (New York City time) on the Auction Date for such Auction Period notice that a Failure to Deposit has occurred, and (C) Sufficient Clearing Bids exist at the Auction on the Auction Date for such Auction Period. If the condition referred to in (A) above is not met, the Dutch Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Dutch Auction Procedures and the next succeeding Auction Period shall be an Auction Period of 35 days. If any of the conditions referred to in (B) or (C) above is not met, the Dutch Auction Rate for the next succeeding Auction Period shall equal the Maximum Dutch Auction Rate as determined as of the Auction Date for an Auction Period of 35 days.

(c) Dutch Auction Rate Period: Orders by Existing Holders and Potential Holders.

(i) Subject to the provisions of Section 2.14(a), Auctions shall be conducted on each Auction Date in the manner described in this Section 2.14(c) and in Section 2.14(d), (e) and (f) prior to the Submission Deadline on each Auction Date during a Dutch Auction Rate Period:

(A) each Existing Holder may submit to a Broker-Dealer, prior to the Internal Submission Deadline, information as to:

(1) the principal amount of 2006 Series B Bonds, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Dutch Auction Rate for the next succeeding Auction Period;

(2) the principal amount of 2006 Series B Bonds, if any, held by such Existing Holder which such Existing Holder offers to sell if the Dutch Auction Rate for the next succeeding Auction Period shall be less than the rate per annum specified by such Existing Holder; and

(3) the principal amount of 2006 Series B Bonds, if any, held by such Existing Holder which such Existing Holder offers to sell without regard to the Dutch Auction Rate for the next succeeding Auction Period;

(B) one or more Broker-Dealers may contact Potential Holders to determine the principal amount of 2006 Series B Bonds which each such Potential Holder offers to purchase if the Dutch Auction Rate for the next succeeding Auction Period shall not be less than the interest rate per annum specified by such Potential Holder.

For the purposes hereof, the communication to a Broker-Dealer of information referred to in clause (A)(1), (A)(2) or (A)(3) or clause (B) above is hereinafter referred to as an "Order" and each Existing Holder and Potential Holder placing an Order is hereinafter referred to as a "Bidder"; an Order containing the information referred to in clause (A)(1) above is hereinafter referred to as a "Hold Order"; an Order containing the information referred to in clause (A)(2) or clause (B) above is hereinafter referred to as a "Bid"; and an Order containing the information referred to in clause (A)(3) above is hereinafter referred to as a "Sell Order".

(ii) Subject to the provisions of Section 2.14(d), a Bid by an Existing Holder shall constitute an offer to sell:

(A) the principal amount of 2006 Series B Bonds specified in such Bid if the Dutch Auction Rate determined pursuant to the Dutch Auction Procedures on such Auction Date shall be less than the interest rate per annum specified therein; or

(B) such principal amount or a lesser principal amount of 2006 Series B Bonds to be determined as set forth in Section 2.14(f)(i)(D) if the Dutch Auction Rate determined pursuant to the Dutch Auction Procedures on such Auction Date shall be equal to the interest rate per annum specified therein; or

(C) such principal amount if the interest rate per annum specified therein shall be higher than the Maximum Dutch Auction Rate or such principal amount or a lesser principal amount of 2006 Series B Bonds to be determined as set forth in Section 2.14(f)(ii)(C) if such specified rate shall be higher than the Maximum Dutch Auction Rate and Sufficient Clearing Bids do not exist.

(iii) Subject to the provisions of Section 2.14(d), a Sell Order by an Existing Holder shall constitute an offer to sell:

(A) the principal amount of 2006 Series B Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of 2006 Series B Bonds as set forth in Section 2.14(f)(ii)(C) if Sufficient Clearing Bids do not exist.

(iv) Subject to the provisions of Section 2.14(d), a Bid by a Potential Holder shall constitute an offer to purchase:

(A) the principal amount of 2006 Series B Bonds specified in such Bid if the Dutch Auction Rate determined on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of 2006 Series B Bonds as set forth in Section 2.14(f)(i)(E) if the Dutch Auction Rate determined on such Auction Date shall be equal to such specified rate.

(d) Dutch Auction Rate Period: Submission of Orders by Broker-Dealers to Auction Agent.

(i) During a Dutch Auction Rate Period each Broker-Dealer shall submit in writing or by such other method as shall be reasonably acceptable to the Auction Agent prior to the Submission Processing Deadline on each Auction Date during the Dutch Auction Rate Period, all Orders obtained by such Broker-Dealer prior to the Submission Deadline and shall specify with respect to each such Order:

(A) the aggregate principal amount of 2006 Series B Bonds that are subject to such Order;

(B) to the extent that such Bidder is an Existing Holder:

(1) the principal amount of 2006 Series B Bonds, if any, subject to any Hold Order placed by such Existing Holder;

(2) the principal amount of 2006 Series B Bonds, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(3) the principal amount of 2006 Series B Bonds, if any, subject to any Sell Order placed by such Existing Holder; and

(C) to the extent such Bidder is a Potential Holder, the rate specified in such Potential Holder's Bid.

(ii) if any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth (.001) of 1%.

(iii) If an Order or Orders covering all 2006 Series B Bonds held by an Existing Holder is not submitted to the Auction Agent prior to the Submission Processing Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of 2006 Series B Bonds held by such Existing Holder and not subject to Orders submitted to the Auction Agent. Neither the Issuer, the Company, the Trustee nor the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

(iv) If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of 2006 Series B Bonds held by such Existing Holder, such Orders shall be considered valid as follows and in the following order of priority:

(A) all Hold Orders shall be considered valid, but only up to and including the principal amount of 2006 Series B Bonds held by such Existing Holder, and, if the aggregate principal amount of 2006 Series B Bonds subject to such Hold Orders exceeds the aggregate principal amount of 2006 Series B Bonds held by such Existing Holder, the aggregate principal amount of 2006 Series B Bonds subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of 2006 Series B Bonds held by such Existing Holder;

(B) any Bid shall be considered valid up to and including the excess of the principal amount of 2006 Series B Bonds held by such Existing Holder over the aggregate principal amount of 2006 Series B Bonds subject to any Hold Orders referred to in paragraph (A) above;

(C) subject to clause (B) above, if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of 2006 Series B Bonds subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess, and the principal amount of 2006 Series B Bonds subject to each Bid with the same rate shall be reduced pro rata to cover the principal amount of 2006 Series B Bonds equal to such excess;

(D) subject to clauses (B) and (C) above, if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess;

(E) in any such event, the aggregate principal amount of 2006 Series B Bonds, if any, subject to Bids not valid under clauses (B), (C) and (D) above shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(F) all Sell Orders shall be considered valid up to and including the excess of the principal amount of 2006 Series B Bonds held by such Existing Holder over the aggregate principal amount of 2006 Series B Bonds subject to valid Hold Orders referred to in paragraph (A) above and valid Bids referred to in clauses (B), (C) and (D) above.

(v) If more than one Bid for 2006 Series B Bonds is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid for 2006 Series B Bonds with the rate and principal amount therein specified.

(vi) Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of 2006 Series B Bonds not equal to an Authorized Denomination or an integral multiple thereof shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of 2006 Series B Bonds not equal to an Authorized Denomination or an integral multiple thereof shall be rejected.

(vii) Any Bid submitted by an Existing Holder or Potential Holder specifying a rate lower than the Minimum Dutch Auction Rate shall be treated as a Bid specifying the Minimum Dutch Auction Rate.

(viii) Any Order submitted in an Auction by a Broker-Dealer to the Auction Agent prior to the Submission Processing Deadline on any Auction Date shall be irrevocable.

(e) Dutch Auction Rate Period: Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate.

(i) Not earlier than the Submission Processing Deadline on each Auction Date during the Dutch Auction Rate Period, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order") and shall determine:

(A) the excess of the total principal amount of 2006 Series B Bonds over the aggregate principal amount of 2006 Series B Bonds subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available Auction Bonds"); and

(B) from the Submitted Orders whether the aggregate principal amount of 2006 Series B Bonds subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum Dutch Auction Rate exceeds or is equal to the sum of:

(1) the aggregate principal amount of 2006 Series B Bonds subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Dutch Auction Rate; and

(2) the aggregate principal amount of 2006 Series B Bonds subject to Submitted Sell Orders,

(in the event such excess or such equality exists (other than because the sum of the principal amounts of 2006 Series B Bonds in clauses (1) and (2) above is zero because all of the 2006 Series B Bonds are subject to Submitted Hold Orders), such Submitted Bids in clause (B) above are hereinafter reflected to collectively as "Sufficient Clearing Bids"); and

(C) if Sufficient Clearing Bids exist, the lowest rate specified in the Submitted Bids (the "Winning Bid Rate") which if:

(1) (i) each Submitted Bid from Existing Holders specifying such lowest rate and (ii) all other Submitted Bids from Existing Holders specifying lower rates were rejected, thus entitling such Existing Holders to continue to hold the principal amount of 2006 Series B Bonds subject to such Submitted Bids; and

(2) (i) each Submitted Bid from Potential Holders specifying such lowest rate and (ii) all other Submitted Bids from Potential Holders specifying lower rates were accepted,

would result in such Existing Holders described in clause (1) above continuing to hold an aggregate principal amount of 2006 Series B Bonds which, when added to the aggregate principal amount of 2006 Series B Bonds to be purchased by such Potential Holders described in clause (2) above, would be not less than the Available Auction Bonds.

(ii) Promptly after the Auction Agent has made the determinations pursuant to Section 2.14(e)(i), the Auction Agent by telecopy, confirmed in writing, shall advise the Company and the Trustee of the Maximum Dutch Auction Rate and the Minimum Dutch Auction Rate and the components thereof on the Auction Date and, based on such determinations, the Dutch Auction Rate for the next succeeding Auction Period as follows:

(A) if Sufficient Clearing Bids exist, that the Dutch Auction Rate for the next succeeding Auction Period therefor shall be equal to the Winning Bid Rate so determined;

(B) If Sufficient Clearing Bids do not exist (other than because all of the 2006 Series B Bonds are the subject of Submitted Hold Orders), that the Dutch Auction Rate for the next succeeding Auction Period therefor shall be equal to the Maximum Dutch Auction Rate; and

(C) If all of the 2006 Series B Bonds are subject to Submitted Hold Orders, that the Dutch Auction Rate for the next succeeding Auction Period therefor shall be equal to the Minimum Dutch Auction Rate.

(f) Dutch Auction Rate Period: Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Auction Bonds. During a Dutch Auction Rate Period, Existing Holders shall continue to hold the principal amounts of 2006 Series B Bonds that are subject to Submitted Hold Orders, and, based on the determinations made pursuant to Section 2.14(e)(i), the Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other actions as are set forth below:

(i) If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the provisions of Section 2.14(f)(iv) and (v), Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of 2006 Series B Bonds subject to such Submitted Bids;

(B) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of 2006 Series B Bonds subject to such Submitted Bids;

(C) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the aggregate principal amount of 2006 Series B Bonds subject to such Submitted Bids;

(D) each Existing Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal amount of 2006 Series B Bonds subject to such Submitted Bid, unless the aggregate principal amount of 2006 Series B Bonds subject to all such Submitted Bids shall be greater than the principal amount of 2006 Series B Bonds (the "remaining principal amount") equal to the excess of the Available Auction Bonds over the aggregate principal amount of the 2006 Series B Bonds subject to Submitted Bids described in

paragraphs (B) and (C) of this subsection (i), in which event such Submitted Bid of such Existing Holder shall be rejected in part, and such Existing Holder shall be entitled to continue to hold the principal amount of 2006 Series B Bonds subject to such Submitted Bid, but only in an amount equal to the principal amount of 2006 Series B Bonds obtained by multiplying the remaining principal amount by a fraction, the numerator of which shall be the principal amount of 2006 Series B Bonds held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of 2006 Series B Bonds subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

(E) each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal amount of 2006 Series B Bonds obtained by multiplying the excess of the Available Auction Bonds over the aggregate principal amount of 2006 Series B Bonds subject to Submitted Bids described in paragraphs (B), (C) and (D) of this subsection (i) by a fraction the numerator of which shall be the aggregate principal amount of 2006 Series B Bonds subject to such Submitted Bid of such Potential Holder and the denominator of which shall be the sum of the principal amount of 2006 Series B Bonds subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

(ii) If Sufficient Clearing Bids have not been made (other than because all of the 2006 Series B Bonds are subject to Submitted Hold Orders), subject to the provisions of Section 2.14(f)(iv), Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders, Submitted Bids specifying any rate that is equal to or lower than the Maximum Dutch Auction Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of 2006 Series B Bonds subject to such Submitted Bids;

(B) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Dutch Auction Rate shall be accepted, thus requiring each such Potential Holder to purchase the aggregate principal amount of 2006 Series B Bonds subject to such Submitted Bids; and

(C) each Existing Holder's Submitted Bid specifying any rate that is higher than the Maximum Dutch Auction Rate and the Submitted Sell Orders of each Existing Holder shall be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the 2006 Series B Bonds subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of 2006 Series B Bonds obtained by multiplying the aggregate principal amount of 2006 Series B Bonds subject to Submitted Bids described in paragraph (B) of this subsection (ii) by a fraction, the numerator of which shall be the aggregate principal amount of 2006 Series B Bonds held by such Existing Holder subject to such Submitted Bid

or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of Outstanding Auction Bonds subject to all such Submitted Bids and Submitted Sell Orders.

(iii) If all 2006 Series B Bonds are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(iv) If, as a result of the procedures described in Section 2.14(f)(i) or (ii) any Existing Holder would be required to sell, or any Potential Holder would be required to purchase, a principal amount of 2006 Series B Bonds that is not equal to an Authorized Denomination or an integral multiple thereof, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, round up or down the principal amount of such 2006 Series B Bonds to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount purchased or sold by each Existing Holder or Potential Holder shall be equal to an Authorized Denomination or an integral multiple thereof.

(v) If, as a result of the procedures described in Section 2.14(f)(i), any Potential Holder would be required to purchase less than an Authorized Denomination in aggregate principal amount of 2006 Series B Bonds, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, allocate 2006 Series B Bonds for purchase among Potential Holders so that only 2006 Series B Bonds in principal amounts of an Authorized Denomination or an integral multiple thereof are purchased by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any 2006 Series B Bonds.

(vi) Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amounts of 2006 Series B Bonds to be purchased and the aggregate principal amounts of 2006 Series B Bonds to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such amounts differ, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers of 2006 Series B Bonds such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers of Auction Bonds such Broker-Dealer shall receive, as the case may be, 2006 Series B Bonds.

(vii) None of the Issuer, the Company or any Affiliate thereof may submit an Order in any Auction except as set forth in the next sentence. Any Broker-Dealer that is an Affiliate of the Company or the Issuer may submit Orders in an Auction but only if such Orders are not for its own account, except that if such affiliated Broker-Dealer holds 2006 Series B Bonds for its own account, it must submit a Sell Order on the next Auction Date with respect to such 2006 Series B Bonds. The Auction Agent shall have no duty or liability with respect to monitoring or enforcing the provisions of this paragraph.

(g) DTC Required During Dutch Auction Rate Mode; Limitations on Transfer.

(i) Except as otherwise provided in this Section 2.14(g), the 2006 Series B Bonds bearing interest at the Dutch Auction Rate shall be registered in the name of DTC or its nominee and ownership thereof shall be maintained in book-entry-only form by DTC for the account of the Agent Members thereof.

(ii) If at any time DTC notifies the Issuer and the Company that it is unwilling or unable to continue as owner of 2006 Series B Bonds or if at any time DTC shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to DTC is not appointed by the Issuer at the direction of the Company, the Trustee, the Auction Agent and the Initial Broker-Dealer, within 90 days after the Issuer and the Company receive notice or become aware of such condition, as the case may be, the Issuer shall execute and the Trustee shall authenticate and deliver certificates representing the 2006 Series B Bonds. 2006 Series B Bonds issued pursuant to this Section 2.14(g)(ii) shall be registered in such names and authorized denominations as DTC, pursuant to instructions from the agent members or otherwise, as provided by the Auction Agent Agreement and the Broker-Dealer Agreements, shall instruct the Issuer and the Trustee. The Trustee shall deliver the 2006 Series B Bonds to the persons in whose names such 2006 Series B Bonds are so registered on the Business Day immediately preceding the first day of an Auction Period.

So long as the ownership of the 2006 Series B Bonds is maintained in book-entry-only form by DTC, an Existing Holder may sell, transfer or otherwise dispose of 2006 Series B Bonds only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer, provided that, in the case of all transfers other than pursuant to Auctions, such Existing Holder, its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer.

(h) Determination of Index.

(i) If for any reason on any Auction Date the Index will not be determined as hereinabove provided in this Section, the Index will be the Index for the Auction Period ending on such Auction Date.

(ii) The determination of the Index as provided herein will be conclusive and binding upon the Company, the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the 2006 Series B Bonds.

Section 2.15. Early Deposit of Payments.

(a) The deposits required by Section 6.03 to pay principal of and interest on the 2006 Series B Bonds shall be made, during a Dutch Auction Rate Period, no later than 12:00 noon (New York City time) on the Business Day next preceding each Interest Payment Date in funds available on the next Business Day in New York, New York. In the event such deposit is not made in accordance with this Section 2.15(a), the Trustee shall promptly send a certificate to such effect to the Auction Agent, the Bond Insurer and to DTC by telecopy or similar means. In

the event such deposit is not made as provided in the first sentence of this subparagraph (a), then if such deposit is made within three Business Days of the Business Day immediately preceding the Interest Payment Date, the Trustee shall promptly send a certificate to such effect to the Auction Agent, to the Bond Insurer and to DTC by telecopy or similar means.

(b) The deposit required by Section 4.04 to pay the redemption price of the 2006 Series B Bonds in accordance with Section 9.01(b) shall be made, during a Dutch Auction Rate Period, no later than 12:00 noon (New York City time) on the second Business Day preceding each redemption date in funds available on the next Business Day in New York, New York. In the event such deposit is not made in accordance with this Section 2.15(b), the Trustee shall immediately send a certificate to such effect to the Auction Agent and to the Bond Insurer by telecopy or similar means. In the event such deposit is not made as provided in the first sentence of this subparagraph (b), then if such deposit is made within three Business Days of the second Business Day immediately preceding the redemption date the Trustee shall promptly send a certificate to such effect to the Auction Agent and to the Bond Insurer by telecopy or similar means.

Section 2.16. Calculation of Maximum Dutch Auction Rate, Minimum Dutch Auction Rate and Overdue Rate. The Auction Agent shall communicate by Electronic Notice to the Broker-Dealer and Trustee the Maximum Dutch Auction Rate, the Minimum Dutch Auction Rate and the Overdue Rate by not later than 9:30 a.m., New York City time, on each Auction Date. If the ownership of the 2006 Series B Bonds is no longer maintained in book-entry-only form by DTC, the Auction Agent shall calculate the Maximum Dutch Auction Rate on the Business Day immediately preceding the first day of each Auction Period commencing after the delivery of certificates representing the 2006 Series B Bonds pursuant to Section 2.14(g). If a Failure to Deposit or Event of Default shall have occurred, the Trustee, upon written notice thereof, shall calculate the Overdue Rate on the first day of each Auction Period commencing after the occurrence of such Failure to Deposit or Event of Default to and including the Auction Period, if any, commencing less than two Business Days after all such Failure to Deposit and Events of Default are cured.

Section 2.17. CUSIP Numbers. The 2006 Series B Bonds may bear "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the 2006 Series B Bonds or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the 2006 Series B Bonds, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify in writing the Trustee of any change in the "CUSIP" numbers.

ARTICLE III

PURCHASE AND REMARKETING OF 2006 SERIES B BONDS

Section 3.01. Purchase of 2006 Series B Bonds.

(a) Purchase of 2006 Series B Bonds on Demand of Owner.

(i) During Daily Rate Period. If the Interest Rate Mode for the 2006 Series B Bonds is the Daily Rate, any 2006 Series B Bond shall be purchased on the demand of the Registered Owner thereof on any Business Day during a Daily Rate Period at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date, upon written notice or telephonic notice (to be immediately confirmed in writing) to the Tender Agent, at its Principal Office, not later than 10:00 a.m. (New York City time) on such Business Day, which notice (A) states the number and principal amount (or portion thereof) of such 2006 Series B Bond to be purchased, (B) states the Purchase Date on which such 2006 Series B Bond shall be purchased and (C) irrevocably requests such purchase and states that the Registered Owner agrees to deliver such 2006 Series B Bond, duly endorsed in blank for transfer, with all signatures guaranteed, to the Tender Agent at or prior to 1:00 p.m. (New York City time) on such Purchase Date.

The Tender Agent shall promptly, but in no event later than 11:30 a.m. (New York City time) on such Business Day, provide the Bond Registrar, Trustee, the Remarketing Agent and Company with Electronic Notice of the receipt of the notice referred to in the preceding paragraph.

(ii) During Weekly Rate Period. If the Interest Rate Mode for the 2006 Series B Bonds is the Weekly Rate, any 2006 Series B Bond shall be purchased on the demand of the Registered Owner thereof, on any Business Day during a Weekly Rate Period at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date, upon written notice to the Tender Agent, at its Principal Office at or before 5:00 p.m. (New York City time) on a Business Day not later than the seventh day prior to the Purchase Date, which notice (A) states the number and principal amount (or portion thereof) of such 2006 Series B Bond to be purchased, (B) states the Purchase Date on which such 2006 Series B Bond shall be purchased and (C) irrevocably requests such purchase and states that the Registered Owner agrees to deliver such 2006 Series B Bond, duly endorsed in blank for transfer, with all signatures guaranteed, to the Tender Agent at or prior to 12:00 noon (New York City time) on such Purchase Date.

The Tender Agent shall promptly, but in no event later than 4:00 p.m. (New York City time) on the Business Day next succeeding receipt of any written notice pursuant to this Section 3.01(a)(ii), provide the Bond Registrar, Trustee, the Remarketing Agent and Company with Electronic Notice of the receipt of such notice.

(iii) During Semi-Annual Rate Period. If the Interest Rate Mode for the 2006 Series B Bonds is the Semi-Annual Rate, any 2006 Series B Bond shall be purchased, on the demand of the Registered Owner thereof, on any Interest Payment Date for a Semi-

Annual Rate Period at a purchase price equal to the principal amount thereof, upon written notice to the Tender Agent, at its Principal Office on a Business Day not later than the fifteenth day prior to such Purchase Date, which notice (A) states the number and principal amount (or portion thereof) of such 2006 Series B Bond to be purchased, (B) states the Purchase Date on which such 2006 Series B Bond shall be purchased and (C) irrevocably requests such purchase and states that the Registered Owner agrees to deliver such 2006 Series B Bond, duly endorsed in blank for transfer, with all signatures guaranteed, to the Tender Agent at or prior to 11:00 a.m. (New York City time) on such Purchase Date.

The Tender Agent shall promptly, but in no event later than 4:00 p.m. (New York City time) on the Business Day next succeeding receipt of any written notice pursuant to this Section 3.01(a)(iii), provide the Bond Registrar, Trustee, the Remarketing Agent and Company with Electronic Notice of the receipt of such notice.

(iv) During Annual Rate Period. If the Interest Rate Mode for the 2006 Series B Bonds is the Annual Rate, any 2006 Series B Bond shall be purchased on the demand of the Registered Owner thereof, on the final Interest Payment Date for any Annual Rate Period at a purchase price equal to the principal amount thereof, upon written notice to the Tender Agent, at its Principal Office on a Business Day not later than the fifteenth day prior to such Purchase Date, which notice (A) states the number and principal amount (or portion thereof) of such 2006 Series B Bond to be purchased, (B) states the Purchase Date on which such 2006 Series B Bond shall be purchased and (C) irrevocably requests such purchase and states that the Registered Owner agrees to deliver such 2006 Series B Bond, duly endorsed in blank for transfer, with all signatures guaranteed, to the Tender Agent at or prior to 11:00 a.m. (New York City time) on such Purchase Date.

