



139 East Fourth Street, R. 25 At II
P O. Box 960
Cincinnati, Ohio 45201-0960
Tel: 513-419-1852
Fax: 513-419-1846
Rocco.D'Ascenzo@duke-energy.com

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd
Frankfort, Ky 40601

Rocco O D'Ascenzo
Senior Counsel

RECEIVED

JAN 07 2009

**PUBLIC SERVICE
COMMISSION**

January 6, 2009

RE: Case No. 2008-118, In the Matter of the Application of Duke Energy Kentucky, Inc. for an Order Amending Its Financing Authority to Authorize Loan Agreements, the Issuance of Unsecured Debt and Long-Term Notes, Execution and Delivery of Long-Term Loan Agreements, and Use of Interest Rate Management Instruments.

Dear: Mr. Derouen:

On April 2, 2008, Duke Energy Kentucky, Inc. filed its application in the above referenced proceeding, requesting for authority to amend its existing financing authority as approved in Case No. 2006-00563. The Company proposed to borrow from Boone County, Kentucky, or another authorized issuer of tax exempt bonds in the State of Kentucky for a term not to exceed 40 years, the proceeds of up to a maximum of \$76.72 million aggregate principal amount of Authority Tax Exempt Revenue Bonds that may be issued in one or more series. The proceeds from the issuance of the securities were to be used to refund existing obligations on currently outstanding tax exempt bonds. In particular, the proceeds were to be used to refund the \$76.72 million County of Boone, Kentucky Pollution Control Revenue Refunding Bond, which were issued in two series on June 26, 2006 and are due August 1, 2027.

On April 29, 2008, the Commission approved the Company's Application. In granting the requested refinancing authority, the Commission required that the Company, "within 30 days from the date of issuance, file with this Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution."

Duke Energy Kentucky recently refinanced one series of the above referenced Boone County Bonds. The transaction closed Thursday, December 11, 2008. Attached with this filing is copy of the Official Statement for the transaction that describes the interest rates, the Trustee Indenture, and the Loan Agreement. The compensation paid to the Underwriters in connection with the issuance of the Refunding Bonds is \$175,000 and the other costs of issuance are estimated at \$100,000 (including rating agency fees, legal expenses, printing costs and other related expenses).

If you have any questions, please do not hesitate to contact me. Thank you.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Rocco O. D'Ascenzo', with a long horizontal line extending to the right.

~~Rocco O. D'Ascenzo (92796)~~

Counsel

Amy B. Spiller (85309)

Associate General Counsel

Duke Energy Kentucky, Inc.

139 East Fourth Street, Rm 2500, ATII

PO Box 960

Cincinnati, OH 45201-960

LOAN AGREEMENT

between

COUNTY OF BOONE, KENTUCKY

and

DUKE ENERGY KENTUCKY, INC.

\$50,000,000
County of Boone, Kentucky
Pollution Control Revenue Refunding Bonds,
Series 2008A
(Duke Energy Kentucky, Inc. Project)

Dated
as of
December 1, 2008

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I.	DEFINITIONS
Section 1.1.	Use of Defined Terms 3
Section 1.2.	Definitions 3
Section 1.3.	Interpretation 9
Section 1.4.	Captions and Headings 9
ARTICLE II.	REPRESENTATIONS
Section 2.1.	Representations of the Issuer 10
Section 2.2.	No Warranty by Issuer of Condition or Suitability of the Project 10
Section 2.3.	Representations and Covenants of the Company 10
ARTICLE III.	COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS
Section 3.1.	Acquisition, Construction and Installation 15
Section 3.2.	Project Descriptions 15
Section 3.3.	Issuance of the 2008A Bonds; Application of Proceeds 15
Section 3.4.	Disbursements from the 2008A Refunding Fund 16
Section 3.5.	Investment of Fund Moneys 16
Section 3.6.	2008A Rebate Fund 17
Section 3.7.	Agreement as to Ownership of Project 17
Section 3.8.	Use of Project 17
ARTICLE IV.	LOAN BY ISSUER; LOAN PAYMENTS; ADDITIONAL PAYMENTS; CREDIT FACILITY
Section 4.1.	Loan Repayment 18
Section 4.2.	Additional Payments 18
Section 4.3.	Place of Payments 19
Section 4.4.	Obligations Unconditional 19
Section 4.5.	Assignment of Revenues and 2008A Agreement 19
Section 4.6.	Credit Facility; Cancellation 19
Section 4.7.	Company's Option to Elect Rate Period; Changes in Auction Date and Length of Auction Periods 20
Section 4.8.	Company's Obligation to Purchase 2008A Bonds 20
ARTICLE V.	ADDITIONAL AGREEMENTS AND COVENANTS
Section 5.1.	Right of Inspection 21
Section 5.2.	Maintenance 21