The Tender Agent shall promptly, but in no event later than 4:00 p.m. (New York City time) on the Business Day next succeeding receipt of any written notice pursuant to this Section 3.01(a)(iv), provide the Bond Registrar, Trustee, the Remarketing Agent and Company with Electronic Notice of the receipt of such notice.

(v) During Long Term Rate Period. If the Interest Rate Mode for the 2006 Series B Bonds is the Long Term Rate, any 2006 Series B Bond shall be purchased on the demand of the Registered Owner thereof, on the final Interest Payment Date for a Long Term Rate Period at a purchase price equal to the principal amount thereof, upon written notice to the Tender Agent, at its Principal Office on a Business Day not later than the fifteenth day prior to such Purchase Date, which notice (A) states the number and principal amount (or portion thereof) of such 2006 Series B Bond to be purchased, (B) states the Purchase Date on which such 2006 Series B Bond shall be purchased and (C) irrevocably requests such purchase and states that the owner agrees to deliver such 2006 Series B Bond, duly endorsed in blank for transfer, with all signatures guaranteed, to the Tender Agent at or prior to 11:00 a.m. (New York City time) on such Purchase Date.

The Tender Agent shall promptly, but in no event later than 4:00 p.m. (New York City time) on the Business Day next succeeding receipt of any written notice pursuant to this Section 3.01(a)(v), provide the Bond Registrar, Trustee, the Remarketing Agent and Company with Electronic Notice of the receipt of such notice.

(vi) Notwithstanding any other provision of this Section 3.01(a), the Registered Owner of a 2006 Series B Bond may demand purchase of a portion of such 2006 Series B Bond only if the portion to be purchased and the portion to be retained by such Registered Owner each will be in an Authorized Denomination.

(b) Mandatory Purchases of 2006 Series B Bonds.

(i) Mandatory Purchase on All Conversion Dates or Change by Company in Long Term Rate Period. The 2006 Series B Bonds shall be subject to mandatory tender for purchase at a purchase price equal to the principal amount thereof, plus if the Interest Rate Mode is the Long Term Rate, the redemption premium, if any, which would be payable under ARTICLE IV, if the 2006 Series B Bonds were redeemed on the Purchase Date (A) on each Conversion Date for any Conversion and (B) on the effective date of any change in the Long Term Rate Period by Company pursuant to Section 2.02(d)(ii). Such purchase will be required even if the change in the Long Term Rate Period or the Conversion is cancelled pursuant to Section 2.02(d)(iv) or Section 2.02(e)(iv).

(ii) Mandatory Purchase on Each Interest Payment Date for Flexible Rate Period. Whenever the Interest Rate Mode for the 2006 Series B Bonds is the Flexible Rate, each 2006 Series B Bond shall additionally be subject to mandatory purchase, without prior notice, at a purchase price equal to the principal amount thereof, without premium, on each Interest Payment Date that interest on such 2006 Series B Bond is payable at an interest rate determined for the Flexible Rate. No notice of mandatory purchase following the end of a Flexible Rate Period shall be required to be given to the Bondholders.

(iii) Mandatory Purchase on Day After the End of Semi-Annual, Annual and Long Term Rate Periods.

(A) Whenever the Interest Rate Mode for the 2006 Series B Bonds is the Semi-Annual Rate Period, the Annual Rate Period or the Long Term Rate Period, each 2006 Series B Bond shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof, without premium, plus accrued interest, if any, on the first Business Day after the end of the Semi-Annual Rate Period, the Annual Rate Period and the Long Term Rate Period, respectively.

(B) The Bond Registrar shall notify in writing the Bondholders whose 2006 Series B Bonds are subject to mandatory purchase at least 30 days prior to the end of each Semi-Annual Rate Period, Annual Rate Period or Long Term Rate Period that the subject 2006 Series B Bonds will be purchased on the Business Day following the end of such Semi-Annual Rate Period, Annual Rate Period or

Long Term Rate Period and that if any owner shall fail to deliver a 2006 Series B Bond for purchase with an appropriate instrument of transfer to the Tender Agent for purchase on said date, and if the Tender Agent is in receipt of the purchase price therefor, any such 2006 Series B Bond not delivered shall nevertheless be deemed purchased on such date and shall cease to accrue interest on and from such date; provided, however, that no such notice need be given if the Bond Registrar has mailed a notice to the affected Bondholders pursuant to either Section 2.02(d)(iii) or Section 2.02(e)(iii).

(c) Payment of Purchase Price. The purchase price of any 2006 Series B Bond purchased pursuant to Section 3.01 (and delivery of a replacement 2006 Series B Bond in exchange for the portion of any 2006 Series B Bond not purchased if such 2006 Series B Bond is purchased in part only) shall be payable on the Purchase Date upon delivery of such 2006 Series B Bond to the Tender Agent on such Purchase Date; provided that such 2006 Series B Bond must be delivered to the Tender Agent at or prior to 12:00 noon (New York City time) in the case of 2006 Series B Bonds delivered for purchase during a Weekly Rate Period or Flexible Rate Period, at or prior to 1:00 p.m. (New York City time) in the case of 2006 Series B Bonds delivered for purchase during a Daily Rate Period and at or prior to 11:00 a.m. (New York City time) in the case of 2006 Series B Bonds delivered for purchase during a Semi-Annual Rate Period, Annual Rate Period or Long Term Rate Period) for payment by the close of business on the date of such purchase; provided, however, that if the date of such purchase is not a Business Day, the purchase price shall be payable on the next succeeding Business Day.

Any 2006 Series B Bond delivered for payment of the purchase price shall be accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent executed in blank by the Registered Owner thereof and with all signatures guaranteed. The Tender Agent may refuse to accept delivery of any 2006 Series B Bond for which an instrument of transfer satisfactory to it has not been provided and shall have no obligation to pay the purchase price of such 2006 Series B Bond until a satisfactory instrument is delivered.

If the Registered Owner of any 2006 Series B Bond (or portion thereof) that is subject to purchase pursuant to this Article fails to deliver such 2006 Series B Bond with an appropriate instrument of transfer to the Tender Agent for purchase on the Purchase Date, and if the Tender Agent is in receipt of the purchase price therefor, such 2006 Series B Bond (or portion thereof) shall nevertheless be deemed purchased on the Purchase Date thereof. Any Registered Owner who so fails to deliver such 2006 Series B Bond for purchase on (or before) the Purchase Date shall have no further rights thereunder, except the right to receive the purchase price thereof from those moneys deposited with the Tender Agent in the Purchase Fund pursuant to Section 3.03 hereof upon presentation and surrender of such 2006 Series B Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed. The Tender Agent shall, as to any 2006 Series B Bonds which have not been delivered to it, promptly notify the Remarketing Agent, Trustee, and the Bond Registrar in writing of such nondelivery. Upon receipt of such notification, the Bond Registrar shall place a stop transfer against an appropriate amount of Bonds registered in the name of the Registered Owner(s) on the Bond Register, commencing with the lowest serial number 2006 Series B Bond registered in the name of such Registered Owner(s) (until stop transfers have been placed against an appropriate amount of

2006 Series B Bonds) until the appropriate purchased 2006 Series B Bonds are surrendered to the Tender Agent.

The Tender Agent shall hold all 2006 Series B Bonds delivered pursuant to this Section 3.01 in trust for the benefit of the Registered Owners thereof until moneys representing the purchase price of such 2006 Series B Bonds shall have been delivered to or for the account of or to the order of such Registered Owners, and thereafter shall make available to be delivered to the purchasers thereof by the Remarketing Agent, replacement 2006 Series B Bonds, prepared by the Bond Registrar in accordance with the directions of the Remarketing Agent and authenticated by an Authenticating Agent for delivery to such purchasers.

Section 3.02. Remarketing of 2006 Series B Bonds.

(a) Upon the receipt by the Remarketing Agent of any notice pursuant to Section 3.01(a), the Remarketing Agent, subject to the terms of the Remarketing Agreement, shall use its commercially reasonable best efforts to offer for sale and sell the 2006 Series B Bonds in respect of which such notice has been given. Unless otherwise instructed by Company, the Remarketing Agent, subject to the terms of the Remarketing Agreement, shall use its commercially reasonable best efforts to offer for sale and sell any 2006 Series B Bonds to be purchased pursuant to Section 3.01(b). Any such 2006 Series B Bonds shall be offered: (i) at a price equal to the principal amount thereof, plus interest accrued, if any, to the Purchase Date, and (ii) pursuant to terms calling for payment of the purchase price on such Purchase Date against delivery of such 2006 Series B Bonds. The Remarketing Agent, the Paying Agent, Trustee, the Bond Registrar, or the Tender Agent may purchase any 2006 Series B Bonds offered pursuant to this Section 3.02 for its own account.

(b) The Remarketing Agent shall, subject to the terms of the Remarketing Agreement and at the direction of Company, use its commercially reasonable best efforts to offer for sale and sell, on behalf of Company, at the direction of Company, any 2006 Series B Bonds held for the Company by the Tender Agent pursuant to Section 3.04(a)(ii)(A). Any such 2006 Series B Bonds shall be offered at the best available price, plus interest accrued to the sale date; provided that if such price is other than a price equal to the principal amount of such 2006 Series B Bonds, plus interest accrued to the sale date, there must be delivered to Issuer, Trustee, the Bond Registrar, the Tender Agent, Company and the Remarketing Agent, a written opinion of Bond Counsel to the effect that offering such 2006 Series B Bonds at a price other than a price equal to the principal amount thereof plus interest accrued to the sale date will not adversely affect the exclusion from gross income of interest on the 2006 Series B Bonds for federal income tax purposes.

(c) The Remarketing Agent shall advise in writing the Tender Agent of the principal amount of 2006 Series B Bonds which have been remarketed, together with the denominations and registration instructions (including taxpayer identification numbers) in accordance with the following schedule (all times of which are New York City time):

Current Interest Rate Period
or, in connection with a Con-
version, Interest Rate Period
to which converting

Time by which information is
to be furnished to Tender Agent

Flexible Rate Period

1:00 p.m. on Purchase Date

Daily Rate Period

1:00 p.m. on Purchase Date

Weekly Rate Period

10:00 a.m. on Purchase Date

Semi-Annual Rate Period

3:00 p.m. on Business Day
immediately preceding Purchase Date

Annual Rate Period

3:00 p.m. on Business Day
immediately preceding Purchase Date

Long Term Rate Period

3:00 p.m. on Business Day
immediately preceding Purchase Date

Section 3.03. Purchase Fund; Purchase of 2006 Series B Bonds Delivered to Tender Agent.

(a) There is hereby established with the Tender Agent a fund known as the Purchase Fund, the moneys in which shall be used solely to pay the purchase price of 2006 Series B Bonds purchased pursuant to Section 3.01 hereof. The Purchase Fund shall be maintained as a separate and segregated fund and any moneys held therein shall not be commingled with any other funds of the Tender Agent, shall be held on and after any Purchase Date solely for the benefit of the Registered Owners of 2006 Series B Bonds purchased on such Purchase Date pursuant to Section 3.01 hereof, shall not secure any other 2006 Series B Bonds or be available for any purpose except as described in this paragraph and shall not be invested. Neither Issuer nor Company shall have any interest in the Purchase Fund, except as set forth herein.

(b) There shall be deposited into the Purchase Fund from time to time the following:

(i) such moneys representing proceeds (exclusive of any premium) from the resale by the Remarketing Agent of 2006 Series B Bonds, as described in Section 3.02(a) hereof, delivered by the Remarketing Agent to the Tender Agent pursuant to Section 3.06 hereof and deposited directly therein; and

(ii) such money (A) furnished by Trustee or the Paying Agent directly to the Tender Agent at the direction of the Company or (B) otherwise paid by Company directly to the Tender Agent, and deposited by the Tender Agent directly into, and held in, the Purchase Fund.

To the extent that the Tender Agent has received proceeds in accordance with clauses (b)(i) and (b)(ii) above in excess of the aggregate amount necessary to purchase the 2006 Series B Bonds as tendered, the Tender Agent shall promptly (and in any event no later than the close of business of Company on the day the deposit is made) return the excess to Company.

(c) On each date 2006 Series B Bonds are to be purchased pursuant to Section 3.01, such 2006 Series B Bonds shall be purchased from the Registered Owners thereof. Funds for the payment of such purchase price shall be derived from the following sources:

(i) Proceeds (exclusive of any premium) of the remarketing of such 2006 Series B Bonds pursuant to Section 3.02(a) and furnished to the Tender Agent by the Remarketing Agent and deposited directly into, and held in, the Purchase Fund; and

(ii) Moneys paid by Company to pay the purchase price to the Tender Agent. Anything herein to the contrary notwithstanding, the Tender Agent shall not be obligated to use its own funds to purchase any 2006 Series B Bonds hereunder.

Section 3.04. Delivery of Remarketed or Purchased 2006 Series B Bonds.

(a) 2006 Series B Bonds purchased pursuant to Section 3.03 shall be delivered as follows:

(i) 2006 Series B Bonds sold by the Remarketing Agent to persons or entities other than Company, its affiliates and Issuer shall be delivered by the Remarketing Agent to the purchasers thereof.

(ii) 2006 Series B Bonds purchased solely with moneys described in Section 3.03(c)(ii) shall, at the direction of Company, be

(A) delivered to or held by the Tender Agent for the account of Company,

(B) delivered to the Bond Registrar for cancellation or

(C) delivered to Company.

(b) If, on any date prior to the release of 2006 Series B Bonds held by or for the account of Company pursuant to Section 3.04(a)(ii), all 2006 Series B Bonds are called for redemption pursuant to ARTICLE IV or an acceleration of the 2006 Series B Bonds pursuant to ARTICLE IX occurs, such 2006 Series B Bonds shall be deemed to have been paid and shall thereupon be delivered to and cancelled by the Bond Registrar.

Section 3.05. Sources of Payment.

(a) If the Interest Rate Mode for the 2006 Series B Bonds is not the Flexible Rate or the Daily Rate, then, if the Tender Agent has not been notified by the Remarketing Agent pursuant to Section 3.02(c) that the Remarketing Agent has remarketed enough 2006 Series B Bonds such that sufficient moneys will be available in the Purchase Fund to pay the purchase price on the 2006 Series B Bonds to be purchased on such Purchase Date, at or prior to 10:30 a.m. (New York City time) on such Purchase Date, the Tender Agent shall, by Electronic Notice, request additional funds from Company in a manner so as to furnish immediately available funds by 3:00 p.m. (New York City time) on such Purchase Date, in an amount sufficient, together with moneys already on deposit in the Purchase Fund and available for such purchase, to enable

the Tender Agent to pay the purchase price of such 2006 Series B Bonds to be purchased on such Purchase Date, and the Company shall either pay the requested amount or cause the requested amount to be paid directly to the Tender Agent which shall deposit those moneys directly into the Purchase Fund.

(b) If the Interest Rate Mode for the 2006 Series B Bonds is the Flexible Rate, then at or prior to 1:30 p.m. (New York City time) on each Purchase Date, the Tender Agent shall, by Electronic Notice, notify the Paying Agent of the amount of 2006 Series B Bonds it has delivered to the Remarketing Agent for which it has received from the Remarketing Agent a receipt or other instrument constituting the obligation of the Remarketing Agent to deliver remarketing proceeds pursuant to Section 3.03 of the Indenture, such obligation being conditioned on verification by the Remarketing Agent that such 2006 Series B Bonds conform to the instructions contained in the notice given to the Tender Agent by the Remarketing Agent regarding denominations, registration instructions, the Flexible Rate and the Flexible Rate Period for each such 2006 Series B Bond. Except to the extent the Tender Agent is informed pursuant to the foregoing Electronic Notice that the Tender Agent will receive amounts from the Remarketing Agent sufficient to pay the purchase price of such 2006 Series B Bonds, the Tender Agent shall by 1:30 p.m. (New York City time) request additional funds from Company in a manner so as to furnish immediately available funds by 4:30 p.m. on such Purchase Date, in an amount sufficient, together with moneys already on deposit or expected to be on deposit in the Purchase Fund and available for such purchase, to enable the Tender Agent to pay the purchase price of such 2006 Series B Bonds to be purchased on such Purchase Date. Company shall either pay the requested amount to the Tender Agent or shall cause such amount to be paid directly to the Tender Agent, which, in either case, shall deposit those moneys directly into the Purchase Fund.

(c) If the Interest Rate Mode for the 2006 Series B Bonds is the Daily Rate, then, if the Tender Agent has not been notified by the Remarketing Agent pursuant to Section 3.02(c) that the Remarketing Agent has remarketed enough 2006 Series B Bonds such that sufficient moneys will be available in the Purchase Fund to pay the purchase price on the 2006 Series B Bonds to be purchased on such Purchase Date, at or prior to 1:00 p.m. (New York City time) on such Purchase Date, the Tender Agent shall, by Electronic Notice, request additional funds from Company in a manner so as to furnish immediately available funds by 3:00 p.m. (New York City time) on such Purchase Date, in an amount sufficient, together with moneys already on deposit in the Purchase Fund and available for such purchase, to enable the Tender Agent to pay the purchase price of such 2006 Series B Bonds to be purchased on such Purchase Date. The Company shall either pay the requested amount or cause the requested amount to be paid directly to the Tender Agent which shall deposit those moneys directly into the Purchase Fund.

(d) Notwithstanding the preceding paragraphs (a), (b) and (c) hereof, to the extent that any deficiency in purchase price payments results from the Remarketing Agent's failure to deliver remarketing proceeds of all 2006 Series B Bonds which the Remarketing Agent notified the Tender Agent were remarketed, Company shall not be obligated to deliver the funds referred to in the preceding paragraphs (a), (b) and (c) hereof until the opening of business on the next succeeding Business Day, in which case failure of the Tender Agent to make such payment until such next succeeding Business Day shall not constitute an event of default hereunder. If sufficient funds are not available for the purchase of all tendered 2006 Series B Bonds, no

purchase of 2006 Series B Bonds will be consummated, but the failure to consummate such purchase will not be deemed to be an event of default hereunder if sufficient funds have been provided in a timely manner by Company to the Tender Agent for such purpose.

Section 3.06. Delivery of Proceeds of Sale. The proceeds of the remarketing of any 2006 Series B Bonds by the Remarketing Agent shall be delivered by the Remarketing Agent directly to the Tender Agent no later than 2:00 p.m. (New York City time) on the Purchase Date therefor except that such proceeds shall, if the Interest Rate Mode is, or is being converted to, the Flexible Rate, be delivered to the Tender Agent no later than 3:00 p.m. (New York City time) on the Purchase Date and all such remarketing proceeds shall be deposited directly into the Purchase Fund.

If any Company Bonds held by the Tender Agent for the account of Company pursuant to Section 3.04(a)(ii)(A) are remarketed by the Remarketing Agent pursuant to Section 3.02(b), then the proceeds received from such remarketing shall be remitted by the Tender Agent to Company.

Section 3.07. Limitations on Purchase and Remarketing. Anything in this Indenture to the contrary notwithstanding, there shall be no purchase of 2006 Series B Bonds pursuant to Section 3.01(a) if there shall have occurred and be continuing an event of default under Section 9.01(a), (b) or (e) and notice of such event of default has been provided as required by ARTICLE IX hereof, and there shall be no remarketing of 2006 Series B Bonds pursuant to Section 3.02 if there shall have occurred and be continuing an event of default under Section 9.01(a) or (b) hereof.

Section 3.08. Noteline Direct Facilities. The Issuer, at the written request of the Company, may enter into and utilize the optional Noteline Direct system for transmitting instructions and/or filings or obtaining reports with respect to the 2006 Series B Bonds in the Flexible Rate Mode. Use of the Noteline Direct system is optional at the sole discretion of the Company.

ARTICLE IV

REDEMPTION OF 2006 SERIES B BONDS BEFORE MATURITY

Section 4.01. Redemption Dates and Prices.

(a) General. The 2006 Series B Bonds shall be non-callable for redemption except as provided in this Section 4.01 and except in the event and to the extent that:

(i) Company is required to prepay the Loan in whole or in part pursuant to Section 10.3 of the Agreement or

(ii) Company shall exercise any of its options to prepay the Loan in whole as provided in Section 10.1 of the Agreement, or

(iii) Company shall elect to redeem 2006 Series B Bonds in whole or in part pursuant to Section 6.1 of the Agreement.

If called for redemption pursuant to clause (i), (ii) or (iii) above, the 2006 Series B Bonds shall be subject to redemption by Issuer in whole or in part as appropriate, on any redemption date established pursuant to Section 10.4 of the Agreement by lot in such manner as Trustee may determine, at 100% of the principal amount thereof plus accrued interest to the redemption date. Upon the applicable dates of redemption the Bondholders shall be paid in such funds as are stipulated in Section 2.07 of this Indenture.

(b) Additional Optional Redemption.

(i) Whenever the Interest Rate Mode for the 2006 Series B Bonds is the Daily Rate or the Weekly Rate, the 2006 Series B Bonds shall be subject to redemption at the option of the Issuer, upon the written direction of Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date, on any Business Day.

(ii) Whenever the Interest Rate Mode for 2006 Series B Bonds is the Dutch Auction Rate, such 2006 Series B Bond shall be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on the Business Day immediately succeeding any Auction Date.

(iii) Whenever the Interest Rate Mode for a 2006 Series B Bond is the Flexible Rate, each 2006 Series B Bond shall be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date, on each Interest Payment Date for that 2006 Series B Bond.

(iv) Whenever the Interest Rate Mode for the 2006 Series B Bonds is the Semi-Annual Rate, the 2006 Series B Bonds shall be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for each Semi-Annual Rate Period.

(v) Whenever the Interest Rate Mode for the 2006 Series B Bonds is the Annual Rate, the 2006 Series B Bonds shall be subject to redemption at the option of the Issuer, upon the written direction of Company, in whole or in part, at a redemption price of 100% of the principal amount thereof to the redemption date, on the final Interest Payment Date for each Annual Rate Period.

(vi) Whenever the Interest Rate Mode for the 2006 Series B Bonds is the Long Term Rate Period, the 2006 Series B Bonds will be subject to redemption, in whole or in part, at the option of the Issuer, upon the written direction of the Company, (A) on the final Interest Payment Date for the applicable Interest Rate Period at a redemption price of 100% of the principal amount thereof and (B) prior to the end of the then current Long Term Rate Period at any time during the redemption period and at the redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date:

<u>Original Length of Current Long Term Rate</u>	<u>Commencement of Redemption Period</u>
More than or equal to 11 years	First Interest Payment Date on or after the tenth anniversary of commencement of Long Term Rate Period
Less than 11 years	Non-callable

If, at the time of Company's notice of a change in the Long Term Rate Period pursuant to Section 2.02(d), or its notice of Conversion of the Interest Rate Mode for the 2006 Series B Bonds to the Long Term Rate pursuant to Section 2.02(e), or, when the Interest Rate Mode for the 2006 Series B Bonds is the Long Term Rate, at least forty days prior to the Purchase Date for the 2006 Series B Bonds pursuant to Section 3.01(a)(v), Company provides a certification of the Remarketing Agent to Trustee, the Bond Registrar, the Paying Agent, the Tender Agent and Issuer that the foregoing schedule is not consistent with Prevailing Market Conditions and an opinion of Bond Counsel that a change in the redemption provisions of the 2006 Series B Bonds will not adversely affect the exclusion from gross income of interest on the 2006 Series B Bonds for federal income tax purposes, the foregoing redemption periods and redemption prices may be revised, effective as of the date of such change in the Long Term Rate Period, the Conversion Date, or that Purchase Date, as determined by the Remarketing Agent in its judgment, taking into account the then Prevailing Market Conditions, as stipulated in such certification, which shall be appended by Trustee to its counterpart of this Indenture. Any such revision of the redemption periods and redemption prices shall not be considered an amendment of or a supplement to this Indenture and shall not require the consent of any Bondholder or any other person or entity.

(c) Redemption Procedures. The 2006 Series B Bonds shall be called for redemption by Trustee as herein provided in accordance with Section 10.4 of the Agreement.

Section 4.02. Notice of Redemption.

(a) Trustee shall, upon being satisfactorily indemnified as to expenses, cause notice of the call for any redemption, identifying the 2006 Series B Bonds or portions thereof, in Authorized Denominations to be redeemed to be sent by first class mail (postage prepaid) (i) at least thirty (30) days and not in excess of forty-five (45) days in the case of 2006 Series B Bonds bearing interest at the Semi-Annual Rate, the Annual Rate or the Long Term Rate and (ii) at least fifteen (15) days and not in excess of forty-five (45) days in the case of 2006 Series B Bonds bearing interest at the Dutch Auction Rate, Daily Rate, Weekly Rate or Flexible Rate, in each case prior to the redemption date to the Registered Owner of each 2006 Series B Bond to be redeemed.

(b) Any notice mailed as provided in this Section 4.02 shall be conclusively presumed to have been duly given, irrespective of whether the Registered Owner receives the notice. Failure to give such notice by mailing or any defect therein in respect of any 2006 Series B Bond shall not affect the validity of any proceedings for the redemption of any other 2006

Series B Bond. All 2006 Series B Bonds so called for redemption will cease to bear interest after the date fixed for redemption provided funds for their redemption are on deposit at the place of payment at that time.

Section 4.03. Cancellation. All 2006 Series B Bonds which have been redeemed shall not be reissued but shall be cancelled by Trustee.

Section 4.04. Redemption Payments. On or prior to the date fixed for redemption of 2006 Series B Bonds, funds shall be deposited by or on behalf of Issuer with Trustee in the Bond Fund to pay, and Trustee is hereby authorized and directed to apply any such funds to the payment of, the 2006 Series B Bonds or portions thereof called for redemption, together with accrued interest thereon to the redemption date and any required premium. Upon the giving of notice if, on such redemption date, funds sufficient for the payment of principal, premium, if any, and accrued interest to date of redemption are on deposit with the Trustee for such purposes, interest on the 2006 Series B Bonds or portions thereof so called for redemption shall cease to accrue after the date fixed for redemption. No payment of principal, premium or interest shall be made by Trustee upon any 2006 Series B Bond or portion thereof called for redemption until such 2006 Series B Bond or portion thereof shall have been delivered to Trustee for payment or cancellation or Trustee shall have received the items required by Section 2.09 hereof with respect to any mutilated, lost, stolen or destroyed 2006 Series B Bond.

Section 4.05. Partial Redemption of 2006 Series B Bonds. Pursuant to Section 4.01 hereof, a portion of any 2006 Series B Bond may be redeemed, but 2006 Series B Bonds shall be redeemed only in an Authorized Denomination. Upon surrender of any 2006 Series B Bond for redemption in part only, Issuer shall execute and Trustee shall authenticate and deliver to the holder thereof, at the expense of Company, a new 2006 Series B Bond or 2006 Series B Bonds of Authorized Denomination in aggregate principal amount equal to the unredeemed portion of the 2006 Series B Bond surrendered.

Section 4.06. No Partial Redemption After Default. Anything in this Indenture or the Agreement to the contrary notwithstanding, if there shall have occurred and be continuing an event of default described in Section 9.01 hereof, there shall be no redemption of less than all of the 2006 Series B Bonds at the time outstanding.

Section 4.07. Company Direction of Optional Redemption. Issuer shall direct Trustee in writing and Bond Registrar in writing to call 2006 Series B Bonds for optional redemption only when it shall have been notified by Company to do so. Notice of any optional redemption to the Bond Registrar shall specify the principal amount of 2006 Series B Bonds to be redeemed and the redemption date. Company will give the notice to the Bond Registrar and Trustee at least 15 days but not more than 90 days prior to the day on which the Bond Registrar is required to give notice of such optional redemption to the Bondholders.

Section 4.08. Selection of 2006 Series B Bonds to be Called for Redemption. Except as otherwise provided herein or in the 2006 Series B Bonds, if less than all the 2006 Series B Bonds are to be redeemed, the particular 2006 Series B Bonds to be called for redemption shall be selected by lot by the Bond Registrar; provided, however, that in connection with any redemption of 2006 Series B Bonds the Bond Registrar shall first select for redemption any 2006

Series B Bonds held pursuant to Section 3.04(a)(ii) and that if, as stated in a certificate of a Company Representative delivered to the Bond Registrar, Company shall have offered to purchase all 2006 Series B Bonds then Outstanding and less than all of such 2006 Series B Bonds shall have been tendered to Company for such purchase, the Bond Registrar, at the direction of a Company Representative, which direction shall specifically identify those 2006 Series B Bonds which have not been so tendered to Company, shall select for redemption all such 2006 Series B Bonds which have not been so tendered. The Bond Registrar shall treat any 2006 Series B Bond of a denomination greater than the minimum Authorized Denomination for the Interest Rate Mode then applicable to the 2006 Series B Bonds as representing that number of separate 2006 Series B Bonds each of that minimum Authorized Denomination (and, if any 2006 Series B Bond is not in a denomination that is an integral multiple of the minimum Authorized Denomination for such Interest Rate Mode, one separate 2006 Series B Bond of the remaining principal amount of the 2006 Series B Bond) as can be obtained by dividing the actual principal amount of such 2006 Series B Bond by that minimum Authorized Denomination; provided that no 2006 Series B Bond shall be redeemed in part if it results in the unredeemed portion of the 2006 Series B Bond being in a principal amount other than an Authorized Denomination.

Section 4.09. Additional Matters Regarding Notices of Redemption.

(a) Notices for the call for redemption of 2006 Series B Bonds shall be prepared by the Company at its expense and in the name of the Issuer and shall identify (i) the complete official name of the issue, (ii) the 2006 Series B Bonds or portions thereof to be redeemed by designation, letters, CUSIP numbers, numbers or other distinguishing marks, interest rate, maturity date and principal amount, (iii) the redemption price to be paid, (iv) the date fixed for redemption, (v) the place or places, by name and address, where the amounts due upon redemption are payable and (vi) the name and telephone number of the person to whom inquiries regarding the redemption may be directed; provided, however, that the failure to identify a CUSIP number for said 2006 Series B Bonds in the redemption notice, or the inclusion of an incorrect CUSIP number, shall not affect the validity of such redemption notice provided, however, that in the event the provisions of ARTICLE VIII have not been complied with, any redemption notice shall expressly state that it is conditioned on there being sufficient moneys to pay the full redemption price of the 2006 Series B Bonds to be redeemed.

If any 2006 Series B Bonds in an Auction Rate Period are to be redeemed and those 2006 Series B Bonds are held by DTC, the Trustee shall include in the notice of redemption delivered to DTC: (i) under an item entitled "Publication Date for DTC Purposes", the Interest Payment Date prior to the redemption date, (ii) an instruction to DTC that the 2006 Series B Bonds to be redeemed shall not be determined until the Publication Date after the Auction held on the immediately preceding Auction Date has settled and (iii) a request to DTC to notify the Auction Agent of the positions of the DTC Participants in such 2006 Series B Bonds immediately prior to such Auction settlement, the positions of the DTC Participants in such 2006 Series B Bonds immediately following such Auction settlement and the DTC Participants whose DTC positions will be redeemed and the principal amount of the 2006 Series B Bonds to be redeemed from each such position on the redemption date.

The notice also shall be attached by the Tender Agent to any 2006 Series B Bond which is tendered for purchase and remarketed in the period between the mailing of such notice and the date set for redemption. A second notice shall be sent in the same manner prescribed by Section 4.02 not more than 60 days after the redemption date to the Registered Owner of any redeemed 2006 Series B Bond which was not presented for payment on the redemption date. Failure to receive notice pursuant to this Section, or any defect in that notice, as to any 2006 Series B Bond shall not affect the validity of the proceedings for the redemption of any 2006 Series B Bond. Notices of redemption shall also be mailed to Trustee, the Remarketing Agent, the Tender Agent and the Paying Agents.

(b) The Bond Registrar shall take the following additional actions with respect to such redemption notice, but no defect in the following actions or any failure to take the same shall defeat the effectiveness of the foregoing redemption notice:

(i) At least 16 days (31 days if the Interest Rate Mode is the Semi-Annual Rate, the Annual Rate or the Long Term Rate) prior to the date fixed for redemption, such redemption notice shall be given by (i) registered or certified mail, postage prepaid, (ii) electronic notice or (iii) overnight delivery service, to the following securities depository:

The Depository Trust Company
55 Water Street
New York, New York 10041
Facsimile transmission: (212) 709-1706

(ii) At least 16 days (31 days if the Interest Rate Mode is the Semi-Annual Rate, the Annual Rate or the Long Term Rate before the date fixed for redemption, such redemption notice shall be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to two of the following services as may be selected by the Bond Registrar in its sole discretion (or, if such services are no longer in existence, to such other information service of national recognition that disseminates redemption information as is specified in writing by Company to the Bond Registrar)

- (A) Financial Information, Inc.'s
Daily Called Bond Service
30 Montgomery Street, 10th Floor
Jersey City, New Jersey 07302
Attention: Editor;
- (B) Kenny Information Service's "Called Bond Service"
55 Broad Street, 28th Floor
New York, New York 10004;
- (C) Interactive Data Corporation Bond Service
22 Cortland Street
New York, New York 10007
Attention: Customer Service;

- (D) Moody's Municipal and Government
99 Church Street, 8th Floor
New York, New York 10007
Attention: Municipal News Report; or
- (E) Standard & Poor's Called Bond Record
25 Broadway, 3rd Floor
New York, New York 10004.

(iii) In undertaking the requirements of this subsection (b), the Bond Registrar does so as a courtesy to the institutions listed herein and the Bond Registrar shall not incur any liability hereunder or to any person or entity as a result of the failure to provide such notice to any such institution or as a result of any defect therein.

(c) All 2006 Series B Bonds, or portions thereof, so called for redemption shall cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit with the Paying Agent at that time, and shall no longer be considered Outstanding under the Indenture.

Section 4.10. 2006 Series B Bonds Redeemed in Part. Any 2006 Series B Bond which is to be redeemed only in part shall be surrendered at a place stated for the surrender of 2006 Series B Bonds called for redemption in the notice provided for in Section 4.09 (with due endorsement by, or a written instrument of transfer in form satisfactory to the Bond Registrar duly executed by, the Registered Owner thereof or his attorney duly authorized in writing) and Issuer shall execute and the Bond Registrar shall authenticate and deliver to the Registered Owner of such 2006 Series B Bond without service charge, a new 2006 Series B Bond or 2006 Series B Bonds, of any Authorized Denomination as requested by such Registered Owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the 2006 Series B Bond so surrendered.

ARTICLE V

GENERAL COVENANTS

Section 5.01. Payment of Principal, Premium, if any, and Interest. Issuer covenants that it will duly and punctually pay or cause to be paid the principal of, premium, if any, and interest on every 2006 Series B Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in said 2006 Series B Bonds according to the true intent and meaning thereof, but solely and only from the payments, revenues and receipts specifically assigned herein for such purposes.

Section 5.02. Performance of Covenants; Issuer. Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions required to be performed by it and contained in this Indenture, in any and every 2006 Series B Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. Issuer represents, warrants and covenants that it is duly authorized under the Constitution and

laws of the Commonwealth of Kentucky, including particularly and without limitation the Act, to issue the 2006 Series B Bonds authorized hereby and to execute this Indenture, to assign the Agreement and amounts payable under the Agreement, and to assign the payments and amounts hereby assigned in the manner and to the extent herein set forth; that all action on its part for the issuance of the 2006 Series B Bonds and the execution and delivery of this Indenture will be duly and effectively taken, and that the 2006 Series B Bonds in the hands of the Bondholders are and will be valid and enforceable obligations of Issuer according to the terms thereof and hereof.

Section 5.03. Instruments of Further Assurance. Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as Trustee may reasonably require for the better and more effectual assignment unto Trustee all and singular the payments, revenues and other amounts payable under the Agreement, and any other income and other moneys assigned hereby as security for the payment of the principal of and interest and premium, if any, on the 2006 Series B Bonds. Issuer further covenants that it will not sell, convey or otherwise dispose of any part of the Trust Estate or create or suffer to be created any lien, encumbrance or charge upon the Trust Estate, including without limitation its interest in the revenues and other amounts payable under the Agreement or any other income therefrom except the lien and charge secured hereby.

Section 5.04. Recordation; Financing Statements.

(a) Issuer covenants that it will cooperate with Company and Trustee, to the end that the Agreement, this Indenture and all supplements and amendments hereto and thereto, as well as such other security agreements, financing statements and all supplements thereto and other instruments as may be required from time to time to be kept, will be recorded and filed in such manner and in such places as may from time to time be required by law in order to fully preserve and protect the security of the Bondholders and the rights of Trustee hereunder.

(b) After the execution and delivery of this Indenture and the execution and delivery of the 2006 Series B Bonds, the Company will deliver appropriate data and information in respect of the filing of any necessary UCC-1 statements necessary to establish the effectiveness and the perfection of the lien of this Indenture, and reciting the details of such action. Thereafter, every five years, as appropriate, the Company will cause to be filed continuation statements for the purpose of maintaining the effectiveness or perfection of such lien.

Section 5.05. Rights under Agreement. The Agreement, a duly executed counterpart of which has been filed with Trustee, sets forth the covenants and obligations of Issuer and Company, including provisions that subsequent to the issuance of 2006 Series B Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions hereof the Agreement may not be effectively amended, changed, modified, altered or terminated without the concurring written consent of Trustee. Reference is hereby made to the Agreement for a detailed statement of said covenants and obligations. Issuer agrees that Trustee in its name or, to the extent permitted by law, in the name of Issuer, may enforce all rights of Issuer and all obligations of Company under and pursuant to the Agreement for and on behalf of the Bondholders, whether or not Issuer is in default hereunder.

Section 5.06. General Compliance with All Duties. Issuer shall faithfully and punctually perform all duties with reference to the 2006 Series B Bonds required by the Constitution and laws of the Commonwealth of Kentucky, and by the terms and provisions of this Indenture.

Section 5.07. Compliance with Conditions Precedent. Upon the date of issuance of any of the 2006 Series B Bonds, all conditions, acts and things required by the Act or by this Indenture to exist, to have happened or to have been performed precedent to or in the issuance of such 2006 Series B Bonds, shall exist, shall have happened and shall have been performed, or will have happened or been performed, and such 2006 Series B Bonds shall be within every debt and other limit prescribed by law.

Section 5.08. Extension of Payment of 2006 Series B Bonds. Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the 2006 Series B Bonds or the time of payment or claims for interest (i) by the purchase or funding of such 2006 Series B Bonds or claims for interest, (ii) by entering into any agreement with any Bondholder, whether written or oral, or (iii) by any other arrangement or device which has as its goal or effect the purchase, compromise or extension, otherwise than as provided hereby, of any 2006 Series B Bond maturity or interest thereon, and in case the maturity of any of the 2006 Series B Bonds or the time for payment of any such claims for interest shall be extended, such 2006 Series B Bonds or claims for interest so extended shall not be entitled in case of any event of default under this Indenture to the benefit of this Indenture or to any payment out of any assigned assets or funds (except funds held in trust for the payment of particular 2006 Series B Bonds or claims for interest pursuant to this Indenture) held by Trustee except subject to the prior payment of the principal of all 2006 Series B Bonds issued and outstanding, the maturity of which has occurred and has not been extended, and of such portion of the accrued interest on the 2006 Series B Bonds as shall not be represented by such claims for interest.

Section 5.09. Covenants Respecting Arbitrage. Based upon the covenants made by the Company in the Agreement, and in reliance thereon, Issuer covenants that no use will be made of the proceeds of the 2006 Series B Bonds or any funds reasonably expected to be used to pay the 2006 Series B Bonds which will cause the 2006 Series B Bonds or any of them to be arbitrage bonds within the meaning of Section 148 of the Code or which would result in the loss of the exclusion of the interest on such 2006 Series B Bonds from gross income for federal income tax purposes.

Section 5.10. Books and Records. Based upon the covenants made by the Company in the Agreement, and in reliance thereon, Issuer covenants that so long as any 2006 Series B Bonds are outstanding and unpaid, or, if later, so long as required in order to comply with the provisions of the Code, it will keep, or cause to be kept, proper books of records and accounts, relating to its financial dealings under this Indenture and the Agreement. Such books shall at all times be open for any lawful purpose to the inspection of such accountants or other agents as Trustee or the Bond Insurer may from time to time designate.

Section 5.11. Other Covenants. Issuer (in reliance, upon correlative covenants and representations made by Company in the Agreement) further represents and covenants as follows:

(a) Issuer is a public body corporate and politic duly created and existing as a de jure county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky and is not in violation of any provisions of any laws of the Commonwealth of Kentucky relevant to the transactions contemplated hereby or in connection with the issuance of the 2006 Series B Bonds.

(b) Issuer has full and complete legal power and authority to execute and deliver this Indenture and the Agreement and to issue and deliver the 2006 Series B Bonds, and has by proper governmental action of its Fiscal Court, acting as its duly constituted legislative authority, duly authorized the execution and delivery of the Agreement, this Indenture and the 2006 Series B Bonds.

(c) Within the meaning of the Code at least ninety-five percent (95%) of the proceeds (including investment proceeds) of the issue of the Refunded 1994 Series A Bonds which financed the 1994 Project were used to provide solid waste disposal facilities constituting the 1994 Project and the original use of the facilities constituting the 1994 Project commenced with the Company. All of such solid waste disposal facilities consist of either land or of property of a character subject to the allowance for depreciation as provided in Section 167 of the Code.

(d) The average maturity of the 2006 Series B Bonds will not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life of the Solid Waste Disposal Facilities currently refinanced by the new proceeds of the 2006 Series B Bonds.

(e) Within the meaning of Section 149 of the Code, no portion of the payment of principal or interest with respect to the 2006 Series B Bonds or the Agreement or the Refunded 1994 Series A Bonds, were, or shall be guaranteed, directly or indirectly, by the United States or any agency or instrumentality thereof.

(f) No portion of the proceeds from the sale of the 2006 Series B Bonds will be deposited to the account of any reasonably required reserve or replacement fund or used to pay (i) any costs of issuance of the 2006 Series B Bonds or (ii) any redemption premium or accrued interest on the Refunded 1994 Series A Bonds, but such proceeds will be applied and used solely and exclusively to refund, pay and discharge the outstanding principal amount of the Refunded 1994 Series A Bonds within 90 days of the date of issuance of the 2006 Series B Bonds.

(g) Issuer and Company need not comply with the covenants in this Section 5.11, if and to the extent that each of them receives a written opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on the 2006 Series B Bonds from gross income for federal income tax purposes.

Section 5.12. Financing of Additional Solid Waste Disposal Facilities. The Company and the Issuer recognize that additional Solid Waste Disposal Facilities at the Project Site (other than those Solid Waste Disposal Facilities which constitute the Project) may in the future be acquired, constructed, installed and equipped at the Project Site, and that same have been and may be financed with proceeds of one or more series of the Issuer's solid waste disposal facility revenue bonds issued in addition to the 2006 Series B Bonds issued pursuant to this Indenture, to the extent permitted by law.

ARTICLE VI

REVENUES AND FUNDS; BOND INSURANCE

Section 6.01. Source of Payment of 2006 Series B Bonds. The 2006 Series B Bonds herein authorized and all payments by Issuer hereunder are not and shall never become general obligations of Issuer, but are special and limited obligations payable solely and only from revenues and receipts under the Agreement and as authorized by the Act and provided herein; provided, however, that moneys in the Rebate Fund created by Section 6.06 of this Indenture shall be used solely and only as provided in such Section 6.06 and for no other purposes whatsoever and that moneys in the Purchase Fund created by Section 3.03 of this Indenture shall be used solely and only as provided in such Section 3.03 and Section 6.09, respectively, and for no other purposes whatsoever.

The proceeds of the 2006 Series B Bonds will be loaned to Company by Issuer pursuant to the Agreement. The payments made pursuant to the Agreement by Company (other than pursuant to Section 5.1(b), (c) and (d) of the Agreement) are to be remitted directly to Trustee for the account of Issuer and deposited in the Bond Fund (and in the Rebate Fund, if appropriate). Such payments shall be made at such times and in such amounts so as to insure, and are assigned to secure, the prompt payment of the principal of, premium, if any, and interest on the 2006 Series B Bonds and compliance by Company with the covenants set forth in the Agreement.

Section 6.02. Creation of Bond Fund. There is hereby created by Issuer and ordered established with Trustee a trust fund to be designated "County of Carroll, Kentucky, Environmental Facilities Revenue Bond Fund, 2006 Series B (Kentucky Utilities Company Project)," which shall be used and applied to pay the principal of, premium, if any, and interest on the 2006 Series B Bonds.

Section 6.03. Payments into Bond Fund. There shall be deposited into the Bond Fund all accrued interest, if any, received at the time of the original issuance and delivery of any 2006 Series B Bonds. In addition, there shall be deposited into the Bond Fund, as and when received, (a) all payments made pursuant to Section 5.1(a) of the Agreement and (b) all other moneys received by Trustee under and pursuant to any of the provisions of the Agreement or this Indenture which are required to be deposited into the Bond Fund, or which are accompanied by written directions that such moneys are to be paid into the Bond Fund. Issuer hereby covenants and agrees that so long as any of the 2006 Series B Bonds issued hereunder are outstanding it will deposit, or cause to be paid to Trustee for deposit in the Bond Fund for its account, sufficient sums from payments, revenues and receipts under and pursuant to the Agreement promptly to meet and pay the principal of, premium, if any, and interest on the 2006 Series B Bonds as the same become due and payable, and to this end Issuer covenants and agrees that, should there be an event of default under the Agreement, Issuer shall fully cooperate with Trustee and with the Bondholders to the end of fully protecting the rights and security of the Bondholders. Nothing herein shall be construed as requiring Issuer to operate the 1994 Project or to use any funds or revenues from any source whatsoever other than payments, funds and revenues derived from or in accordance with the Agreement.

Section 6.04. Use of Moneys in Bond Fund. All accrued interest on the 2006 Series B Bonds, if any, at the time of their original issuance will be paid from the amounts deposited in the Bond Fund pursuant to the first sentence of Section 6.03 hereof. Except as provided in Section 6.07, Section 6.09 and Section 7.01 hereof, moneys in the Bond Fund shall be used solely and only for the payment of the principal of, premium, if any, and interest on the 2006 Series B Bonds as the same shall become due and payable at maturity, upon redemption or otherwise, and for the payment of the reasonable fees and expenses to which Trustee, Bond Registrar, Tender Agent, Authentication Agent, any Paying Agent or Issuer is entitled pursuant to this Indenture or the Agreement.

Section 6.05. Custody of Bond Fund. The Bond Fund shall be in the custody and control of Trustee but shall be held in the name of Issuer. Issuer hereby authorizes and directs in writing Trustee to withdraw sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the 2006 Series B Bonds and any other amounts payable from the Bond Fund, as the same become due and payable and, if applicable, to make said funds so withdrawn available to any Paying Agent for the purpose of paying said principal of, premium, if any, and interest, which authorization and direction Trustee hereby accepts.

Section 6.06. Rebate Fund; Operation of Rebate Fund.

(a) There is hereby created and ordered maintained as a separate account in the custody and control of Trustee a fund to be designated "County of Carroll, Kentucky, Environmental Facilities Revenue Bond Rebate Fund, 2006 Series B (Kentucky Utilities Company Project)." Any provision hereof to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien created by this Indenture.