TABLE OF CONTENTS

	<u>Page</u>
Section 5.3.	Removal of Portions of the Project Facilities 21
Section 5.4.	Operation of Project Facilities 21
Section 5.5.	Insurance..... 22
Section 5.6.	Workers' Compensation Coverage..... 22
Section 5.7.	Damage; Destruction and Eminent Domain..... 22
Section 5.8.	Company to Maintain its Existence; Conditions Under Which Exceptions Permitted 22
Section 5.9.	Indemnification..... 23
Section 5.10.	Company Not to Adversely Affect Exclusion of Interest on 2008A Bonds from Gross Income for Federal Income Tax Purposes..... 25
Section 5.11.	Ownership of Project; Use of Project 25
Section 5.12.	Assignment by Company..... 25
 ARTICLE VI. REDEMPTION	
Section 6.1.	Optional Redemption 26
Section 6.2.	Extraordinary Optional Redemption..... 26
Section 6.3.	Mandatory Redemption 28
Section 6.4.	Notice of Redemption..... 28
Section 6.5.	Actions by Issuer 28
 ARTICLE VII. EVENTS OF DEFAULT AND REMEDIES	
Section 7.1.	Events of Default 29
Section 7.2.	Remedies on Default 30
Section 7.3.	No Remedy Exclusive 30
Section 7.4.	Agreement to Pay Attorneys' Fees and Expenses 30
Section 7.5.	No Waiver..... 31
Section 7.6.	Notice of Default 31
 ARTICLE VIII. MISCELLANEOUS	
Section 8.1.	Term of Agreement..... 32
Section 8.2.	Amounts Remaining in Funds 32
Section 8.3.	Notices 32
Section 8.4.	Extent of Covenants of the Issuer; No Personal Liability 32
Section 8.5.	Binding Effect..... 33
Section 8.6.	Amendments and Supplements..... 33
Section 8.7.	References to Credit Facility 33
Section 8.8.	Execution Counterparts 33
Section 8.9.	Severability 33
Section 8.10.	Governing Law 33

TABLE OF CONTENTS

	<u>Page</u>
EXHIBIT A: 1985 PROJECT	A-1
EXHIBIT B: 1992/1994 PROJECT	B-1

LOAN AGREEMENT

THIS LOAN AGREEMENT is made and entered into as of December 1, 2008, between the COUNTY OF BOONE, KENTUCKY (the "Issuer"), a de jure county and a political subdivision of the Commonwealth of Kentucky (the "State"), and DUKE ENERGY KENTUCKY, INC., a public utility and corporation duly organized and validly existing under the laws of the State and successor to The Union Light, Heat and Power Company (the "Company"). Capitalized terms used, but not otherwise defined, in the following recitals are used as defined in Article I of this Agreement.