(b) Within 15 days after the end of each Computation Period (but only to the extent that any Excess Earnings have been earned during such period) and within 15 days after the payment in full of all outstanding 2006 Series B Bonds (but only to the extent that any Excess Earnings have been earned during such period), (a) Company shall cause to be calculated the amount of Cumulative Excess Earnings as of the end of that Computation Period or the date of such payment and shall notify Trustee in writing of that amount and (b) Trustee shall notify Company of the amount then on deposit in the Rebate Fund. In order for Company to make or cause to be made such computations, Trustee shall make available to Company, promptly upon request, the following information: (a) as to interest and principal, the total amount of interest paid on the 2006 Series B Bonds, the principal amount of 2006 Series B Bonds outstanding during such Computation Period and the amount and date of any payments of principal of 2006 Series B Bonds during such Computation Period; (b) the amount, interest rate and nature of investments held by Trustee hereunder as of the end of such Computation Period and the amount and date of the sale of any investments; (c) the total amount of earnings on such investments during such Computation Period; (d) the total amount of earnings on deposit in the Bond Fund and the Rebate Fund; (e) the amount of deposits (including interest earned) to and disbursements from the Rebate Fund; and (f) such other information reasonably available to Trustee which may be necessary for Company to perform or cause to be performed the computations required by Section 148(f) of the Code and Treasury Regulations thereunder. The Company shall inform the Trustee of the commencement and end of each Computation Period.

(c) If, on any such Computation Date, the amount then on deposit in the Rebate Fund is in excess of the Cumulative Excess Earnings, Trustee, at the written direction of Company, shall forthwith pay that excess amount to Company. If, on any such Computation Date, the amount then on deposit in the Rebate Fund is less than the Cumulative Excess Earnings, Company shall, within 5 days after receipt of the aforesaid notice from Trustee, pay to Trustee for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Cumulative Excess Earnings. Within 30 days after each Computation Period, Trustee, at the written direction and instruction of Company, acting on behalf of Issuer, shall pay to the United States in accordance with Section 148(f) of the Code from the moneys then on deposit in the Rebate Fund an amount equal to 90% (or such greater percentage not in excess of 100% as Company may direct Trustee to pay) of the Cumulative Excess Earnings. Within 30 days after the payment in full of all outstanding 2006 Series B Bonds, Trustee, at the written direction and instruction of Company, shall pay to the United States in accordance with Section 148(f) of the Code from the moneys then on deposit in the Rebate Fund an amount equal to 100% of the Cumulative Excess Earnings as of the date of such payment and any moneys remaining in the Rebate Fund following such payment shall be paid to Company.

(d) Trustee shall keep such records of the computations made pursuant to this Section as are requested of it by the Company.

(e) Trustee may rely exclusively and conclusively on a certificate of Company or advice of counsel provided to the Trustee by Company with respect to compliance with the aforesaid requirements. If any action is necessary to be taken by Trustee in connection with compliance, such certificate or advice shall specifically advise Trustee as to what action needs to be taken and Trustee agrees to take said action. The responsibility of Trustee shall be solely to comply with such certification or advice of counsel and Trustee shall have no liability for any determination of taxability or other adverse consequence resulting from any action taken pursuant hereto or thereto.

(f) Each payment of an installment of Excess Earnings required to be paid to the United States of America shall be paid to and filed with the Internal Revenue Service Center, Ogden, Utah 84201. Each such payment shall be accompanied by a copy of Form 8038-T (Arbitrage Rebate) filed with respect to the Bonds. Notwithstanding the foregoing, disbursements of amounts in the Rebate Fund to the United States of America shall at all times be made in amounts and at the times determined at the written direction of the Company pursuant to then applicable Treasury Regulations.

(g) Issuer, Trustee and Company need not comply with the provisions of this Section 6.06 if and to the extent that they receive an opinion of Bond Counsel that such failure to comply will not affect adversely the exclusion of interest on the 2006 Series B Bonds from gross income for federal income tax purposes.

Section 6.07. Non-presentment of 2006 Series B Bonds. In the event any 2006 Series B Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, if funds sufficient to pay such 2006 Series B Bond shall have been deposited with Trustee for the benefit of the holder or holders thereof, all liability of Issuer to the holder thereof for the payment of such 2006 Series B

Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of Trustee to hold such funds, without liability for interest thereon, for the benefit of the holder of such 2006 Series B Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Indenture on, or with respect to, said 2006 Series B Bond. Trustee's obligation to hold such funds shall continue for a period of two years following the date on which the principal of such 2006 Series B Bonds has become due, whether at maturity, or at the date fixed for redemption thereof, or otherwise, at which time Trustee shall, upon written request of Company, surrender any remaining funds so held to Company (except moneys and funds in the Rebate Fund) provided, however, that before Trustee shall be required to so surrender such funds, Trustee shall, at the expense of Company, cause notice to be given in the manner specified in Section 14.04 hereof to the Registered Owners of such 2006 Series B Bonds to the effect that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such notice, any unclaimed balance of such moneys then remaining will be paid to Company. After the payment of such unclaimed moneys to Company, the Registered Owners of such 2006 Series B Bonds shall thereafter look only to Company for the payment thereof, and all liability of Issuer and Trustee and any Paying Agent with respect to such moneys shall thereupon cease.

Section 6.08. Moneys to be Held in Trust. All moneys required to be deposited with or paid to Trustee for account of the Bond Fund under any provision of this Indenture shall be held by Trustee in trust, and except for moneys deposited with or paid to Trustee for the redemption of 2006 Series B Bonds, notice of the redemption for which has been duly given, shall, while held by Trustee, constitute part of the Trust Estate and be subject to the security interest created hereby.

Section 6.09. Repayment to Company from Bond Fund. Any amounts remaining in the Bond Fund after payment in full of the 2006 Series B Bonds, the reasonable fees, charges and expenses of Trustee, Bond Registrar, Paying Agent and Issuer and all other amounts required to be paid hereunder, shall be paid to Company upon the expiration or upon the sooner termination of the term of the Agreement as provided in Article XI of the Agreement.

Section 6.10. Payment Procedure Pursuant to the Bond Insurance Policy. As long as the Bond Insurance Policy shall be in full force and effect, the Issuer, the Trustee and the Paying Agent agree to comply with the following provisions:

(a) At least one (1) Business Day prior to each Interest Payment Date, the Trustee will determine whether there will be sufficient funds in the Funds and Accounts established under this Indenture to pay the principal of or interest on the 2006 Series B Bonds on such Interest Payment Date. If the Trustee determines that there will be insufficient funds in such Funds and Accounts, the Trustee shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency and whether such 2006 Series B Bonds will be deficient as to principal or interest, or both. If the Trustee has not so notified the Bond Insurer at least one (1) Business Day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the 2006 Series B Bonds on or before the first (1st) Business Day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee.

(b) The Trustee shall, after giving notice to the Bond Insurer as provided in (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to _____, as insurance trustee for the Bond Insurer, or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Issuer maintained by the Trustee and all records relating to the Funds and Accounts established under this Indenture.

(c) The Trustee shall provide the Bond Insurer and the Insurance Trustee with a list of Registered Owners of 2006 Series B Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Registered Owners of 2006 Series B Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon 2006 Series B Bonds surrendered to the Insurance Trustee by the Registered Owners of 2006 Series B Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Trustee shall, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify Registered Owners of 2006 Series B Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee of an appropriate assignment of the Registered Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their 2006 Series B Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such 2006 Series B Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee and not the Trustee and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their 2006 Series B Bonds for payment thereon first to the Trustee who shall note on such 2006 Series B Bonds the portion of the principal paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of the principal.

(e) In the event that the Trustee has notice that any payment of principal of or interest on a 2006 Series B Bond which has become Due for Payment (as defined in the Bond Insurance Policy) and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Bond Insurer is notified pursuant to (a) above, notify all Registered Owners that in the event that any registered owner's payment is so recovered, such Registered Owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the 2006 Series B Bonds which have been made by the Trustee and subsequently recovered from Registered Owners and the dates on which such payments were made.

(f) In addition to those rights granted the Bond Insurer under this Indenture, the Bond Insurer shall, to the extent it makes payment of principal of or interest on the 2006 Series B

Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Registered Owners of the 2006 Series B Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee upon surrender of the 2006 Series B Bonds by the Registered Owners thereof together with proof of the payment of principal thereof.

Section 6.11. Bond Insurer's Right to Sue. Notwithstanding anything in this Indenture to the contrary, if an Event of Default occurs, the Bond Insurer shall have the right to institute any suit, action or proceeding at law or in equity under the same terms as a Bondholder may institute any action hereunder.

Section 6.12. Third Party Beneficiary. To the extent that this Indenture confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of this Indenture, the Bond Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 6.13. Provisions With Respect to Bond Insurance. As long as the Bond Insurance Policy issued by the Bond Insurer is in full force and effect with respect to the 2006 Series B Bonds and the Bond Insurer is not in default thereunder:

(a) Any provision of this Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer hereunder without the prior written consent of the Bond Insurer. Any action under this Indenture which requires the consent or approval of Bondholders shall, in addition to such approval, be subject to the prior written consent of the Bond Insurer.

(b) Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, and subject to the indemnification provisions contained in Section 10.01(1) of this Indenture, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under this Indenture including, without limitation, (i) the right to accelerate the principal of the 2006 Series B Bonds as set forth herein, (ii) the right to annul any declaration of acceleration and (iii) the right to control and direct the enforcement of all rights and remedies of the 2006 Series B Bondholders or the Trustee pursuant to and under the Agreement. The Bond Insurer shall also be entitled to approve all waivers of Events of Default.

(c) The Trustee shall furnish to the Bond Insurer (1) a copy of any notice, certificate, opinion of Bond Counsel or other document that it receives pursuant to this Indenture or gives to the Registered Holders of the 2006 Series B Bonds and (2) a copy of any notice that it gives to the Bondholders, including, without limitation, notice of any redemption of or defeasance of the 2006 Series B Bonds, notice of an Event of Default, and any certificate received by it rendered pursuant to this Indenture relating to the security for the 2006 Series B Bonds. The Bond Insurer

shall additionally be furnished by the Company with any filings made in accordance with Securities Exchange Commission Rule 15c2-12 and shall be furnished by the Company with copies of any financial statement, audit or annual report of the Company.

(d) The Trustee shall notify the Bond Insurer of any failure of the Company to provide the Trustee relevant notices, certificates, and other documents required to be furnished to the Trustee by this Indenture or the Agreement.

(e) Notwithstanding anything herein to the contrary, in the event that the principal or interest due on the 2006 Series B Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the 2006 Series B Bonds shall remain outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Issuer, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Issuer to the Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of the Bondholders.

(f) The Bond Insurer shall receive not less than five days' prior written notice of any Trustee or Paying Agent resignation and shall have the right to approve the appointment of any successor Trustee or Paying Agent appointed by the Issuer pursuant to ARTICLE X of this Indenture, which consent may not be unreasonably withheld or delayed. In the event that the Trustee shall fail to perform its obligations hereunder in any material respect, the Bond Insurer may direct the Company to exercise its rights under Section 10.07 of this Indenture to cause the removal of the Trustee and the Company shall so exercise such rights.

(g) Notwithstanding any other provision of this Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee shall consider the effect on the Bondholders as if there were no Bond Insurance Policy.

(h) Before the Company may exercise its right under Section 2.02(e) to convert the Interest Rate Mode for 2006 Series B Bonds from the Dutch Auction Rate to any other Interest Rate Mode, the Company shall first obtain the written consent of the Bond Insurer to that Conversion, and provide a copy of such written consent along with its notice under Section 2.02(e)(i).

(i) Before the Company may provide any notice under this Indenture which causes a mandatory purchase or acceleration of 2006 Series B Bonds to occur, the Company shall first obtain the written consent of the Bond Insurer to such action and provide a copy of such written consent along with its notice under the applicable Section of this Indenture.

(j) The consent of the Bond Insurer shall be required in lieu of Bondholder consent, when required, for the following purposes: (i) execution and delivery of any Supplemental Indenture requiring Bondholder consent or any amendment, supplement or change to or modification of either the Indenture or the Agreement requiring Bondholder consent, (ii) removal of the Trustee or Paying Agent and selection and appointment of any successor trustee or paying agent and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

(k) Any reorganization or liquidation plan with respect to the Company must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Bondholders absent a default by the Bond Insurer under the Bond Insurance Policy.

(l) Upon the occurrence of an event of default, the Trustee may, with the consent of the Bond Insurer, and shall, at the direction of the Bond Insurer or 25% of the Bondholders with the consent of the Bond Insurer, by written notice to the Issuer and the Bond Insurer, declare the principal of the 2006 Series B Bonds to be immediately due and payable, whereupon the principal of the 2006 Series B Bonds shall become due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or in the 2006 Series B Bonds to the contrary notwithstanding.

Section 6.14. Reporting Requirements. The Bond Insurer shall be provided with the following:

(a) Notice of the redemption, other than mandatory sinking fund redemption, of any of the 2006 Series B Bonds, or of any advance refunding of the 2006 Series B Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(b) Notice of the downgrading by any rating agency of the Company's underlying rating, or the underlying rating on the 2006 Series B Bonds or any parity obligations, to "non-investment grade"; and

(c) Notice of any material events pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

Section 6.15. Additional Information. Upon request of the Bond Insurer, the Company will permit the Bond Insurer to discuss the affairs, finances and accounts of the Company or any information the Bond Insurer may reasonably request regarding the security for the 2006 Series B Bonds with appropriate officers of the Company. The Trustee or the Company, as appropriate, will permit the Bond Insurer to have access to the Project and have access to and to make copies of all books and records relating to the 2006 Series B Bonds at any reasonable time.

Section 6.16. References to the Bond Insurer. All provisions hereof regarding consents, approvals, directions, appointments or requests by the Bond Insurer shall be deemed not to require or permit such consents, approvals, directions, appointments or requests by the Bond Insurer and shall be read as if the Bond Insurance Policy was not mentioned therein during any time in which the Bond Insurer is in default in its obligations to make payments under the Bond Insurance Policy; provided, however, that this Section shall not affect the rights of the Bond Insurer to collect any amounts legally owed to it.

Following the occurrence of an Event of Default under ARTICLE IX, the Bond Insurer shall have the right to direct an accounting of the Company's financial condition at the Company's expense, and the Company's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently

pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the 2006 Series B Bonds.

ARTICLE VII

INVESTMENTS

Section 7.01. Investment of Bond Fund Moneys, Rebate Fund Moneys and Purchase Fund Moneys. Any and all moneys held as part of the Bond Fund and the Rebate Fund shall be invested or reinvested by Trustee in accordance with the provisions of and limitations imposed by Section 2.2(j) and (l) and Section 4.3 of the Agreement and only as directed in writing by the Company. Any obligations acquired by Trustee as a result of such investment or reinvestment shall be held by or under the control of Trustee. Trustee shall always maintain a separate and discrete account in respect of the Rebate Fund and no commingling thereof with other funds and accounts shall be permitted under any circumstances. All moneys invested in respect of a particular fund shall be deemed at all times a part of the fund for which such investments were made, and 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 investment shall be charged pro rata to such fund. Trustee shall sell and reduce to cash a sufficient amount of applicable investments whenever the cash balance in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2006 Series B Bonds or any other amount payable from the Bond Fund when due or whenever the cash balance in the Rebate Fund is insufficient to pay any required disbursement from the Rebate Fund, respectively. The Rebate Fund shall never be commingled with any other fund or account. The Purchase Fund shall at all times be held uninvested. The Trustee will not be liable for any investment loss (including any loss upon a sale of any investment), fee, tax or other charge in respect of any investments, reinvestments or liquidation of investments made pursuant to this Indenture. The Trustee shall have no liability in respect of losses incurred as a result of liquidation of any Permitted Investments prior to stated maturity or failure of the Company to provide timely written investment direction.

Section 7.02. Arbitrage. Issuer will, prior to the issuance and delivery of the 2006 Series B Bonds, prepare and deliver to Trustee a certificate to support the conclusion that the 2006 Series B Bonds will not be “arbitrage bonds” within the meaning of Section 148 of the Code. In making and delivering such certificate, Issuer may rely upon certificates of Company setting forth facts, circumstances and reasonable expectations which are particularly within the knowledge of Company.

Upon the basis of the certificates to be delivered by Issuer as herein described in connection with the issuance of the 2006 Series B Bonds, it is not expected that the proceeds of the 2006 Series B Bonds will be used in any manner that would cause the 2006 Series B Bonds to be arbitrage bonds under the Code and regulations promulgated thereunder. To the best knowledge and belief of Issuer, there are no facts, estimates or circumstances that would materially change the foregoing conclusion. Trustee will at all times discharge its duties in respect of the Rebate Fund as provided by Section 6.06 hereof.

Section 7.03. Tax Covenants.

(a) In this Section 7.03 unless a different meaning clearly appears from the context:

(i) Reference to a provision of the Code by number or letter includes reference to any law hereafter enacted as amendment to or substitute for such provision;

(ii) Words which are used herein and in the Code shall have the meaning given to such words in or pursuant to said Code.

(iii) The covenants set forth in clauses (b), (c) and (d) of this Section are made in reliance upon the covenants of Company set forth in the Agreement and other documents to which reference is made.

(b) Issuer shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by Issuer on the 2006 Series B Bonds shall, for the purposes of federal income taxation, be excluded from gross income; provided, however, that Issuer shall not be in default of this covenant solely by reason of the purchase of any 2006 Series B Bonds by a “substantial user” or a “related person” as such terms are used in Section 147(a) of the Code.

(c) Issuer shall not permit at any time or times any of the proceeds of the 2006 Series B Bonds to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any 2006 Series B Bond to be an “arbitrage bond” as defined in Section 148(a) of the Code as then in effect unless, under any valid provision of law hereafter enacted (i) such action would not cause arbitrage bond status to occur, and (ii) the interest paid by Issuer on the 2006 Series B Bonds shall be excludable from the gross income of a recipient thereof for federal income tax purposes without regard to compliance with the provisions of Section 148 of the Code.

(d) In order to assure compliance with this Section 7.03, thereby better securing and protecting the 2006 Series B Bonds and Issuer, Issuer (subject to the provisions of Section 6.06 hereof) from the date of adoption of this Indenture covenants that it shall not:

(i) except during any valid temporary period or as otherwise permitted by the Code, make or cause to be made any investment of 2006 Series B Bond proceeds that produces a yield in excess of such applicable maximum yield with respect to the 2006 Series B Bonds as may be permitted by the Code, and

(ii) except during any valid temporary period or as otherwise permitted by the Code, invest or cause Trustee to invest moneys in any fund created by this Indenture in investment obligations that produce a yield in excess of such applicable maximum yield with respect to the 2006 Series B Bonds as may be permitted by the Code.

ARTICLE VIII

DISCHARGE OF INDENTURE

If Issuer shall pay or cause to be paid, or there shall be otherwise paid or provision for payment made to or for the Registered Owners of the 2006 Series B Bonds, the principal, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein, and if Issuer shall not then be in default in any of the other covenants and promises in the 2006 Series B Bonds and in this Indenture expressed as to be kept, performed and observed by it or on its part, and shall pay or cause to be paid to Trustee and any Paying Agents all sums of money due or to become due according to the provisions hereof, then these presents and the estate and rights hereby granted shall cease, determine and be void, whereupon Trustee shall cancel and discharge the lien of this Indenture, assign and deliver unto Issuer any and all the estate, right, title and interest in and to any and all rights assigned to Trustee or otherwise subject to the lien of this Indenture, except amounts in the Bond Fund required to be paid to Company under Section 6.09 hereof and except moneys or securities held by Trustee for the payment of the principal of, premium, if any, and interest on the 2006 Series B Bonds and except for any moneys and investments in the Rebate Fund, which shall be administered in accordance with Section 6.06 hereof.

Any 2006 Series B Bond shall be deemed to be paid within the meaning of this Article and for all purposes of this Indenture when (a) payment of the principal of and the applicable redemption premium, if any, on such 2006 Series B Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in this Indenture, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with Trustee, in trust, and Trustee shall have irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment or (2) Governmental Obligations, as defined hereinafter in this Article, maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all proper fees, compensation and expenses of Trustee, Authenticating Agent, Bond Registrar and any Paying Agent pertaining to the 2006 Series B Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of Trustee. At such time as a 2006 Series B Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of any such payment from such moneys or Governmental Obligations and except that it may continue to be transferred and exchanged in accordance with ARTICLE II of this Indenture.

Notwithstanding the foregoing, no deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of such 2006 Series B Bonds as aforesaid until the earlier of: (1) the date on which proper notice of redemption of such 2006 Series B Bonds shall have been previously given in accordance with ARTICLE IV of this Indenture, or in the event said 2006 Series B Bonds are not to be redeemed prior to their maturity or are not to be redeemed within the next succeeding 30 days, the date on which Company shall have given Trustee on behalf of Issuer, in form satisfactory to Trustee, irrevocable instructions to notify, as soon as practicable, the Registered Owners of the 2006 Series B Bonds, in accordance with ARTICLE IV hereof, that the deposit required by (a)(ii) above has been made with Trustee and

that said 2006 Series B Bonds are deemed to have been paid in accordance with this Article and stating such maturity or redemption date upon which moneys are to be available for the payment of said 2006 Series B Bonds; and (2) the maturity of such 2006 Series B Bonds.

Any moneys so deposited with Trustee as provided in this Article may at the written direction of Company also be invested and reinvested in Governmental Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Governmental Obligations in the hands of Trustee pursuant to this Article which is not required for the payment and discharge of the 2006 Series B Bonds and interest and premium thereon with respect to which such moneys shall have been so deposited, shall, following the actual payment and discharge of any such 2006 Series B Bonds be transferred to and deposited in the Bond Fund for use and application as are other moneys deposited in that fund or if this Indenture has been discharged and all 2006 Series B Bonds issued under this Indenture have been paid, such moneys shall be paid to Company.

Issuer hereby covenants that no deposit will be made or accepted hereunder and/or no use made of any such deposit which would cause the 2006 Series B Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Code.

For the purposes of this Indenture, the term "Governmental Obligations" shall mean any of the following which are non-callable and which at the time of investment are legal investments under the laws of the Commonwealth of Kentucky for the moneys proposed to be invested therein: (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America; (ii) Refcorp Interest Strips, CATS, TIGRS, STRPS or defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination of the foregoing) which are payable in full as to principal, interest and premium, if any, solely and only from irrevocable trusts or escrow accounts pledged solely and only to such purposes and consisting only of obligations of the nature described in clause (i) of this paragraph; (iii) bonds, debentures, or notes issued by any of the following federal agencies: Bank for Cooperatives, Federal Land Banks, or National Mortgage Association (including Participation Certificates); or (iv) Public Housing Authority Bonds, Temporary Notes, Project Notes or Preliminary Loan Notes, fully secured by contracts with the United States.

Notwithstanding any provision of any other Article of this Indenture which may be contrary to the provisions of this Article, all moneys or Governmental Obligations set aside and held in trust pursuant to the provisions of this Article for the payment of 2006 Series B Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular 2006 Series B Bonds (including interest and premium thereon, if any) with respect to which such moneys and Governmental Obligations have been so set aside in trust.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the Governmental Obligations deposited pursuant to this ARTICLE VIII or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of Outstanding 2006 Series B Bonds.

Anything in ARTICLE XII hereof to the contrary notwithstanding, if moneys or Governmental Obligations have been deposited or set aside with Trustee pursuant to this Article for the payment of 2006 Series B Bonds and such 2006 Series B Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this Article shall be made without the consent of the holder of each 2006 Series B Bond affected thereby.

Notwithstanding the foregoing, those provisions relating to the purchase of 2006 Series B Bonds, the maturity of 2006 Series B Bonds, interest payments and dates thereof, and the purchase provisions, and the Trustee's remedies with respect thereto, and provisions relating to exchange, transfer and registration of 2006 Series B Bonds, replacement of mutilated, destroyed, lost or stolen 2006 Series B Bonds, the safekeeping and cancellation of 2006 Series B Bonds, non-presentment of 2006 Series B Bonds, the holding of moneys in trust, and repayments to the Company from the Bond Fund and the duties of the Trustee in connection with all of the foregoing and the fees, expenses and indemnities of the Trustee, shall remain in effect and shall be binding upon the Trustee, the Issuer, the Company and the Bondholders notwithstanding the release and discharge of the lien of this Indenture.

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on any of the 2006 Series B Bonds shall be paid by Bond Insurer pursuant to the Bond Insurance Policy, such 2006 Series B Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Issuer to the registered Bondholders shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered Bondholders.

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

Section 9.01. Defaults; Events of Default. If any of the following events occur, subject to the provisions of Section 6.13, Section 9.11 and Section 9.12 hereof, it is hereby defined as and declared to be and to constitute an "event of default":

(a) Default in the due and punctual payment of any installment of interest on any 2006 Series B Bond (i) if such 2006 Series B Bond bears interest at other than the Long Term Rate, and continuation of such default for a period of one (1) Business Day from due date and (ii) if such 2006 Series B Bond bears interest at the Long Term Rate, within and continuation of such default for a period of five (5) Business Days from date due;

(b) Default in the due and punctual payment of the principal of, or premium, if any, on any 2006 Series B Bond, whether at the stated maturity thereof, or upon proceedings for redemption, or upon the maturity thereof by declaration or if payment of the purchase price of any 2006 Series B Bond required to be purchased pursuant to Section 3.01 is not made when such payment has become due and payable, provided that no event of default shall have occurred in respect of failure to receive such purchase price for any Series 2006 Series B Bond if the Company shall have complied with Section 3.05(d) hereof;

(c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of Issuer in this Indenture or in the 2006 Series B Bonds continued for a period of thirty (30) days after written notice by Trustee, unless such failure is instituted within such 30-day period and is capable of being cured and corrective action in respect of such failure is being diligently pursued;

(d) The occurrence of an “event of default” under Section 9.1 of the Agreement; or

(e) Written notice from the Bond Insurer to the Trustee that an event of default has occurred and is continuing under the Bond Insurance Agreement.

Upon the occurrence of any Event of Default under this Section 9.01, the Trustee, upon a Responsible Officer having been given or having obtained actual knowledge of such Event of Default, shall immediately give Electronic Notice of that Event of Default to the Issuer, the Paying Agent, the Tender Agent, the Bond Insurer, and, if applicable, the Initial Broker-Dealer, the Auction Agent and the Remarketing Agent.

Subject to Section 9.12, no default under subsection (c) above shall constitute an Event of Default until actual written notice is given to the Issuer and the Company by the Trustee, or to the Issuer, the Company and the Trustee by the registered owners holding not less than 25% in aggregate principal amount of all 2006 Series B Bonds Outstanding or the Bond Insurer and the Issuer and the Company shall have had thirty days after such notice to correct the default and failed to do so. If the default is such that it cannot be corrected within the applicable period but is capable of being cured, it will not constitute an Event of Default if corrective action is instituted by Issuer or Company, within the applicable period and diligently pursued until the default is corrected.

So long as the Bond Insurance Policy is in full force and effect with respect to the 2006 Series B Bonds and the Bond Insurer is not in default thereunder, the Bond Insurer shall be a party in interest and a party entitled to (i) notify the Issuer, the Trustee, if any, or any applicable receiver of the occurrence of an Event of Default and (ii) request the Trustee or receiver to intervene in judicial proceedings that affect the 2006 Series B Bonds or the security therefor. The Trustee or receiver is required to accept notice of default from the Bond Insurer.

Notwithstanding any other provisions of this Indenture, so long as the Bond Insurance Policy is in full force and effect with respect to the 2006 Series B Bonds and the Bond Insurer is not in default thereunder, and the 2006 Series B Bonds are being paid in due course as to principal, premium, if any, and interest, upon the occurrence and continuance of an Event of Default, the Bond Insurer shall be entitled to control and direct all remedial and enforcement actions and activities by all parties, including the Trustee, notwithstanding any other provisions of this Indenture, including, but not limited to, Section 9.02, Section 9.03 and any other provisions herein and shall have the right to issue or annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of Events of Default.

Section 9.02. Acceleration.

(a) Upon the occurrence of an event of default, Trustee may, subject to Section 6.13 hereof, and upon the written request of the holders of not less than 25% in aggregate principal

amount of 2006 Series B Bonds then Outstanding and receipt of indemnity reasonably satisfactory to the Trustee shall, by immediate notice in writing delivered to Issuer and Company, declare the principal of all 2006 Series B Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon, subject to Section 6.13 hereof, become and be immediately due and payable; anything in this Indenture or the 2006 Series B Bonds to the contrary notwithstanding, subject however, to the provisions of Section 9.10 hereof. Upon any declaration of acceleration hereunder Issuer and Trustee shall immediately declare all payments under the Agreement to be immediately due and payable as liquidated damages in accordance with Section 9.2 of the Agreement.

(b) Upon the occurrence of an event of default, Trustee, before or after declaring the principal of the 2006 Series B Bonds immediately due and payable, may, and upon the written request of the holders of not less than 25% in aggregate principal amount of 2006 Series B Bonds then Outstanding and receipt by the Trustee of indemnity reasonably satisfactory to it shall, enforce each and every right granted to Issuer under the Agreement for the benefit of the Bondholders. In exercising such rights and the rights given Trustee under this ARTICLE IX, Trustee shall take such action as, in the judgment of Trustee applying the standards described in Section 10.01(a) hereof, would best serve the interests of the Bondholders.

(c) So long as the Bond Insurance Policy is in full force and effect with respect to the 2006 Series B Bonds and the Bond Insurer is not in default thereunder, no acceleration of the 2006 Series B Bonds or waiver of any Event of Default may be carried out pursuant to this Indenture without the written consent of the Bond Insurer.

(d) In the event that the maturity of the 2006 Series B Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Issuer or the Company) with respect to the 2006 Series B Bonds, and the Trustee shall accept such amounts. Upon payment of all of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Bond Insurance Policy shall be fully discharged.

Section 9.03. Other Remedies; Rights of Bondholders. Subject to Section 6.13 hereof, upon the occurrence of an event of default under this Indenture, Trustee may proceed to pursue any available remedy by suit at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the 2006 Series B Bonds then outstanding, including, without limitation, the following:

(a) By mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require Issuer to enforce any rights under the Agreement and to require Issuer to carry out any provisions of this Indenture for the benefit of the Bondholders and to perform its duties under the Act;

(b) Bring suit upon the 2006 Series B Bonds;

(c) By action or suit in equity require Issuer to account as if it were the trustee of an express trust for the Bondholders; and

(d) By action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

Any judgment against Issuer shall be enforceable only against the specific assigned payments, funds and accounts in the custody of Trustee. There shall not be authorized any deficiency judgment against any assets of, or the general credit of, Issuer.

If an event of default shall have occurred, and if requested so to do by the holders of not less than 25% in aggregate principal amount of all 2006 Series B Bonds then Outstanding and being indemnified as provided in Section 10.01(l) hereof, Trustee shall be obligated to exercise one or more of the rights and powers conferred by this Section and by Section 9.02 hereof, as Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders.

No remedy by the terms of this Indenture conferred upon or reserved to Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to Trustee or to the Bondholders hereunder 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 any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default or acquiescence therein; and every such right and power may be exercised from time to time as often as may be deemed expedient.

No waiver of any default or event of default hereunder, whether by Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or event of default or shall impair any right or remedies consequent thereon.

Section 9.04. Right of Bondholders to Direct Proceedings. Subject to Section 6.13 hereof, anything in this Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of 2006 Series B Bonds then outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 9.05. Appointment of Receivers. Upon the occurrence of an event of default under this Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of Trustee and of the Bondholders under this Indenture, Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 9.06. Waiver by Issuer. Upon the occurrence of an event of default under this Indenture, to the extent that such rights may then lawfully be waived, neither Issuer, nor the Commonwealth of Kentucky nor any political subdivision thereof, nor anyone claiming through or under any of them, shall set up, claim, or seek to take advantage of any appraisement, valuation, stay, extension or redemption laws now or hereafter in force, in order to prevent or

hinder the enforcement of this Indenture, and Issuer, for itself and all who may claim through or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws.

Section 9.07. Application of Moneys. All moneys received by Trustee pursuant to any right given or action taken under the provisions of this Article or received by any Bondholder or receiver or like officer shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by Trustee or Paying Agent, and upon payment of any sums due and payable to the United States pursuant to Section 148(f) of the Code, be deposited in the Bond Fund and all moneys in the Bond Fund shall be applied, as follows:

(a) Unless the principal of all the 2006 Series B Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due on the 2006 Series B Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the 2006 Series B Bonds which shall have become due (other than 2006 Series B Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, with interest on the principal of such 2006 Series B Bonds from the respective dates upon which they became due at one percent above the rate borne by the 2006 Series B Bonds (but in no event higher than the maximum rate permitted by law), until paid (with the same interest rate on overdue installments of premium and interest on such 2006 Series B Bonds to the extent permitted by law) and, if the amount available shall not be sufficient to pay in full 2006 Series B Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To be held for the payment to the persons entitled thereto as the same shall become due of the principal of, premium, if any, and interest on the 2006 Series B Bonds which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full 2006 Series B Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the 2006 Series B Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the 2006 Series B Bonds (together with interest on overdue installments of principal and, to the extent permitted by law, interest, in each case at one percent above the highest rate borne by any 2006 Series B Bond, but in no event higher than the maximum rate permitted by law, until paid), without preference or priority of principal over

interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any 2006 Series B Bond over any other 2006 Series B Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the 2006 Series B Bonds shall have been declared due and payable, and if such declarations shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of subsection (b) of this Section in the event that the principal of all the 2006 Series B Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of subsection (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal, premium and interest to be paid on such dates shall cease to accrue. Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date.

Whenever all principal of, premium, if any, and interest on all 2006 Series B Bonds have been paid under the provisions of this Section and all expenses and charges of Trustee and any Paying Agents have been paid, and all the liabilities of Company accrued under the Agreement have been paid, any balance remaining in the Bond Fund shall be paid to Company as provided in Section 6.09 hereof.

Section 9.08. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the 2006 Series B Bonds may be enforced by Trustee without the possession of any of the 2006 Series B Bonds or the production thereof in any trial or proceedings related thereto and any such suit or proceeding instituted by Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiff or defendants any holders of the 2006 Series B Bonds, and any recovery of judgment shall be for the equal and ratable benefit of the holders of the outstanding 2006 Series B Bonds.

Section 9.09. Rights and Remedies of Bondholders. No holder of any 2006 Series B Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless:

(a) a default has occurred of which Trustee has been notified as provided Section 10.01(h) hereof, or of which by said subsection it is deemed to have notice, nor unless

(b) such default shall have become an event of default and the holders of not less than 25% in aggregate principal amount of 2006 Series B Bonds then outstanding shall have made written request to Trustee and shall have offered it reasonable opportunity either to proceed to

exercise the powers hereinbefore granted or to institute such action, suit or proceeding in their own name or names, nor unless they have offered to Trustee indemnity as provided in Section 10.01(l) hereof, nor unless

(c) Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name within a reasonable time.

Such notification, request and offer of indemnity are hereby declared in every case at the option of Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder, it being understood and intended that no one or more holders of the 2006 Series B Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the holders of all 2006 Series B Bonds then outstanding.

Nothing in this Indenture contained shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest on any 2006 Series B Bond at and after the maturity thereof, or the obligation of Issuer to pay the principal of, premium, if any, and interest on each of the 2006 Series B Bonds issued hereunder to the respective holders thereof at the time, place, from the source and in the manner expressed in the 2006 Series B Bonds.

Section 9.10. Termination of Proceedings. In case Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case Issuer and Trustee and the Bondholders shall, subject to any determination in such proceeding, be restored to their former positions and rights hereunder, and all rights, remedies and powers of Trustee shall continue as if no such proceedings had been taken.

Section 9.11. Waivers of Events of Default. Subject to the provisions of Section 6.12 hereof, Trustee may in its discretion waive any default hereunder and its consequences and shall do so upon the written request of the holders of at least a majority in principal amount of all 2006 Series B Bonds then Outstanding.

The provisions of the preceding paragraph of this Section, however, are subject to the condition that if, after the principal of all 2006 Series B Bonds then outstanding shall have been declared to be due and payable as a result of a default hereunder, 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, (i) Company shall cause to be deposited with Trustee a sum sufficient to pay all matured installments of interest upon all 2006 Series B Bonds and the principal of and premium, if any, on any and all 2006 Series B Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and premium, if any, and overdue installment of interest, to the extent permitted by law, at the rate per annum which is one percent above the highest rate borne by any 2006 Series B Bond, but in no event higher than the

maximum permitted by law, until paid), and such amounts as shall be sufficient to cover all expenses of Trustee in connection with such default and (ii) all defaults under this Indenture, other than nonpayment of principal of 2006 Series B Bonds which shall have become due by said declaration, shall have been remedied, then and in every such case, such default shall be deemed waived and such declaration and its consequences rescinded and annulled by Trustee by written notice to Issuer and Company which waiver, rescission and annulment shall be binding upon the holders of all 2006 Series B Bonds then outstanding; but no such waiver, rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Section 9.12. Notice of Defaults Under Section 9.01(c); Opportunity of Issuer and Company to Cure Such Defaults. Anything herein to the contrary notwithstanding, no default under Section 9.01(c) hereof shall constitute an event of default until actual written notice of such default by registered or certified mail shall be given to Issuer and Company by Trustee or the Bond Insurer or to Issuer, Company and Trustee by the holders of not less than 25% in aggregate principal amount of all 2006 Series B Bonds outstanding and Issuer and Company shall have had thirty days after receipt of such written notice to correct said default or to cause said default to be corrected, and unless Issuer or Company shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period but is capable of being cured, it shall not constitute an event of default if corrective action is instituted by Issuer or Company within the applicable period, and diligently pursued until the default is corrected.

With regard to any alleged default concerning which notice is given to Issuer and Company under the provisions of this Section, Issuer hereby grants Company full authority for the account of Issuer to perform and observe any covenant or obligation alleged in said notice not to have been performed or observed, in the name and stead of Issuer with full power to do any and all things and acts to the same extent that Issuer could do and perform any such things and acts and with power of substitution.

ARTICLE X

TRUSTEE, BOND REGISTRAR AND PAYING AGENT

Section 10.01. Acceptance of the Trusts. Trustee, Bond Registrar, Tender Agent, Auction Agent and Paying Agent hereby accept the trusts and duties imposed upon them by this Indenture, and agree to perform said trusts and duties, but only upon and subject to the following express terms and conditions:

(a) Trustee, prior to the occurrence of an event of default (as defined in Section 9.01) under this Indenture and after curing of all events of default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an event of default has occurred (which has not been cured or waived) of which a Responsible Officer has actual knowledge, Trustee shall exercise the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. Notwithstanding any other provision of this Indenture, in determining whether the rights of the

Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee shall consider the effect on the Bondholders as if there were no Bond Insurance Policy.

(b) Trustee may execute any of the trusts or powers hereof and perform any of its duties which arise as a result of the occurrence of an event of default (as defined in Section 9.01 hereof) reasonably requiring the engagement by the Trustee of professional and other expert services which the Trustee is not qualified to undertake, and with respect to such services shall not be responsible for any misconduct or negligence on the part of any attorney, agent, receiver or other person, if selected with due care and consideration by the Trustee. The Trustee, in the exercise of its customary trust duties and powers, may perform such duties and powers by or through attorneys, agents, receivers or employees selected with due care, and shall be entitled to advice of counsel concerning all matters of trust hereof and the duties hereunder, and may in all cases pay such reasonable compensation and reasonable expenses (for which it shall be entitled to reimbursement pursuant to Section 10.02) to all such attorneys, agents, receivers and employees as may be selected with due care and consideration and employed in connection with the trusts hereof. In the exercise of ordinary trust duties, the Trustee shall not be answerable for the exercise of any discretion or power under this Indenture nor for anything whatever in connection with the trust hereunder, except only its own misconduct or negligence or that of its agents, officers and employees. Trustee may act upon the opinion or advice of any attorneys selected with due care and consideration (who may be the attorney or attorneys for Issuer or Company). Trustee shall not be responsible for any loss or damage resulting from any action or non-action reasonably exercised in good faith in reliance upon such opinion or advice.

(c) Trustee, Bond Registrar and Paying Agent shall not be responsible for any recital herein, or in the 2006 Series B Bonds, or for the recording or re-recording, filing or re-filing of this Indenture, or any other instrument required by this Indenture to secure the 2006 Series B Bonds, including financing statements, or for insuring the Project or collecting any insurance moneys, or for the validity of the execution by Issuer of this Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of the security for the 2006 Series B Bonds issued hereunder or intended to be secured hereby or otherwise as to the maintenance of the security hereof.

(d) Trustee, Bond Registrar and Paying Agent shall not be accountable for the use of any 2006 Series B Bonds authenticated or delivered hereunder. Trustee, Bond Registrar and Paying Agent may become the Registered Owners of 2006 Series B Bonds secured hereby with the same rights which they would have if not Trustee, Bond Registrar or Paying Agent. To the extent permitted by law, Trustee may also receive tenders and purchase in good faith 2006 Series B Bonds from itself, including any department, affiliate or subsidiary, with like effect as if it were not Trustee.

(e) Trustee, Bond Registrar and Paying Agent may conclusively rely and shall be fully protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by any of them to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by Trustee, Bond Registrar and Paying Agent pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such

authority or consent is the Registered Owner of any 2006 Series B Bond, shall be conclusive and binding upon all future Registered Owners of the same Bond and upon 2006 Series B Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, Trustee, Bond Registrar and Paying Agent shall be conclusively entitled to rely upon a certificate signed by an Issuer Representative or a Company Representative as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which Trustee, Bond Registrar and Paying Agent have been notified as provided in subsection (h) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion reasonably secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. Trustee, Bond Registrar and Paying Agent may accept a certificate of the Fiscal Court Clerk or Deputy Fiscal Court Clerk of Issuer under its seal to the effect that an ordinance in the form therein set forth has been adopted by Issuer as conclusive evidence that such ordinance has been duly adopted, and is in full force and effect.

(g) The permissive rights of Trustee, Bond Registrar, Tender Agent, Auction Agent and Paying Agent to do things enumerated in this Indenture shall not be construed as a duty and they shall not be answerable for other than its negligence or misconduct.

(h) Trustee, Bond Registrar and Paying Agent shall not be required to take notice or be deemed to have notice of any default hereunder except failure by Issuer to cause to be made any of the payments to Trustee required to be made by ARTICLE V hereof or the failure of Issuer or Company to file with Trustee, Bond Registrar and Paying Agent any document required by this Indenture or the Agreement to be so filed subsequent to the issuance of the 2006 Series B Bonds, unless Trustee, Bond Registrar and Paying Agent shall be specifically notified in writing of such default by Issuer, by Company, by the Bond Insurer or by the holders of at least 25% in aggregate principal amount of 2006 Series B Bonds then outstanding and all notices or other instruments required by this Indenture to be delivered to Trustee, Bond Registrar and Paying Agent shall be delivered at the principal offices of Trustee, Bond Registrar and Paying Agent and, in the absence of such notice so delivered, Trustee may conclusively assume there is no default except as aforesaid.

(i) At any and all reasonable times Trustee or the Bond Insurer, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right (but shall be under no obligation to) fully to inspect any and all of the property herein assigned, including all books, papers and records of Issuer pertaining to the 1994 Project and the 2006 Series B Bonds, and to take such memoranda therefrom and in regard thereto as may be desired.

(j) Trustee, Bond Registrar and Paying Agent shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Indenture contained, Trustee, Bond Registrar and Paying Agent shall have the right, but shall not be required, to demand, in respect of the authentication of any 2006 Series B Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by Trustee, Bond Registrar and Paying Agent deemed desirable for the purpose of establishing the right of Issuer to the authentication of any 2006 Series B Bonds, the withdrawal of any cash, or the taking of any other action by Trustee, Bond Registrar and Paying Agent.

(l) Before taking the action referred to in Section 9.02, Section 9.03, Section 9.04, Section 9.07 or Section 10.04 hereunder, Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses (including reasonable attorneys' fees and expenses), to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or misconduct by reason of any action so taken.

(m) All moneys received by Trustee or Paying Agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received and shall be segregated from other funds. Neither Trustee nor any Paying Agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(n) In the event Trustee shall receive inconsistent or conflicting requests and indemnity from two or more groups of Bondholders, each representing less than a majority of the aggregate principal amount of the 2006 Series B Bonds then Outstanding, Trustee, in its sole discretion, may determine what action, if any, shall be taken.

(o) No provision of this Indenture shall be deemed to require the Trustee, Paying Agent, Tender Agent, Auction Agent or Bond Registrar to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties, if the Trustee shall believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 10.02. Fees, Charges and Expenses of Trustee, Bond Registrar and Paying Agent. Trustee, Bond Registrar, Tender Agent and Paying Agent shall be entitled to payment and reimbursement by or on behalf of Issuer for such reasonable compensation as shall be agreed to in writing between Trustee, Bond Registrar, Tender Agent, Paying Agent and the Company for their services rendered hereunder and all advances, reasonable counsel fees and expenses and all other expenses reasonably made or incurred by Trustee and Paying Agent in connection with such services. Such compensation shall not be limited by any law with respect to compensation of a trustee of an express trust. The Trustee, Bond Registrar, Tender Agent and Paying Agent shall be entitled to the provisions for payments and reimbursements to be made by the Company as set forth in the Agreement. This provision shall survive the termination or discharge of this Indenture. Upon the occurrence of an event of default (as defined in Section 9.01 hereof), the Trustee, Bond Registrar, Tender Agent and Paying Agent shall have a first right of payment prior to payment on account of the principal and interest due on the 2006 Series B Bonds for payment of the reasonable fees and expenses of such fiduciaries, including reasonable attorneys' fees.

Section 10.03. Notice to Bondholders of Default. If a default occurs of which Trustee is by Section 10.01(h) hereof required to take notice or if notice of default be given as in Section 10.01(h) provided, then Trustee shall give written notice within 90 days of its actual knowledge thereof by registered or certified mail to each Registered Owner of 2006 Series B Bonds then outstanding.

Section 10.04. Intervention by Trustee. In any judicial proceeding to which Issuer or Company is a party and which in the opinion of Trustee and its counsel has a substantial bearing on the interests of Registered Owners of the 2006 Series B Bonds, Trustee may intervene on behalf of the Bondholders and shall do so if requested in writing by the Registered Owners of at least 25% of the aggregate principal amount of 2006 Series B Bonds then Outstanding. The rights and obligations of Trustee under this Section are subject to the approval of a court of competent jurisdiction.

Section 10.05. Successor Trustee by Merger or Otherwise. Any corporation or association into which Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, provided such corporation or association is otherwise eligible under Section 10.08 hereof, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges, responsibilities, obligations and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 10.06. Resignation by Trustee. Trustee may at any time resign from the trusts hereby created by giving thirty days' written notice to Issuer, Company and Bond Insurer, and by first class mail to each registered owner of 2006 Series B Bonds then outstanding. In addition, Trustee shall give written notice of its resignation to each Registered Owner of 2006 Series B Bonds by first class mail and by registered mail to the Company, the Tender Agent, the Remarketing Agent and the Paying Agent and Bond Registrar, if Trustee is not at such time acting as Paying Agent and Bond Registrar and Tender Agent. Such resignation shall take effect at the later of the expiration of such thirty days, and the appointment of a successor Trustee by Company and Issuer pursuant to Section 10.08 hereof; provided that, no resignation, termination or removal of the Trustee shall be effective until a successor to the Trustee, acceptable to the Issuer, the Company and the Bond Insurer, has been appointed and has accepted such appointment.