WHEREAS, the Issuer, at the request of The Cincinnati Gas & Electric Company ("CG&E"), previously issued its Floating Rate Monthly Demand Pollution Control Revenue Refunding Bonds, Series 1985 A (The Cincinnati Gas & Electric Company Project) in the aggregate principal amount of \$16,000,000 (the "1985 Bonds"), the proceeds of which were used to refund the Issuer's Pollution Control Revenue Bonds, 1982 Series A (The Cincinnati Gas & Electric Company Project), which bonds were issued to finance CG&E's share of the cost of acquisition, construction, improvement and equipping of certain air and water pollution control facilities and solid waste disposal facilities located within the corporate boundaries of the Issuer (the "1985 Project") at the Generating Station; and

WHEREAS, the Issuer, at the request of The Dayton Power and Light Company ("DP&L"), previously issued its 6.5% Collateralized Pollution Control Revenue Refunding Bonds, 1992 Series A (The Dayton Power and Light Company Project) in the aggregate principal amount of \$48,000,000 (the "1992 Bonds"), the proceeds of which were used to refund the Issuer's Pollution Control Revenue Bonds (The Dayton Power and Light Company Project), 1979 Series A, which bonds were issued to finance DP&L's share of the cost of acquisition, construction, improvement and equipping of certain air and water pollution control facilities and solid waste disposal facilities located within the corporate boundaries of the Issuer at the Generating Station (the "1992/1994 Project"); and

WHEREAS, the Issuer, at the request of CG&E, previously issued its 5-1/2% Collateralized Pollution Control Revenue Refunding Bonds, 1994 Series A (The Cincinnati Gas & Electric Company Project) in the aggregate principal amount of \$48,000,000 (the "1994 Bonds"), the proceeds of which were used to refund the Issuer's Pollution Control Revenue Bonds (The Cincinnati Gas & Electric Company Project), 1979 Series A, which bonds were issued to finance CG&E's share of the cost of acquisition, construction, improvement and equipping of the 1992/1994 Project at the Generating Station; and

WHEREAS, pursuant to an Assignment and Assumption Agreement dated as of September 30, 2005, CG&E assumed DP&L's duties and obligations with respect to the \$12,720,000 principal amount of Series 1992 Bonds that remained outstanding on such date; and

WHEREAS, pursuant to a Debt Assumption Agreement dated as of January 1, 2006, the Company assumed CG&E's duties and obligations with respect to the 1985 Bonds, the 1992 Bonds and the 1994 Bonds; and

WHEREAS, the Issuer, at the request of the Company, previously issued its Pollution Control Revenue Refunding Bonds, Series 2006A (Duke Energy Kentucky, Inc. Project) in the aggregate principal amount of \$50,000,000 (the "Refunded 2006A Bonds"), and its Pollution Control Revenue Refunding Bonds, Series 2006B (Duke Energy Kentucky, Inc. Project) in the aggregate principal amount of \$26,720,000 (the "2006B Bonds" and, together with the Refunded 2006A Bonds, the "2006 Refunding Bonds"), which proceeds of the 2006 Refunding Bonds were used to refund the 1985 Bonds, the 1992 Bonds and the 1994 Bonds; and

WHEREAS, pursuant to the Act, the Issuer has determined to issue, sell and deliver its Pollution Control Revenue Refunding Bonds, Series 2008A (Duke Energy Kentucky, Inc. Project) in the aggregate principal amount of \$50,000,000 (the "2008A Bonds") pursuant to a Trust Indenture dated as of December 1, 2008 (the "2008A Indenture"), and to lend the proceeds derived from the sale thereof to the Company pursuant to this Loan Agreement (the "2008A Agreement") to permit the refunding of the entire outstanding principal amount of the Refunded 2006A Bonds; and

WHEREAS, the Company and the Issuer each have full right and lawful authority to enter into this 2008A Agreement and to perform and observe the provisions hereof on their respective parts to be performed and observed.

NOW THEREFORE, in consideration of the premises and the mutual representations and agreements hereinafter contained, the Issuer and the Company agree as follows (provided that any obligation of the Issuer or the State created by or arising out of this 2008A Agreement shall never constitute a general debt of the Issuer or the State or give rise to any pecuniary liability of the Issuer or the State but shall be payable solely out of Revenues, including the Loan Payments made pursuant hereto and moneys drawn under any Credit Facility):

(Balance of page intentionally left blank)

ARTICLE I.