Section 10.07. Removal of Trustee. Trustee may be removed upon 30 days written notice at any time, by an instrument or concurrent instruments in writing delivered to Trustee, to Issuer and to Company and signed by the Registered Owners of a majority in aggregate principal amount of 2006 Series B Bonds then outstanding. So long as no event of default has occurred and is continuing, and no event has occurred and is continuing which, with the giving of notice or passage of time would become an event of default, Trustee may be removed by the Company at any time in the sole discretion of the Company and the Trustee may be removed by the Bond Insurer at any time for any breach of the trusts herein created.

Section 10.08. Appointment of Successor Trustee. In case Trustee hereunder shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case Trustee shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor shall immediately be appointed by Company and Issuer by an instrument or concurrent instruments in writing signed by a Company Representative and an Issuer Representative; provided that if at the time of such appointment an event of default has occurred and is continuing under the Agreement, such appointment of a successor Trustee shall be made by Issuer. Every such Trustee appointed pursuant to any of the provisions of this Section shall be a trust company or bank in good standing located in and incorporated under the laws of either (i) the United States of America or (ii) one of the States of the United States duly authorized to exercise trust powers and subject to examination by federal or state authority having a reported capital and surplus of not less than \$75,000,000, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms and shall be acceptable to the Bond Insurer.

Section 10.09. Judicial Appointment of Successor Trustee. In case at any time Trustee shall resign or be removed and no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this ARTICLE X prior to the date specified in the notice of resignation or removal as the date when such resignation or removal is to take effect, the Trustee resigning or being removed may forthwith apply at the expense of the Company to a court of competent jurisdiction for the appointment of a successor Trustee. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this ARTICLE X within two (2) calendar months after a vacancy shall have occurred in the office of Trustee, any Bondholder may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee.

Section 10.10. Successor Trustee. Except as provided in Section 10.05 hereof, every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its or his predecessor and also to Issuer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of Issuer, and upon payment of all of its charges hereunder or of its successor, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers, and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its or his successor. Should any instrument in writing from Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this ARTICLE X, shall be filed and/or recorded by the successor Trustee in each recording office where this Indenture shall have been filed and/or recorded.

Section 10.11. Designation and Succession of Bond Registrar and Paying Agent.

(a) Trustee shall be the initial Paying Agent and Bond Registrar for the 2006 Series B Bonds and Issuer may, at any time, appoint additional Bond Registrars and Paying Agents with Company's direction. Any bank or trust company with or into which the Trustee, as Bond Registrar and Paying Agent may be merged or consolidated, or to which all or substantially all of the assets and business of the Bond Registrar and Paying Agent may be sold, shall be deemed the successor of such Bond Registrar and Paying Agent for the purposes of this Indenture. If the position of Bond Registrar and Paying Agent shall become vacant for any reason, Issuer shall, at the direction of the Company, within thirty days thereafter, appoint such bank or trust company as shall be specified by Company and located in the same city as such Bond Registrar and Paying Agent to fill such vacancy; provided, however, that if Issuer, upon direction of the Company, shall fail to appoint such Bond Registrar and Paying Agent within said period, Trustee shall make such appointment. Any corporation or national banking association into which any Paying Agent may be merged or converted or with which it may be consolidated, or any corporation or national banking association resulting from any merger, consolidation or conversion to which any Paying Agent shall be a party, or any corporation or national banking association succeeding to all or substantially all of the corporate trust business of any Paying Agent, shall be the successor of the Paying Agent hereunder, if such successor corporation or national banking association is otherwise eligible as a successor Trustee or Bond Registrar under ARTICLE X, without the execution or filing of any further act on the part of the parties hereto or the Paying Agent or such successor corporation or national banking association.

(b) Issuer shall require any subsequent paying agent other than the Paying Agent to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree that such subsequent Paying Agent will (1) hold all sums held by it for the payment of the principal or redemption price of, or interest on, 2006 Series B Bonds in trust for the benefit of the Registered Owners of such 2006 Series B Bonds until such sums shall be paid to such Registered Owners or otherwise disposed of as herein provided; (2) give Trustee and the Bond Registrar notice of any default by Issuer or Company in the making of any payment of principal or redemption price or interest on the 2006 Series B Bonds of which such Paying Agent has actual knowledge; and (3) at any time during the continuance of such default, upon the written request of Trustee and the Bond Registrar, forthwith pay to Trustee all sums so held in trust by such Paying Agent.

Section 10.12. Additional Paying Agents. Issuer may, with the approval of or at the request of, Company (unless an event of default under this Indenture has occurred and is continuing), appoint an additional Paying Agent or Paying Agents for the 2006 Series B Bonds, subject to the conditions set forth in Section 10.13 hereof. The Paying Agent (if other than Trustee) shall designate to Issuer and Trustee its principal office and signify (and Trustee hereby signifies) its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to Issuer and Trustee under which the Paying Agent will agree, particularly:

(a) to hold all sums held by it for the payment of the principal of or interest on 2006 Series B Bonds in trust for the benefit of the Bondholders until such sums shall be paid to such Bondholders or otherwise disposed of as herein provided;

(b) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by Issuer, Trustee and Company at all reasonable times; and

(c) at any time during the continuance of any default under Section 9.01(a) or (b) hereof, and upon the written request of Trustee, to forthwith pay to Trustee all sums so held in trust by such Paying Agent.

Issuer shall cooperate with Trustee and Company to cause the necessary arrangements to be made and to be thereafter continued whereby funds derived from the sources specified in Section 6.03 hereof will be made available for the payment when due of 2006 Series B Bonds as presented at the principal office of the Paying Agent.

The Paying Agents shall enjoy the same protective provisions in respect of the performance of their duties hereunder as are specified in Section 10.01 hereof with respect to Trustee as such provisions may be applicable.

Section 10.13. Qualifications of Paying Agent; Resignation; Removal. The Paying Agent, if other than Trustee, shall be a corporation duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital stock, surplus and undivided profits of at least \$50,000,000 and authorized by law to perform all the duties imposed upon it by this Indenture. The Paying Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty (60) days' (if other than the Trustee) notice to Issuer, Company and Trustee. The Paying Agent may be removed by the Company (i) at any time by a written instrument filed with the Trustee, Paying Agent and Issuer and (ii) so long as no event of default under this Indenture shall have occurred and be continuing, at the direction of Company by an instrument, signed by Issuer, filed with the Paying Agent and Trustee. Anything herein to the contrary notwithstanding, a Paying Agent that is also the Tender Agent (i) may not resign unless it also resigns as Tender Agent and such resignation shall be in accordance with Section 11.02 hereof and (ii) may not be removed as a Paying Agent unless it is also removed as Tender Agent.

In the event of the resignation or removal of the Paying Agent, the Paying Agent shall pay over, assign and deliver any moneys held by it in such capacity to its successor or, if there be no successor, to Trustee.

In the event that Issuer shall fail to appoint a Paying Agent hereunder, or in the event that the Paying Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Paying Agent shall be taken under the control of any state or Federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and Issuer shall not have appointed its successor as Paying Agent, Trustee shall ipso facto be deemed to be the Paying Agent for all purposes of this Indenture until the appointment by Issuer of the Paying Agent or successor Paying Agent, as the case may be.

Section 10.14. Appointment of a Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the laws of the Commonwealth of Kentucky) denying or restricting the right of banking corporations or

associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Agreement, and in particular in case of the enforcement of either on default, or in case Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that Trustee appoint an additional individual or institution as a separate or Co-Trustee; and Trustee is hereby authorized to do so. The following provisions of this Section are intended to effectuate this purpose.

In the event that Trustee appoints an additional individual or institution as a separate or Co-Trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to Trustee with respect thereto shall be exercisable by and vest in such separate or Co-Trustee but only to the extent necessary to enable such separate or Co-Trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or Co-Trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from Issuer be required by the separate Trustee or Co-Trustee so appointed by Trustee for more fully and certainly vesting in and confirming to him or if such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by Issuer. In case any separate Trustee or Co-Trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate Trustee or Co-Trustee, so far as permitted by law, shall vest in and be exercised by Trustee until the appointment of a successor to such separate Trustee or Co-Trustee.

Section 10.15. Successor Trustee as Bond Registrar, Custodian of Bond Fund and Rebate Fund and Paying Agent. In the event of a change in the office of Trustee, the Trustee which has resigned or been removed shall cease to be Bond Registrar and custodian of the Bond Fund and Rebate Fund and Paying Agent for principal and interest of the 2006 Series B Bonds and the successor Trustee shall become such Bond Registrar, custodian and Paying Agent.

Section 10.16. Service as Trustee, Authenticating Agent, Paying Agent and Bond Registrar. Notwithstanding any provision hereof to the contrary, in the event and for so long as the same entity shall serve hereunder as Trustee, Authenticating Agent, Paying Agent, Tender Agent and Bond Registrar, any notice required to be given or by, or any act to be taken by, such entity in any one of such capacities may be given to or by, or taken by, such entity in any one of its other capacities, and to permit such entity to act uniformly in any capacity in which it is named. Notwithstanding any provision hereof to the contrary, so long as the same entity acts as Trustee, Authenticating Agent, Paying Agent, Tender Agent and Bond Registrar, such entity need not give any notice to itself in such other capacity.

ARTICLE XI

THE REMARKETING AGENT, THE TENDER AGENT AND THE AUCTION AGENT

Section 11.01. The Remarketing Agent.

(a) Issuer, at the direction of the Company, hereby appoints _____, as Remarketing Agent under this Indenture. The initial Principal Office of the Remarketing Agent shall be at _____, Attn: _____.

(b) Issuer at the direction of Company, shall appoint additional Remarketing Agents. If, at any time, during which the 2006 Series B Bonds bear interest at other than the Dutch Auction Rate, there is more than one Remarketing Agent (which term, as used hereinafter in this Section 11.01, means any one entity serving in the capacity of Remarketing Agent) hereunder, each such Remarketing Agent shall perform such of the duties of the Remarketing Agent hereunder as are set forth in the Remarketing Agreement and such Remarketing Agent shall deliver to Trustee and the Tender Agent a written instrument specifying directions, in the event of conflicting directions given by those Remarketing Agents to the Bond Registrar or Tender Agent, which set of directions shall be controlling for all purposes hereunder. Each Remarketing Agent, by written instrument delivered to Issuer, the Bond Registrar and Company (which written instrument may be a Remarketing Agreement), shall accept the duties and obligations imposed on it under this Indenture, subject to the terms and provisions of the Remarketing Agreement, and shall become a party to a Remarketing Agreement.

(c) In addition to the other obligations imposed on a Remarketing Agent hereunder, such Remarketing Agent shall keep such books and records with respect to its duties as Remarketing Agent as shall be consistent with prudent industry practice and shall make such books and records available for inspection by Issuer, Trustee, the Bond Insurer, the Bond Registrar and Company at all reasonable times, upon reasonable written notice.

(d) At any time a Remarketing Agent may resign in accordance with the Remarketing Agreement. Any Remarketing Agent may be removed at any time in accordance with the Remarketing Agreement. Upon resignation or removal of a Remarketing Agent, Issuer, at the direction of Company shall either appoint a successor Remarketing Agent or authorize the remaining Remarketing Agent or Agents to act alone in such capacity, in which case all references in this Indenture to the Remarketing Agent shall mean the remaining Remarketing Agent or Agents. If the last remaining Remarketing Agent resigns or is removed, Issuer, at the direction of Company, shall appoint a successor Remarketing Agent. Any successor Remarketing Agent shall have combined capital stock, surplus and undivided profits of at least \$50,000,000, shall be acceptable to Company, and shall be approved in writing by the Rating Services then maintaining ratings on the 2006 Series B Bonds.

(e) In the event that Issuer shall fail to appoint a successor Remarketing Agent upon the resignation or removal of the last remaining Remarketing Agent or upon its dissolution, insolvency or bankruptcy, Trustee shall appoint a Remarketing Agent.

Section 11.02. The Tender Agent.

(a) The Tender Agent shall be _____,
_____, Attention: _____.

Company shall appoint any successor Tender Agent for the 2006 Series B Bonds, subject to the conditions set forth in Section 11.02(b) hereof. The Tender Agent shall (if other than the Trustee) designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to Issuer, Trustee, the Bond Registrar, Company, the Remarketing Agent in which the Tender Agent will agree, particularly:

(i) to hold all 2006 Series B Bonds delivered to it pursuant to Section 3.01 hereof, as agent and bailee of, and in escrow for the benefit of, the respective Registered Owners thereof until moneys representing the purchase price of such 2006 Series B Bonds shall have been delivered to or for the account of or to the order of such Registered Owners;

(ii) to hold all moneys (without investment thereof) delivered to it hereunder for the purchase of 2006 Series B Bonds pursuant to Section 3.01 hereof as agent and bailee of, and in escrow for the benefit of, the person or entity which shall have so delivered such moneys until the 2006 Series B Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity and thereafter to hold such moneys (without investment thereof) as agent and bailee of, and in escrow for the benefit of, the person or entity which shall be entitled thereto on the Purchase Date;

(iii) to hold 2006 Series B Bonds for the account of Company as contemplated by Section 3.04(a)(ii) hereof; and

(iv) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by Issuer, Trustee, the Bond Registrar and Company at all reasonable times.

(b) The Tender Agent shall be a Paying Agent for the 2006 Series B Bonds duly qualified under Section 10.01 hereof and authorized by law to perform all the duties imposed upon it by this Indenture. The Tender Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 30 days' notice to Issuer, Trustee, the Bond Registrar, Company and the Remarketing Agent. In the event that Company shall fail to appoint a successor Tender Agent, upon the resignation or removal of the Tender Agent, Trustee shall either appoint a Tender Agent or itself act as Tender Agent until the appointment of a successor Tender Agent. Any successor Tender Agent appointed hereunder shall also be appointed a Paying Agent hereunder. Any successor Tender Agent appointed hereunder shall be acceptable to Company. The Tender Agent may be removed at any time by an instrument signed by Company, filed with Issuer, Trustee, the Bond Registrar and the Remarketing Agent.

In the event of the resignation or removal of the Tender Agent, the Tender Agent shall deliver any 2006 Series B Bonds and moneys held by it in such capacity to its successor or, if there is no successor, to the Bond Registrar.

Section 11.03. Notices. The Bond Registrar shall, if it has received the relevant notices, within 25 days of the resignation or removal of the Remarketing Agent or the Tender Agent or the appointment of a successor Remarketing Agent or Tender Agent, give notice thereof by first class mail, postage prepaid, to the Registered Owners of the 2006 Series B Bonds.

Section 11.04. Appointment of Auction Agent; Qualifications of Auction Agent; Resignation; Removal. _____ is hereby appointed as the initial Auction Agent. On or before the effective date of a subsequent Conversion to a Dutch Auction Rate Period, or upon the resignation or removal of the Auction Agent, an Auction Agent shall be appointed by the Company. The Auction Agent shall evidence its acceptance of such appointment by entering into an Auction Agent Agreement with the Company. The Auction Agent shall be (a) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the City of New York, New York and having a combined capital stock, surplus and undivided profits of at least \$30,000,000 or (b) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it under the Auction Agent Agreement. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 90 days' notice to the Trustee, the Company, the Bond Insurer, the Initial Broker-Dealer and the Issuer, provided, that if the Auction Agent has not been compensated for its services, following demand for such compensation, for a period of 60 days, the Auction Agent may resign upon 30 days' notice to the Trustee, the Company, the Auction Agent and the Issuer. The Auction Agent shall continue to perform its duties hereunder until its successor has been appointed unless the Auction Agent has not been compensated for its services. The Auction Agent may be removed at any time by the Company upon at least 90 days' notice; provided that, the Company shall have entered into an agreement in substantially the form of the Auction Agent Agreement with a successor Auction Agent.

Section 11.05. Several Capacities. Anything herein to the contrary notwithstanding, the same entity may serve hereunder as the Trustee, the Paying Agent or a Co-Paying Agent, the Bond Registrar, the Tender Agent, the Auction Agent, the Remarketing Agent and the Initial Broker-Dealer, and in any combination of such capacities to the extent permitted by law. Any such entity may in good faith buy, sell, own, hold and deal in any of the 2006 Series B Bonds and may join in any action which any Bondholders may be entitled to take with like effect as if such entity were not appointed to act in such capacity under this Indenture.

ARTICLE XII

SUPPLEMENTAL INDENTURES

Section 12.01. Supplemental Indentures Not Requiring Consent of Bondholders. Issuer and Trustee may, without the consent of, or notice to, any of the Bondholders enter into an

indenture or indentures supplemental to this Indenture as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in this Indenture;
- (b) To grant to or confer upon Trustee, as may lawfully be granted, for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or Trustee;
- (c) To subject to this Indenture additional revenues, properties or collateral;
- (d) To modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the 2006 Series B Bonds for sale under the securities laws of any of the States of the United States, and, if they so determine, to add to this Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;
- (e) To add to the covenants and agreements of Issuer contained in this Indenture other covenants and agreements thereafter to be observed for the protection of the Bondholders, or to surrender or limit any right, power or authority herein reserved to or conferred upon Issuer;
- (f) With the consent of the Bond Insurer, to make any other modification or change to the Indenture which, in the sole judgment of Trustee, does not adversely affect Trustee or any Registered Owner of the 2006 Series B Bonds;
- (g) With the consent of the Bond Insurer, to make other amendments not otherwise permitted by subsections (a), (b), (c), (d), or (f) to the provisions hereby relating to federal income tax matters under the Code or other relevant provisions, if, in the opinion of Bond Counsel, those amendments would not adversely affect the exclusion of the interest on the 2006 Series B Bonds outstanding from gross income for federal income tax purposes;
- (h) With the consent of the Bond Insurer, to make any modifications or changes to the Indenture necessary to provide liquidity or credit support for the 2006 Series B Bonds, or any of them (including without limitation any line of credit, letter of credit, guaranty agreement or insurance coverage), including any modifications necessary to upgrade or maintain the then applicable ratings on the 2006 Series B Bonds, or any of them; and
- (i) To provide for the conversion of any Outstanding 2006 Series B Bonds to uncertificated format or to provide changes to or for the book-entry system.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to this Section, there shall have been filed with the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms and that upon execution it will be valid and binding upon the parties thereto in accordance with its terms.

Section 12.02. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of supplemental indentures covered by Section 12.01 hereof and subject to the terms and provisions contained in this Section, and the written consent of the Bond Insurer and not otherwise, the holders of a majority in aggregate principal amount of the 2006 Series B Bonds then Outstanding shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by Issuer and Trustee of such other indenture or indentures supplemental hereto for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Section or Section 12.01 contained shall permit, or be construed as permitting, without the affirmative consent of the Registered Owners of all 2006 Series B Bonds so affected:

(a) an extension of the maturity of the principal of or the interest on any 2006 Series B Bond issued hereunder, or a reduction in the principal amount of any 2006 Series B Bond or the rate of interest or time of redemption or redemption premium thereon, or

(b) a privilege or priority of any 2006 Series B Bond or 2006 Series B Bonds over any other 2006 Series B Bond or 2006 Series B Bonds, or

(c) a reduction in the aggregate principal amount of the 2006 Series B Bonds required for consent to such supplemental indenture, or

(d) the deprivation of the holder of any 2006 Series B Bond then outstanding of the lien created by this Indenture.

If at any time Issuer shall request Trustee to enter into any such supplemental indenture for any of the purposes of this Section, Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed by first class mail to all Bondholders. Such notice shall be prepared by the Company and shall briefly set forth the nature of the proposed supplemental indenture, or shall have attached thereto a copy of such proposed supplemental indenture, and, if not so attached, shall state that copies thereof are on file at the principal corporate trust office of Trustee for inspection by all Bondholders. If, within sixty days or such longer period as shall be prescribed by Issuer or Company following the mailing of such notice, the holders of a majority in aggregate principal amount of the 2006 Series B Bonds outstanding at the time of the proposed execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no holder of any 2006 Series B Bond shall have any right to object to any of the terms and provisions contained herein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain Trustee or Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be deemed to be modified and amended in accordance therewith.

Anything herein to the contrary notwithstanding, a supplemental indenture under this Article shall not become effective unless and until Company shall have consented to the execution and delivery of such supplemental indenture. In this regard, Trustee shall at the expense of the Company, cause notice of the proposed execution and delivery of any such

supplemental indenture together with a copy of the proposed supplemental indenture to be mailed by certified or registered mail to Company at least fifteen days prior to the proposed date of execution and delivery of any such supplemental indenture. Company shall be deemed to have consented to the execution and delivery of any such supplemental indenture if Trustee does not receive a notice of protest or objection thereto signed by or on behalf of Company on or before 4:30 o'clock p.m., local time in the city in which the principal corporate trust office of Trustee is located, on the fifteenth day after the mailing of said notice and a copy of the proposed supplemental indenture.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to this Section, there shall have been filed with the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms and that upon execution it will be valid and binding upon the parties thereto in accordance with its terms. The Trustee shall not be required to execute any supplemental indenture which materially adversely effects the rights, duties, indemnities or immunities of the Trustee.

ARTICLE XIII

AMENDMENT OF AGREEMENT

Section 13.01. Amendments, etc., to Agreement Not Requiring Consent of Bondholders. Issuer and Trustee shall without the consent of or notice to the Bondholders consent to any amendment, change or modification of the Agreement as may be required (i) by the provisions of the Agreement or this Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) with the consent of the Bond Insurer, in connection with any modification or change necessary to conform the Agreement with changes and modifications to the Indenture made pursuant to Section 12.01 that require the consent of the Bond Insurer or (iv) in connection with any other change therein which, does not adversely affect Trustee or any holders of the 2006 Series B Bonds; and in making such determination the Trustee may rely upon an opinion of Bond Counsel.

Before Issuer shall enter into, and Trustee shall consent to, any modification, alteration, amendment or supplement to the Agreement pursuant to this Section, there shall be delivered to Issuer and Trustee a written opinion of Bond Counsel stating that such modification, alteration, amendment or supplement is authorized or permitted by the Agreement, this Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon Issuer in accordance with its terms and will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on any of the 2006 Series B Bonds; and in making such determination the Trustee may rely upon an opinion of Bond Counsel. The Trustee shall not be required to execute any supplemental indenture which materially adversely effects the rights, duties, indemnities or immunities of the Trustee.

Section 13.02. Amendments, etc., to Agreement Requiring Consent of Bondholders. Subject to Section 6.12, except for the amendments, changes or modifications as provided in Section 13.01 hereof, neither Issuer nor Trustee shall consent to any other amendment, change or modification of the Agreement without the giving of notice and the written approval or consent of the holders of not less than a majority in aggregate principal amount of the 2006 Series B

Bonds at the time outstanding given and procured as in this Section provided; and in the event any of the matters of the type referred to in Section 12.02(a) through (d) of this Indenture are proposed for amendment with respect to the Agreement, the approval of the holders of 100% in aggregate principal amount of the 2006 Series B Bonds at the time Outstanding shall be required. If at any time Issuer and Company shall request the consent of Trustee to any such proposed amendment, change or modification of the Agreement, Trustee shall, upon being reasonably indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 12.02 hereof with respect to supplemental indentures and in addition, notice shall be given in the same manner to the Auction Agent. The Company shall prepare such notice, which shall briefly set forth the nature of such proposed amendment, change or modification, or shall have attached thereto a copy of such proposed amendment, change or modification and (if not so attached) shall state that copies of the instrument embodying the same are on file with Trustee for inspection by all Bondholders.

Before Issuer shall enter into, and Trustee shall consent to, any modification, alteration, amendment or supplement to the Agreement pursuant to this Section, there shall be delivered to Issuer and Trustee an opinion of Bond Counsel stating that such modification, alteration, amendment or supplement is authorized or permitted by the Agreement, this Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon Issuer in accordance with its terms and will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on any of the 2006 Series B Bonds.

ARTICLE XIV

MISCELLANEOUS

Section 14.01. Consents, etc., of Bondholders. Any consent, request, direction, approval, waiver, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of 2006 Series B Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of Trustee with regard to any action taken by it under such request or other instrument, namely that the fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

Any consent, request, direction, approval, objection, waiver or other action by the holder of any 2006 Series B Bond shall bind every future holder of the same 2006 Series B Bond and the holder of every 2006 Series B Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such 2006 Series B Bond.

In determining whether the holders of the required principal amount of 2006 Series B Bonds have concurred in any consent, request, direction, approval, waiver, objection or similar action, 2006 Series B Bonds owned by Company or Issuer or by any other person directly or indirectly controlling or controlled by or under direct or indirect common control with Company or Issuer shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether Trustee shall be fully protected in relying on any such consent, request, direction, approval, waiver, objection or similar action, only 2006 Series B Bonds which a responsible officer of Trustee actually knows are so owned shall be so disregarded. Also, subject to the foregoing, only 2006 Series B Bonds outstanding at the time shall be considered in any such determination.

Section 14.02. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the 2006 Series B Bonds is intended or shall be construed to give to any person or company other than the parties hereto, the holders of the 2006 Series B Bonds and the Bond Insurer any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders of the 2006 Series B Bonds and the Bond Insurer as herein provided.

Section 14.03. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

Section 14.04. Notices. Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or sent by telegram, addressed as follows:

If to Issuer, at 440 Main Street, Carrollton, Kentucky 41008, Attention: County Judge/Executive;

If to Trustee, at _____;

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

If to Remarketing Agent, at _____;

If to the Bond Insurer, at _____;

If to Tender Agent, at _____;

If to Paying Agent, at _____;

If to Bond Registrar, at _____;

If to the Auction Agent, at _____;

If to Initial Broker-Dealer, _____.

A duplicate copy of each notice required to be given hereunder by either Issuer or Trustee shall also be given to Company, and a duplicate copy of each notice required to be given hereunder by Trustee to either Issuer or Company shall also be given to the other. Issuer, Company, Trustee, Bond Insurer, Paying Agent, Remarketing Agent, Auction Agent, Initial Broker-Dealer, Tender Agent, Bond Registrar may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 14.05. Payments Due on other than Business Days. If the date for making any payment or the last date of performance of any act or the exercising of any right, as provided in this Indenture shall not be 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 nominal date provided in this Indenture, and if done on such Business Day no interest with respect to such payment shall accrue for the period after such nominal date.

Section 14.06. Execution of Counterparts. This Indenture shall 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 14.07. Applicable Law. This Indenture shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky, provided, however, that the rights, protections, privileges and immunities of the Trustee, Tender Agent, Paying Agent and Bond Registrar shall be governed by and construed in accordance with the laws of the State of Delaware.

Section 14.08. Information under Commercial Code. The following information is stated in order to facilitate filings under the Uniform Commercial Code:

The secured party is _____, as Trustee. Its address from which information concerning the security interest may be obtained is at _____, _____, Attn: _____. The debtor is County of Carroll, Kentucky, 440 Main Street, Carrollton, Kentucky 41008, Attention: County Judge/Executive.

Section 14.09. Effect of Purchase of 2006 Series B Bonds. No purchase of 2006 Series B Bonds pursuant to ARTICLE III shall be deemed to be a payment or redemption of such 2006 Series B Bonds or any portion thereof and such purchase will not operate to extinguish or discharge the indebtedness evidenced by such 2006 Series B Bonds.

Section 14.10. No Rights Conferred on Others. Except as expressly provided herein, nothing herein contained shall confer any right upon any Person other than the parties hereto, the Bond Insurer and the holders of the 2006 Series B Bonds.

Section 14.11. Counterparts. This Indenture may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 14.12. Captions. The captions or headings in this Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Indenture.

Section 14.13. No Pecuniary Liability of Issuer. No provision, covenant or agreement contained in this Indenture or in the Agreement, nor breach thereof shall constitute or give rise to any pecuniary liability whatsoever of Issuer or a charge upon any of its assets or its general credit or taxing powers. In making such covenants, agreements or provisions, Issuer has not obligated itself, except as to application of revenues as provided in the Agreement and as hereinabove provided.

Section 14.14. Successors and Assigns. All the covenants, promises and agreements in this Indenture contained by or on behalf of Issuer or by or on behalf of Trustee shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

(remainder of page left blank intentionally)

IN WITNESS WHEREOF, the County of Carroll, Kentucky, has caused these presents to be signed in its name and behalf by its County Judge/Executive and its official seal to be hereunto affixed and attested by its Fiscal Court Clerk; and to evidence its acceptance of the trusts hereby created, _____, as Trustee, has caused these presents to be signed and sealed in its name and behalf by its duly authorized officers, as of the day and year first above written.

COUNTY OF CARROLL, KENTUCKY

(SEAL)

By _____
HAROLD TOMLINSON
County Judge/Executive

ATTEST:

Fiscal Court Clerk

Trustee

(SEAL)

By _____
(Name)

(Title)

By _____
(Name)

(Title)

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF CARROLL)

I, the undersigned, Notary Public in and for the Commonwealth and County aforesaid, do hereby certify that on the ____ day of _____, 2006, the foregoing instrument was produced to me in said County by Harold Tomlinson and _____, personally known to me and personally known by me to be the County Judge/Executive and 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 said County and the free act and deed of said County as authorized by an Ordinance of the Fiscal Court of said County.

WITNESS my hand and seal this ____ day of _____, 2006. My commission expires _____.

(SEAL)

Notary Public
State at Large, Kentucky

STATE OF _____)
) SS:
COUNTY OF _____)

I, the undersigned, Notary Public in and for the State and County aforesaid, do hereby certify that on the ____ day of _____, 2006, the foregoing instrument was produced to me in said County and State by _____ and _____, personally known to me and personally known to me to be Corporate Trust Officers of _____, organized under the laws of the State of _____, who being by me duly sworn did say that the seal affixed to said instrument is the corporate seal on behalf of said banking corporation by proper authority; and said respective persons acknowledged before me said instrument to be the free act and deed of said banking corporation and to be their free act and deed as such officers of said banking corporation.

WITNESS my hand and seal this ____ day of _____, 2006. My commission expires _____.

(SEAL)

Notary Public

This instrument prepared by
undersigned, Attorney at Law of
STOLL KEENON OGDEN PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202

SPENCER E. HARPER, JR.

KENTUCKY UTILITIES COMPANY

CASE NO. 2006-00390

**Response to Appendix A of Commission Staff's Order
Dated October 19, 2006**

Question No. 5

Witness: Daniel K. Arbough, Director, Corporate Finance and Treasurer

Q-5. Does there currently exist, in either final or draft form, a memorandum of agreement between Carroll County, Kentucky and KU and a resolution of the Fiscal Court of Carroll County, Kentucky relating to the construction of pollution control equipment and the issuance of revenue bonds? If yes, provide copies of each document.

A-5. Yes. Attached are copies of a Resolution of the Carroll County Fiscal Court and a Memorandum of Agreement, between KU and Carroll County both dated April 23, 1991, respecting the construction of pollution control equipment and the Carroll County 1994 Series A Bonds, and a Resolution of the Carroll County Fiscal Court dated September 26, 2006 respecting the proposed Refunding Bonds.

**RESOLUTION OF THE CARROLL
COUNTY FISCAL COURT
APRIL 23, 1991**

A RESOLUTION OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, AUTHORIZING THE EXECUTION OF A MEMORANDUM OF AGREEMENT BY AND BETWEEN THE COUNTY AND KENTUCKY UTILITIES COMPANY, A KENTUCKY CORPORATION, RELATING TO THE ACQUISITION, CONSTRUCTION, RECONSTRUCTION AND EQUIPPING OF CERTAIN AIR POLLUTION CONTROL FACILITIES AND SOLID WASTE DISPOSAL FACILITIES IN THE COUNTY; AGREEING TO UNDERTAKE THE ISSUANCE OF REVENUE BONDS AT THE APPROPRIATE TIME TO PAY THE COSTS OF ACQUIRING, CONSTRUCTING, RECONSTRUCTING AND EQUIPPING SAID FACILITIES; AND TAKING OTHER PRELIMINARY ACTIONS.

WHEREAS, Kentucky Utilities Company (the "Company"), is a regulated public utility providing electric service to the general public and the Company owns and operates various electrical generating facilities, including the Ghent Generating Station, in Carroll County, Kentucky (the "County"); and in furtherance of the purpose of abating, controlling, containing, neutralizing, reducing and disposing of atmospheric pollutants and contaminants and collecting, storing, treating, processing, recycling and disposing of solid wastes, it is essential and necessary that the Company design, acquire and construct air pollution control facilities and solid waste disposal facilities to serve the Ghent Generating Station, including, inter alia, sulphur dioxide removal facilities and solid waste disposal facilities for the receipt, collection, storage, treatment, processing, recycling and disposal of solid wastes produced by such sulphur dioxide removal facilities and generally produced at the Ghent Generating Station (the "Project"); and

WHEREAS, the County desires to encourage and require the abatement, control, containment, neutralization, reduction and disposal of atmospheric pollutants and contaminants and the receipt, collection, storage, treatment, processing, recycling and disposal of solid wastes in its area for the benefit of the health and general welfare of its citizens and residents; and

WHEREAS, as the Company derives substantially all of its income and revenues from electric user rates and charges which are paid by the general public, any reduction in the costs to the Company of borrowing moneys for acquisition and construction of the Project will inure directly to the benefit of said electric consumers, including citizens of Carroll County, Kentucky; and

WHEREAS, the County is authorized by KRS Sections 103.200 to 103.285, inclusive (the "Act") to issue its revenue bonds for the purpose of defraying the costs of constructing and acquiring the Project; discussions have occurred between the Company and the County incident to the issuance of one or more series of revenue bonds by the County for such purpose; the County has agreed with the Company to issue one or more series of such bonds upon compliance by the Company with certain conditions, requirements and obligations, and subject to the approval of the County of the terms of all agreements, ordinances and other documents required incident to said bond issues; and the County has authorized the Company to proceed with the construction and acquisition of the Project, subject to reimbursement of the costs of the Project from the proceeds of such bonds, when, as and if issued; and

WHEREAS, based upon an estimate of the costs of the project, the County proposes to issue its revenue bonds in one or more series in the estimated amount of \$305,000,000 (the "Bonds"), such Bonds to be sold and delivered by the County to pay the costs of the Project, together with costs incident to the authorization, sale and issuance of the Bonds; and

WHEREAS, the County proposes to enter into at the appropriate time a loan or other financing agreement with the Company with respect to the Project, whereby the Company will covenant and agree to pay amounts sufficient to provide for the payment of principal and premium, if any, and interest on the Bonds, together with all trustee's and paying agent's fees in connection with the Bonds as the same become due and payable; and

WHEREAS, it is deemed necessary and advisable that a Memorandum of Agreement between the County and the Company be executed setting forth the preliminary agreements of the parties with respect to the construction and acquisition of the Project, the issuance of one or more series of the Bonds to defray the costs thereof and the payments to be made by the Company with respect to the Bonds and the Project;

NOW, THEREFORE, BE IT RESOLVED BY THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, AS FOLLOWS:

Section 1. It is hereby found, determined and declared that (i) the recitals set forth in the preambles to this Resolution, which are incorporated in this Section by reference, are true and

correct; (ii) the total amount of money necessary to be provided by the County for the construction and acquisition of the Project to be financed by the Bonds will approximate \$305,000,000; (iii) the Company has represented that it has sufficient financial resources to construct and acquire the Project and to place it in operation and to continue to operate, maintain and insure the Project throughout the term of the Bond issue, meeting when due the obligations of the proposed financing agreement; and (iv) sufficient safeguards will be provided by the financing agreement to insure that all money provided by the County from the proceeds of the sale of the Bonds will be expended by way of direct expenditure or reimbursement, solely and only for the purposes of the Project. The Project is described in general terms in Exhibit No. 1 appended hereto and incorporated herein.

Section 2. It is hereby found, determined and declared that the cost of constructing and acquiring the Project will be paid out of the proceeds of one or more series of Bonds and such contributions of the Company as may be necessary to complete the Project, as such Project is defined in the loan or other financing agreement to be executed by and between the County and the Company at the appropriate time pursuant to the Act; that none of the Bonds will be general obligations of the County; that neither the Bonds nor the interest thereon shall constitute or give rise to any indebtedness of the County or any charge against its general credit or taxing power, but that the Bonds and the payment of interest

thereon shall be secured and payable solely and only by a pledge of amounts to be paid by the Company under such loan or other financing agreement; and that no part of said costs will be payable out of any general funds, revenues, assets, properties or other contributions of the County.

Section 3. In order to induce the construction and acquisition of the Project in the County with the resultant public benefits which will flow therefrom, it is deemed necessary and advisable that the Memorandum of Agreement hereinafter referred to be approved and executed for and on behalf of the County. Accordingly, the Memorandum of Agreement by and between the Company and the County attached hereto as Exhibit No. 1 is hereby approved and the County Judge/Executive is hereby authorized and directed to execute and deliver said Memorandum of Agreement, and the Fiscal Court Clerk is hereby authorized and directed to attest same.

Section 4. Because the Project will be undertaken, constructed and acquired for the purpose of conforming to the requirements of the Company, and inasmuch as the Company requires for its operations the construction and acquisition of Project facilities which it is particularly and peculiarly equipped to plan and acquire and the Company possesses more expertise in such matters, it is hereby found, determined and declared that construction and acquisition of the Project should be undertaken or caused to be undertaken by the Company. Accordingly, the Company is hereby authorized to formulate and develop plans for the

construction and acquisition of the Project, in whole or in part, and to enter into such contracts and undertakings as may be required for the construction and acquisition of the Project, in whole or in part. Reimbursements made to the Company after the receipt of the proceeds of the sale of each series of Bonds by the County shall be subject to approval or certification by a qualified person to be designated by the Company and approved by the County as specified in the loan or other financing agreement to be entered into by the County and the Company at the appropriate time pursuant to the Act.

Section 5. Bond Counsel is authorized and directed to take any legal action necessary or appropriate in connection with the issuance of the Bonds. The County Attorney is authorized and directed to assist Bond Counsel in any appropriate manner.

Section 6. No County funds shall be expended on the Project, except such as are derived from Bond proceeds.

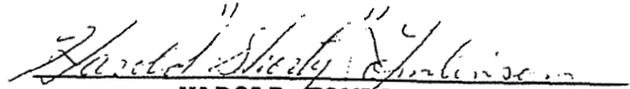
Section 7. To the extent any resolution, ordinance or part thereof is in conflict herewith, the provisions of this Resolution shall prevail and be given effect.

Section 8. This Resolution shall be in full force and effect from and after its adoption as provided by law.

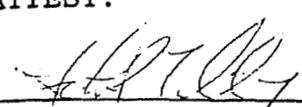
INTRODUCED, SECONDED READ AND ADOPTED AT A DULY CONVENED MEETING OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, held on the 23 day of April, 1991, on the same occasion signed in open session by the County Judge/Executive as evidence of his approval, attested under seal by the Clerk of the Fiscal Court, ordered to be

filed and recorded as required by law, and declared to be in full force and effect according to law.

(SEAL)


HAROLD TOMLINSON
County Judge/Executive

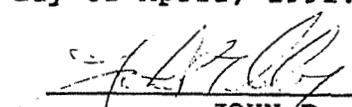
ATTEST:


JOHN P. TILLEY
Fiscal Court Clerk

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting Clerk of the Fiscal Court of the County of Carroll, Kentucky, and as such Clerk I further certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by the Fiscal Court of said County at a duly convened meeting held on April 23, 1991, on the same occasion signed by the County Judge/Executive, duly filed, recorded and indexed in my office (pursuant to KRS 67.120(2)) and now in force and effect, and that all action taken in connection with such Resolution was in compliance with the requirements of KRS 61.810 through 61.825, all as appears from the official records of said Fiscal Court in my possession and under my control.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said County this 23 day of April, 1991.


JOHN P. TILLEY
Fiscal Court Clerk

(SEAL)

MEMORANDUM OF AGREEMENT
APRIL 23, 1991

MEMORANDUM OF AGREEMENT

This MEMORANDUM OF AGREEMENT, made and entered into this 23 day of April, 1991, by and between the COUNTY OF CARROLL, KENTUCKY (the "County"), a de jure county and political subdivision of the Commonwealth of Kentucky and KENTUCKY UTILITIES COMPANY, a Kentucky corporation (the "Company").

1. Recitals.

(a) The Company is a regulated public utility pursuant to Chapter 278 of the Kentucky Revised Statutes, and is engaged in the business of generating electricity and providing electric service to the public at large. The Company owns and operates major electrical generating facilities in Carroll County, Kentucky, to wit: the Ghent Generating Station, which facilities involve the combustion of coal and oil. The Company's generating operations produce sulphur dioxide emissions and other atmospheric pollutants and contaminants, which the Company must abate, control, contain, neutralize and reduce in order that the Company may comply with applicable current Federal and State laws and regulations and continue to pursue its business as a regulated public utility providing electrical service to the general public. The operation of the proposed sulphur dioxide removal facilities required to be acquired and constructed by the Company, will produce substantial quantities of solid wastes, which the Company must also collect, store, treat, process, recycle and dispose of, in order that the Company may continue to pursue its business as a regulated public utility.

(b) The Company has also previously acquired major solid waste collection, storage, treatment, processing and disposal facilities to collect, store, treat, process and dispose of the substantial solid wastes created by operation of the Company's electrical generating facilities, but certain of such facilities must be expanded, modified, augmented, improved and/or replaced by additional solid waste collection, storage, treatment, processing and disposal facilities. In addition to the acquisition of the sulphur dioxide removal facilities and related solid waste disposal facilities described in paragraph (a) of this Section 1, the Company must also, in order to continue operation of its electrical generating facilities at the Ghent Generating Station, (which generating facilities create substantial quantities of solid wastes, including, inter alia, flyash and bottom ash produced by coal-fired steam boilers) immediately develop additional solid waste disposal facilities to replace and/or enlarge and expand the above-described solid waste disposal facilities presently in use at the Ghent Generating Station. In such regard, the Company has proceeded to develop plans for the acquisition, construction and development of additional solid waste disposal facilities and sites in proximity to the Ghent Generating Station. Such additional solid waste disposal facilities may be separate and apart from the solid waste disposal facilities required in connection with the construction of such sulphur dioxide removal facilities.

(c) The Company has proceeded and is proceeding to develop plans and designs for the acquisition, construction and installation of sulphur dioxide removal facilities to serve Unit 1 of the Ghent Generating Station, including inter alia, the necessary reconstruction, modification or replacement of the electrostatic precipitator serving such Unit 1, and aquisition, construction and installation of solid waste disposal facilities to serve the Ghent Generating Station, including facilities to collect, store, treat, process, recycle and dispose of (i) solid wastes generally produced by operation of the Station, necessitated by the approaching capacity utilization of certain of the existing solid waste disposal facilities and (ii) solid wastes created by the operation of the sulphur dioxide removal facilities to be acquired and installed to serve Unit 1 of the Station; and the Company is ready to initiate the implementation thereof. The Company estimates that acquisition, construction and installation of said proposed air pollution control facilities and solid waste disposal facilities (the "Project") will require the expenditure of Company moneys and funds aggregating approximately \$305,000,000. The Project is described in general terms in Exhibit No. 1 appended hereto and incorporated herein.

(d) As the Company is a regulated public utility, depending solely and only upon the imposition and collection of electric user rates and charges for revenues adequate to operate its facilities, amortize its debts, and provide a reasonable return on capital, and as such electric user rates and charges are collected

from all users of such services, it is in the best interests of the general public who bear the burden of such electric user rates and charges that the interest costs to the Company in respect of borrowing funds necessary for construction and acquisition of the Project be fixed at the lowest possible level. It has been determined that the financing of the Project in whole or in part by the issuance of pollution control and solid waste disposal revenue Bonds by the County pursuant to KRS Sections 103.200 to 103.285, inclusive, will result in reduction in the interest costs attending the borrowing of money for construction and acquisition of the Project, with resulting public benefits. Therefore, the Company has requested that the County issue its pollution control and solid waste disposal revenue bonds pursuant to KRS Sections 103.200 to 103.285, inclusive (the "Bonds") to provide funds to construct and acquire the Project, as herein described, or any portion or portions thereof, and the County has agreed to issue the Bonds for the financing of the Project or any portion or portions thereof. The Bonds may be issued, as requested by the Company, for the entire Project or any portion or portions thereof.

(e) The Company covenants and represents that upon the occasion of each issuance of Bonds pursuant hereto, the issuance of such Bonds will be legal and proper under the statutory laws of Kentucky and the Internal Revenue Code of 1986, as amended, or any successor Code.

(f) The County is authorized by KRS 103.200 to 103.285, inclusive (the "Act"), to issue the Bonds and use the proceeds thereof to finance the costs of construction and acquisition of the Project. The Fiscal Court of the County has found and determined that the Project will accomplish the public purposes of the Act. The County considers that causing the construction and acquisition of the Project for the Company will promote the abatement, control, containment, neutralization, reduction and disposal of atmospheric pollutants and contaminants and the collection, storage, treatment, processing, recycling and disposal of solid wastes within the County, will tend to retain existing industry in the County through such control, will lower the Company's ultimate costs in respect of the Project, will in turn consequently reduce the costs of the Project to the public, which must ultimately bear such costs in the form of electric user rates and charges, and will thereby promote the general welfare of the inhabitants of Carroll County, Kentucky.

(g) The County proposes to issue the Bonds in one or more series to finance the cost of the Project and desires to authorize the Company to proceed with the Project and be reimbursed out of the proceeds of the Bonds for any costs of the Project incurred prior to the issuance of the Bonds.

(h) The County proposes to enter into, as lender, a loan agreement or other financing agreement (the "Agreement") with the Company, as borrower, relating to the Project and the Bonds, whereby the Company will agree to make payments sufficient to provide for

the payment of the principal of and premium, if any, and interest on the Bonds and all other costs of the County incurred in connection with the Bonds and the Project.

2. Representations and Undertakings of the Company. The Company represents, undertakes, covenants and agrees as follows:

(a) The Company intends to use the Project or cause it to be used at all times during the term of the Agreement or the sooner termination of the Agreement for the public purposes hereinbefore indicated and recited;

(b) The Company will cause contracts to be entered into for, or will otherwise provide for, the construction and acquisition of the Project;

(c) Prior to or contemporaneously with the delivery of any series of Bonds, the Company will enter into the Agreement with the County under the terms of which the Company will obligate itself to undertake and complete the construction and acquisition of the Project and to pay to the County amounts sufficient in the aggregate to pay the principal of, interest on, and premium, if any, on the Bonds, as and when the Bonds shall become due and payable, such Agreement to contain such other provisions as shall be agreed upon by the County and the Company;

(d) The Company will protect and hold harmless the County, all members of the Fiscal Court of the County and all the County's officers, employees and agents from all expense and liability arising from or in connection with the Project and the Bonds; and

(e) The Company will take such further actions and adopt such further proceedings as may be required to implement its aforesaid undertakings or as it may deem appropriate in connection therewith.