DEFINITIONS

Section 1.1. Use of Defined Terms. In addition to the words and terms defined elsewhere in this 2008A Agreement, the 2008A Indenture or by reference to another document, the words and terms set forth in Section 1.2 hereof 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. Any terms not defined herein but defined in the 2008A Indenture shall have the same meaning herein.

Section 1.2. Definitions. As used herein:

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

“Additional Payments” means the amounts required to be paid by the Company pursuant to the provisions of Section 4.2 hereof.

“Administration Expenses” means the compensation (which compensation shall not be greater than that agreed to in writing by the Company) and reimbursement of reasonable out-of-pocket expenses, including legal fees and expenses, and advances payable to the Trustee, the Registrar, the Remarketing Agent, the Broker-Dealer, the Auction Agent, any Paying Agent and any Authenticating Agent.

“Bond Purchase Agreement” means the bond purchase agreement entered into between the Issuer and the Underwriter relating to the 2008A Bonds.

“Bond Service Charges” means, for any period or time, the principal of, premium, if any, and interest on the 2008A Bonds for that period or payable at that time whether due at maturity, upon redemption, or upon acceleration.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. References to the Code and Sections of the Code include relevant applicable regulations and proposed regulations thereunder and under the 1954 Code, and any successor provisions to those Sections, regulations or proposed regulations and, in addition, all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Bonds.

“Company” means Duke Energy Kentucky, Inc., a public utility and corporation duly organized and validly existing under the laws of the State and successor to The Union Light, Heat and Power Company, and its lawful successors and assigns, to the extent permitted by the Agreement.

“Credit Facility” means an irrevocable direct-pay letter of credit or other credit enhancement or liquidity support facility, or any combination thereof, delivered to and in favor of the Trustee for the benefit of the owners of the 2008A Bonds pursuant to the 2008A Indenture, and includes the Initial Credit Facility.

“Credit Facility Issuer” means the Initial Credit Facility Issuer and the issuer of any Credit Facility subsequently in effect.

“Engineer” means an engineer (who may be an employee of the Company) or engineering firm qualified to practice the profession of engineering under the laws of the State.

“Event of Default” means any of the events described as an Event of Default in Section 7.1 hereof.

“Force Majeure” means any of the following:

(i) acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, nuclear accidents or other malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of a utility serving the Project; shortages of labor, materials, supplies or transportation; or

(ii) any cause, circumstance or event not reasonably within the control of the Company.

“Generating Station” means the East Bend Generating Station located near Union, Kentucky.

“Initial Credit Facility” means the irrevocable letter of credit issued by the Initial Credit Facility Issuer to the Trustee to secure the payment of the principal of and interest on, and any purchase price of, the 2008A Bonds and which shall be a “Credit Facility” hereunder.

“Initial Credit Facility Issuer” means Wells Fargo Bank, N.A., as issuer of the Initial Credit Facility, and which shall be a “Credit Facility Issuer” hereunder.

“Interest Rate for Advances” means the interest rate per year payable on the 2008A Bonds.

“Issuance Costs” means those costs relating to the issuance of the 2008A Bonds as that term is used in Section 147(g) of the Code, including financial, legal, accounting and printing fees, charges and expenses, underwriting fees, fees paid to the Issuer, initial acceptance fees of

the Trustee, any Authenticating Agent, the Registrar and any Paying Agent, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the 2008A Bonds.

“Loan” means the loan by the Issuer to the Company of the proceeds received from the sale of the 2008A Bonds.

“Loan Payment Date” means any date on which any Bond Service Charges are due and payable.

“Loan Payments” means the amounts required to be paid by the Company in repayment of the Loan pursuant to Section 4.1 hereof.