3. Undertakings of the County. Subject to the fulfillment of the several conditions herein stated, the County agrees as follows:

(a) It will from time to time authorize or cause to be authorized the issuance and sale of one or more series of Bonds pursuant to the terms of the Act as then in force in an aggregate principal amount approximating \$305,000,000;

(b) It will adopt or cause to be adopted such proceedings and authorize the execution of such documents as may be necessary or acceptable to effect (i) the authorization, issuance and sale of the Bonds upon a negotiated basis to an entity or entities to be designated by the Company, (ii) the construction and acquisition of the Project, and (iii) the Agreement relating to the Project and the Bonds, all as shall be authorized by law and upon terms which shall be mutually satisfactory to the County and the Company;

(c) The aggregate payments stipulated under the Agreement shall be sufficient (in addition to the covenants of the Company to properly maintain and insure the Project) to pay the principal of, interest on and premium, if any, on all series of Bonds as and when the same become due and payable; and

(d) It will take or cause to be taken such other acts and adopt such further proceedings as may be required to implement the aforesaid undertakings as it may deem appropriate.

4. General Provisions.

(a) At the request of the Company, the law firm of Harper, Ferguson & Davis, Louisville, Kentucky, is hereby designated as Bond Counsel in connection with the authorization, issuance and sale of the Bonds.

(b) All commitments of the County and the Company pursuant to this Memorandum of Agreement are subject to the condition that on or before three years from the date hereof (or such other later date as shall be mutually satisfactory to the County and the Company) the County and the Company shall have agreed to mutually acceptable terms and conditions with respect to the Agreement and all other documents required in connection with the initial series of Bonds.

(c) If the events set forth in (b) of this paragraph do not take place within the time set forth, or any agreed extension thereof, and the initial series of Bonds are not issued within such time, all obligations of the County hereunder shall thereupon terminate upon written notice thereof by the County to the Company.

(d) This Memorandum of Agreement and the Resolution approving this Memorandum of Agreement constitute the present intent of the County to issue the aforementioned Bonds at a later date; provided, however, it is acknowledged and agreed that prior to the actual issuance of the Bonds or any of them there must first be held

a public hearing with reasonable public notice as required by Section 147 of the Internal Revenue Code of 1986, as amended.

IN WITNESS WHEREOF, the parties hereto have entered into this Memorandum of Agreement by their officers thereunto duly authorized on the day and year first above written.

COUNTY OF CARROLL, KENTUCKY

By Harold Tomlinson
HAROLD TOMLINSON
County Judge/Executive

ATTEST:

John P. Tilley
JOHN P. TILLEY
Fiscal Court Clerk

KENTUCKY UTILITIES COMPANY

By Wm. A. Egler
(Name)
TREASURER AND Asst. Sec.
(Title)

(SEAL)
ATTEST:

John J. Kraly, Jr.
(Name)
Assistant Treasurer
(Title)

Exhibit No. 1

MEMORANDUM OF AGREEMENT

BY AND BETWEEN

THE COUNTY OF CARROLL, KENTUCKY

AND

KENTUCKY UTILITIES COMPANY

GHENT GENERATING STATION

Sulphur Dioxide Removal Facilities.

As and to the extent required by applicable Federal and State laws and regulations, a complete sulphur dioxide removal system (scrubber) will be acquired, constructed, installed and provided for Unit 1 of the Ghent Generating Station. As part of such project, necessary major modifications to, or replacement of, the existing electrostatic precipitator now serving Unit 1 will be carried out. Following flyash removal (which occurs and will occur in the existing modified or replacement electrostatic precipitator) flue gases from Unit 1 will be transmitted from the flyash removal system to the sulphur dioxide removal system to be acquired where they will be reacted with reactive or reagent solutions such as, but not limited to, lime, limestone, calcium hydroxide, sodium hydroxide or other appropriate reactant or reagent agents. The sulphur dioxide removal system will be designed to remove a substantial portion of airborne sulphur dioxide, such removal level to be in compliance with applicable Federal and State laws and regulations, together with a portion of particulate loadings remaining following electrostatic particulate removal, before emission of cleansed gases into the atmosphere. The sulphur dioxide removal system will be composed of one or more flue gas scrubber modules, associated ductwork, including ductwork connecting the sulphur dioxide removal system to the electrostatic precipitator and a new or reconstructed and modified chimney, structural supports and piping, technical elements, and functionally related and subordinate facilities, including reactive or reagent tanks, reactant or reagent reception facilities, facilities for transmitting reactant or reagent to the scrubber and preparing the reactant or reagent for use in the scrubber, all necessary components of the scrubber, recycling and thickening tanks and related facilities.

Solid Waste Disposal and/or Recycling Facilities Incident to Sulphur Dioxide Removal Facilities.

Operation of the sulphur dioxide removal system to be acquired in connection with Unit 1 of the Ghent Generating Station will result in the creation of substantial solid sludge wastes. These wastes must be collected, stored, treated, processed, recycled and disposed of in accordance with applicable Federal and State laws and regulations. The sludge solid wastes created by operation of the sulphur dioxide removal system may be initially collected in reaction mix (oxidation) tanks and thereafter recycled to the scrubber by pumps and piping or collected in thickening tanks situated in or in proximity to the sulphur dioxide removal system, where the solid wastes will be identified and either partially or wholly dewatered and/or conveyed to the next holding facility for further dewatering, treatment and processing. The solid wastes may thereafter be further treated by combination with other elements. Following dewatering, treatment, recycling and processing, the solid sludge wastes will be transferred to solid waste disposal/storage facilities such as a landfill or other acceptable disposal/storage sites. The solid waste sludge processing, recycling and disposal facility will be composed of some or all of the following: the land upon and in connection with which the solid waste collection and disposal facilities are situated and improvements thereto, the facilities in which the solid wastes are collected and from which the solid wastes are emitted, collection, receiving and holding basins, vacuum filters, waste dewatering silos, devices and holding tanks, compressors, blowers, mixers, conveyors, structural elements, pumps, electrical components, piping, control systems and functionally related and subordinate facilities and equipment. Disposal/storage sites for the solid waste sludge material developed by the foregoing operations will be developed on property in proximity to the sludge collection and processing facility. The disposal/storage sites are expected to be composed of land, water runoff collection basins and diversion systems, water monitoring system, piping, pumps, electrical components, structural elements, control systems, roads, loading, hauling, spreading and compaction equipment and functionally related and subordinate facilities and equipment. Such disposal/storage sites may be developed for disposal or storage of such sludge wastes only or may be also used for disposal or storage of other solid wastes generated at the Ghent Generating Station.

Additional Solid Waste Disposal Facilities.

B. The operation of the major electrical generating facilities at the Ghent Generating Station, together with the operation of pollution control facilities previously acquired by the Company in connection therewith, produce substantial volumes of solid waste, including, but not limited to, flyash and bottom ash. The Company has previously constructed and acquired solid waste collection, treatment and disposal facilities for the purpose of abating, controlling and disposing of such solid waste, including a major ash pond facility, but certain of such facilities

are approaching capacity utilization and will in the near future become inadequate for the continued needs and requirements of the Company. The Company has engaged consulting engineers and is designing and formulating plans for the acquisition, construction and installation of some or all of the following additional solid waste disposal facilities: major extensions, additions, improvements and expansions of the existing solid waste disposal facilities, new ash ponds and solid waste disposal facilities, including acquisition of land, liquid run-off collection basins and diversion systems, diking, compaction, construction of impervious linings to proper regulatory standards, piping, pumps, foundations, structural elements, water monitoring systems and wells, control systems, related roads, together with loading, hauling, spreading and compaction equipment, and functionally related and subordinate facilities and equipment.

**RESOLUTION OF THE CARROLL
COUNTY FISCAL COURT
SEPTEMBER 26, 2006**

RESOLUTION

A RESOLUTION AND ORDER OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY GIVING PRELIMINARY AUTHORIZATION AND APPROVAL TO THE REFUNDING OF THE OUTSTANDING COUNTY OF CARROLL, KENTUCKY COLLATERALIZED SOLID WASTE DISPOSAL FACILITIES REVENUE BONDS (KENTUCKY UTILITIES COMPANY PROJECT) 1994 SERIES A, DATED NOVEMBER 23, 1994, IN PRINCIPAL AMOUNT OF \$54,000,000; AGREEING TO AND UNDERTAKING THE ISSUANCE OF LIMITED OBLIGATION ENVIRONMENTAL FACILITIES REVENUE REFUNDING BONDS OF THE COUNTY TO CARRY OUT SUCH TRANSACTION; AND TAKING OTHER PRELIMINARY ACTIONS.

WHEREAS, under date of November 23, 1994, the County of Carroll, Kentucky (the "County"), at the request of Kentucky Utilities Company, a Kentucky and Virginia corporation (the "Company"), issued \$54,000,000 principal amount of County of Carroll, Kentucky, Collateralized Solid Waste Disposal Facilities Revenue Bonds (Kentucky Utilities Company Project) 1994 Series A, dated November 23, 1994 (the "1994 Series A Bonds"), in order to finance solid waste disposal facilities at the Ghent Generating Station of the Company located in the County; and

WHEREAS, the Company has requested the County to assist the Company in the refinancing of the 1994 Series A Bonds in order to restructure the collateral arrangements; and

WHEREAS, the Fiscal Court of the County has made investigations and inquiries regarding such refunding request and it is appropriate that certain actions be now taken by the Fiscal Court in order to preliminarily approve and implement such refunding project;

NOW THEREFORE, IT IS HEREBY RESOLVED AND ORDERED BY THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, AS FOLLOWS:

Section 1. It is hereby found, determined and declared that the recitals set forth in the preambles to this Resolution and Order, which are incorporated in this Section by reference are true and correct.

Section 2. The County of Carroll, Kentucky, a de jure County and political subdivision of the Commonwealth of Kentucky, acting by and through its Fiscal Court, as its duly authorized governing body, hereby determines, resolves and orders that it is necessary and proper to refund the outstanding 1994 Series A Bonds in order to restructure the collateral arrangements by the issuance of limited liability refunding bonds of the County (the "Refunding Bonds"). Such actions are determined and found to serve a public purpose and are referred to in this Resolution and Order as the "Refunding Project".

Section 3. The refunding of the outstanding 1994 Series A Bonds, in outstanding principal amount of \$54,000,000, in order to restructure the collateral arrangements is hereby authorized, approved and directed. The Refunding Project shall be financed by the issuance of the Refunding Bonds by the County and the County will loan the proceeds of the Refunding Bonds to the Company, a wholly owned subsidiary of E.ON U.S. LLC, for application to the redemption, payment and discharge of the 1994 Series A Bonds within 90 days following the date of issuance of the Refunding Bonds. The Refunding Bonds shall be authorized and issued in the manner required by Kentucky law, upon adoption of appropriate ordinances and orders of the Fiscal Court of the County. Immediate implementation and undertaking of the Refunding Project is hereby authorized and directed. The terms and documentation regarding the proposed Refunding Bonds must be acceptable to the County and the Company shall, as a condition to the issuance of the Refunding Bonds, indemnify the County and its elected and appointed officials in connection with the Refunding Project.

Section 4. The convening of public hearings, preparation of preliminary and final official statements, mailing of the preliminary official statement, if applicable, and all such matters related to the Refunding Project and the issuance of the Refunding Bonds are hereby authorized and directed to be carried out. The County Judge/Executive, County Attorney and any person authorized by either the County Judge/Executive or the County Attorney as substitute hearing officer are hereby directed and authorized to conduct any public hearings on behalf of the Issuer.

Section 5. The Company is hereby empowered and authorized to formulate, develop and complete plans, procedures and documentation for the Refunding Project and to enter into contracts and undertakings, as may be required for the Refunding Project.

Section 6. No funds or assets of the Issuer whatsoever shall be expended by the Issuer on the Refunding Project, except such as are derived from Refunding Bond proceeds. The Refunding Bonds shall be payable solely and only from loan payments to be made by or on behalf of the Company and shall not be a debt or pecuniary liability of the County in any respect.

Section 7. In adopting this Resolution and Order, it is intended by the Issuer that this Resolution and Order constitute a declaration of intent of the Issuer within the meaning of Federal Income Tax Regulations Section 1.150-2.

Section 8. This Resolution and Order shall be in full force and effect from and after its adoption as provided by law.

ADOPTED AT A DULY CONVENED MEETING OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY HELD ON THE 26TH DAY OF SEPTEMBER, 2006.

CARROLL COUNTY, KENTUCKY

(SEAL)

By 
HAROLD TOMLINSON
County Judge/Executive

ATTEST:


Fiscal Court Clerk

CERTIFICATION

The undersigned, Fiscal Court Clerk of the County of Carroll, Kentucky, does hereby certify that the foregoing is a true copy of a Resolution and Order duly adopted by the Fiscal Court of the County of Carroll, Kentucky at a duly convened meeting of such Fiscal Court properly held on the 26th day of September, 2006 duly enrolled and now in full force and effect as shown by the official records of the County in my custody and under my control.

WITNESS my hand and seal of said County this 26th day of September, 2006.

(SEAL)


Fiscal Court Clerk

KENTUCKY UTILITIES COMPANY

CASE NO. 2006-00390

**Response to Appendix A of Commission Staff's Order
Dated October 19, 2006**

Question No. 6

Witness: Daniel K. Arbough, Director, Corporate Finance and Treasurer

Q-6. Does KU anticipate issuing any new long-term debt within the next 5 years? If yes, provide an estimate of the total amount of new debt and the difference in the cost over the life of that debt if it is unsecured rather than secured by a first mortgage lien.

A-6. KU does anticipate issuing long-term debt in the next five years given the construction of Trimble County 2 and the continuing construction of FGD units at Ghent and Brown. These projects are in addition to the ongoing maintenance capital expenditures required. Based on current estimates, KU expects to borrow approximately \$1 billion in the next five years.

Based on current market conditions for ten year bonds, and assuming the use of the Best Rate Method as described in the application for this case, the Best Rate Method produces a 0.04% lower interest rate compared to issuing debt secured by a first mortgage lien. The lower interest rate results in savings of \$400,000 annually on a pre-tax basis or \$4 million over the 10 year life of the debt. This is supported by the attached pricing indications received by E.ON and KU.

Based on current market conditions for thirty year bonds, and assuming the use of the Best Rate Method as described in the application for this case, the Best Rate Method produces a 0.03% higher interest rate compared to issuing debt secured by a first mortgage lien. The higher interest rate results in additional costs of \$300,000 annually on a pre-tax basis or \$9 million over the 30 year life of the debt. This is supported by the attached pricing indications received by E.ON and KU.

The amounts above are for interest expense only. There will be continued savings using the Best Rate Method from avoiding legal expenses associated with the issuance of First Mortgage Bonds. As noted above, an estimated average cost of \$200,000 per issuance is avoided. Assuming two transactions per year over the next five years, these savings would total approximately \$2 million. All of these estimates are independent of cost savings identified in the original Application which totaled approximately \$4 million as shown on Exhibit 5 to the Application.

**KU Intercompany Loan with Fidelia
Spread Comparison
\$150,000,000**

	10 Year		30 Year	
	KU FMB	E.ON AG	KU FMB	E.ON AG
Lehman Brothers	0.88%		1.08%	
Wachovia	0.89%		1.11%	
Merrill Lynch	0.89%		1.11%	
UBS		0.90%		1.30%
Morgan Stanley		0.86%		1.02%
ABNAmro		0.76%		1.00%
Lowest Rate - KU, Avg. Rate - E.ON AG	0.88%	0.84%	1.08%	1.11%

Kentucky Utilities Company

October 24, 2006

Market	Institutional
Tenor	10 year
Amount	\$150.0
Structure / Security	First Mortgage
Ratings	A1 / A
Pay Frequency	Semi-Annual
Reference Benchmark	10 YR UST
Benchmark Yield	4.82%
Reoffer Spread	80 bps area
Reoffer Yield	5.62% area
Underwriting Fee	0.650%
All-In Yield	5.71%
All-In Spread	89 bps
Mid Swap Rate	5.36%
Reoffer Floating Rate Spread	26 bps
All-In Floating Rate Spread	35 bps

"Area" defined as +/- 2 to 3 bps.

Kentucky Utilities Company

October 24, 2006

Market	Institutional
Tenor	30 year
Amount	\$150.0
Structure / Security	First Mortgage
Ratings	A1 / A
Pay Frequency	Semi-Annual
Reference Benchmark	30 YR UST
Benchmark Yield	4.94%
Reoffer Spread	105 bps area
Reoffer Yield	5.99% area
Underwriting Fee	0.875%
All-In Yield	6.05%
All-In Spread	111 bps
Mid Swap Rate	5.50%
Reoffer Floating Rate Spread	49 bps
All-In Floating Rate Spread	55 bps

"Area" defined as +/- 2 to 3 bps.

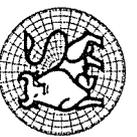
New Issue Pricing Indications

Kentucky Utilities

Indicative Pricing: First Mortgage Bonds (Senior Secured Ratings: A1/A)

Maturity	10 Year
Issue Size (\$mm)	\$150
Coupon Type	Fixed
Reset/Payment	NA/Semi
Call Provision	Make-Whole
Benchmark	UST 4.875% due 8/16
Benchmark Yield	4.824%
Reoffering Spread	T + 80 bps Area
Reoffer Yield	5.624%
Underwriting Commissions	0.650%
All-in Yield	5.711%
All-in Spread	T + 89 bps Area

Pricing indications as of October 24, 2006. Assumes a new issue settlement date of October 27, 2006, with interest accruing from October 27, 2006. All yields are quoted on a semiannual basis. Based upon FMB ratings of A1/A.



Disclaimers

Merrill Lynch prohibits (a) employees from, directly or indirectly, offering a favorable research rating or specific price target, or offering to change such rating or price target, as consideration or inducement for the receipt of business or for compensation, and (b) Research Analysts from being compensated for involvement in investment banking transactions except to the extent that such participation is intended to benefit investor clients.

This proposal is confidential, for your private use only, and may not be shared with others (other than your advisors) without Merrill Lynch's written permission, except that you (and each of your employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the proposal and all materials of any kind (including opinions or other tax analyses) that are provided to you relating to such tax treatment and tax structure. For purposes of the preceding sentence, tax refers to U.S. federal and state tax.

This proposal is for discussion purposes only. Merrill Lynch is not an expert on, and does not render opinions regarding, legal, accounting, regulatory or tax matters. You should consult with your advisors concerning these matters before undertaking the proposed transaction.



New Issue Pricing Indications

Kentucky Utilities

Indicative Pricing: First Mortgage Bonds (Senior Secured Ratings: A1/A)

Maturity	30 Year
Issue Size (\$mm)	\$150
Coupon Type	Fixed
Reset/Payment	NA/Semi
Call Provision	Make-Whole
Benchmark	UST 4.500% due 2/36
Benchmark Yield	4.945%
Reoffering Spread	T + 105 bps Area
Reoffer Yield	5.995%
Underwriting Commissions	0.875%
All-in Yield	6.060%
All-in Spread	T + 111 bps Area

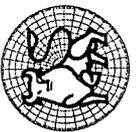


Pricing indications as of October 24, 2006. Assumes a new issue settlement date of October 27, 2006, with interest accruing from October 27, 2006. All yields are quoted on a semiannual basis. Based upon Senior Unsecured ratings of A1/A.

Disclaimers

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This proposal is confidential, for your private use only, and may not be shared with others (other than your advisors) without Merrill Lynch's written permission, except that you (and each of your employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the proposal and all materials of any kind (including opinions or other tax analyses) that are provided to you relating to such tax treatment and tax structure. For purposes of the preceding sentence, tax refers to U.S. federal and state tax. This proposal is for discussion purposes only. Merrill Lynch is not an expert on, and does not render opinions regarding, legal, accounting, regulatory or tax matters. You should consult with your advisors concerning these matters before undertaking the proposed transaction.



Confidential Presentation to:

Kentucky Utilities

Indicative New Issue Pricing

October 24, 2006

LEHMAN BROTHERS

Summary Terms for Kentucky Utilities – 10-year

Kentucky Utilities

Assumes Secured Debt Ratings of A1 / A

Security First Mortgage Bonds

Maturity 10 yrs

Size \$150,000,000

Ratings A1 / A

Optionality Non-call

Treasury Benchmark 10-yr Treasury

Treasury Yield 4.82%

Re-offer Spread + 80 bps

Re-offer Yield 5.62%

Gross Spread: 0.65%

Amortization of Gross Spread: 0.08%

Semiannual All-in Cost: 5.70%

US Treasury Rate as of October 24, 2006

Summary Terms for Kentucky Utilities – 30-year

Kentucky Utilities

Assumes Secured Debt Ratings of A1 / A

Security **First Mortgage Bonds**

Maturity **30 yrs**

Size **\$150,000,000**

Ratings **A1 / A**

Optionality **Non-call**

Treasury Benchmark **30-yr Treasury**

Treasury Yield **4.94%**

Re-offer Spread **+ 102 bps**

Re-offer Yield **5.96%**

Gross Spread: **0.875%**

Amortization of Gross Spread: **0.06%**

Semiannual All-in Cost: **6.02%**

US Treasury Rate as of October 24, 2006

Horne, Elliott

Subject: FW: Indication for USD 150m private placement
Attachments: Legal Disclaimer

From: Heintzen, Lioba [mailto:Lioba.Heintzen@eon.com]
Sent: Tuesday, October 24, 2006 9:50 AM
To: Horne, Elliott
Subject: WG: Indication for USD 150m private placement

Von: Christian.Hirsch@ubs.com [mailto:Christian.Hirsch@ubs.com]
Gesendet: Dienstag, 24. Oktober 2006 09:49
An: Heintzen, Lioba
Cc: Tilo.Kraus@ubs.com
Betreff: Indication for USD 150m private placement

Good morning,

As a follow up to last weeks prices, please find the requested indicative prices for a USD 150m placement for 10 years and 30 years. The pricing was based on the following data of E.on's outstanding bonds and CDS.

10 year: US Treasury + 90bps // LIBOR + 35
30 year: US Treasury + 130bps // LIBOR + 74bps

Increasing the size of a transaction to a certain extent can improve liquidity and therefore pricing. However, this effect is only limited and doesn't lead to a significant price change in our case. If you have any further question on that matter please do not hesitate to come back to us.

Kind regards,

Christian

10/25/2006

Horne, Elliott

Subject: FW: AW: E.ON USD 10yr spreads

-----Original Message-----

From: Heintzen, Lioba [mailto:Lioba.Heintzen@eon.com]
Sent: Tuesday, October 24, 2006 9:50 AM
To: Horne, Elliott
Subject: WG: AW: E.ON USD 10yr spreads

-----Ursprüngliche Nachricht-----

Von: hussain.hussain@uk.abnamro.com [mailto:hussain.hussain@uk.abnamro.com]
Gesendet: Montag, 23. Oktober 2006 19:57
An: Heintzen, Lioba
Betreff: Fw: AW: E.ON USD 10yr spreads

Dear Ms Heintzen,

further to your request with respect to indicative funding levels for a USD 150 mln 10 year and 30 year issue, the new issue levels (all-in) would be:

- a) 10 year at UST + 76 bp = US\$ 3m Libor + 21 bp;
- b) 30 year at UST + 100 bp = US\$ 3m Libor + 45 bp.

With respect to your query regarding the size of the transaction - there is no spread difference on sizes of USD 50 mln vs USD 150 mln.

Kind regards,

Hussain

Horne, Elliott

Subject: FW: AW: AW: Spread

From: Heintzen, Lioba [mailto:Lioba.Heintzen@eon.com]
Sent: Wednesday, October 25, 2006 2:37 AM
To: Horne, Elliott
Subject: WG: AW: AW: Spread

My counterparty at MS obviously was in a hurry.

Von: Lingnau, Philipp (GCM) [mailto:Philipp.Lingnau@morganstanley.com]
Gesendet: Dienstag, 24. Oktober 2006 19:41
An: Heintzen, Lioba
Betreff: Re: AW: AW: Spread

T+86
T+102