“Notice Address” means:

- (a) As to the Issuer:
County of Boone, Kentucky
Boone County Courthouse
Burlington, Kentucky 41005
Attention: County Judge/Executive
- (b) As to the Company:
Duke Energy Corporation
526 South Church Street
Charlotte, North Carolina 28202
Attention: Treasurer
- (c) As to the Trustee:
Deutsche Bank National Trust Company
222 South Riverside Plaza, 25th Floor
Mail Code: CH 105-2502
Chicago, Illinois 60606
Attention: Corporate Trust
- (d) If to the Remarketing Agent:
Wachovia Bank, National Association
301 South College Street
Mail Code NC0600
Charlotte, NC 28202
Attention: Remarketing Coordinator

or such additional or different address, notice of which is given under Section 8.3 hereof.

“Opinion of Bond Counsel” means a written opinion of nationally recognized bond counsel selected by the Company and acceptable to the Trustee who is experienced in matters

relating to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions. Bond Counsel may be counsel to the Trustee or the Company.

“Person” or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), limited liability entities, joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

“Pollution Control Facility” or “Pollution Control Facilities” means pollution control facilities as that term is defined in KRS 103.246 and also refers to “air and water pollution control facilities” and “solid waste disposal facilities” within the meaning of Sections 103(b)(4)(E) and (F) of the 1954 Code.

“Prior Bonds” means, collectively, the 1979 CG&E Bonds, the 1979 DP&L Bonds, the 1982 Bonds, the 1985 Bonds, the 1992 Bonds, the 1994 Bonds and the Refunded 2006A Bonds.

“Project” or “Project Facilities” means, collectively, the 1985 Project and the 1992/1994 Project.

“Project Purposes” means the purposes of Pollution Control Facilities and related facilities as described in the Act and as particularly described in Exhibits A and B hereto.

“Project Site” means the Generating Station.

“Redemption Date” means December 26, 2008.

“Refunded 2006A Bonds” means the \$50,000,000 County of Boone, Kentucky Pollution Control Revenue Refunding Bonds, Series 2006A (Duke Energy Kentucky, Inc. Project).

“Refunded Bonds Trustee” means Deutsche Bank National Trust Company, as trustee under the Refunded Bonds Indenture.

“Refunded Bonds Indenture” means the Trust Indenture dated as of August 1, 2006 between the Issuer and the Refunded Bonds Trustee, pursuant to which the Refunded 2006A Bonds were issued.

“Refunding Fund” means the 2008A Refunding Fund created in the 2008A Indenture.

“Register” means the books kept and maintained by the Registrar for registration and transfer of 2008A Bonds pursuant to Section 3.05 of the 2008A Indenture.

“Registrar” means Deutsche Bank National Trust Company, Chicago, Illinois, until a successor Registrar shall have become such pursuant to applicable provisions of the 2008A Indenture.

“Reimbursement Agreement” means, initially, the Letter of Credit Agreement, dated as of September 19, 2008, among the Company and Duke Energy Indiana, Inc., as borrowers, the Initial Credit Facility Issuer, as issuer of the Initial Credit Facility, and the other banks and agents parties thereto, and any other reimbursement agreement between the Company and a Credit Facility Issuer setting forth the obligations of the Company to such Credit Facility Issuer arising out of any payments under a Credit Facility.

“Revenues” means (a) the Loan Payments, (b) all other moneys received or to be received by the Issuer (excluding any fees paid to the Issuer and all Unassigned Issuer Rights) or the Trustee in respect of repayment of the Loan, including without limitation, all moneys and investments in the 2008A Bond Fund, (c) any moneys and investments in the 2008A Refunding Fund, and (d) all income and profit from the investment of the foregoing moneys. The term “Revenues” does not include any moneys or investments in the 2008A Rebate Fund or the 2008A Bond Purchase Fund.

“State” means the Commonwealth of Kentucky.

“Tax Certificate” means the Tax Certificate of the Company dated December 11, 2008.

“Trustee” means Deutsche Bank National Trust Company, a national banking association duly organized and validly existing under the laws of the United States of America and duly authorized to exercise trust powers, until a successor Trustee shall have become such pursuant to the applicable provisions of the 2008A Indenture, and thereafter “Trustee” shall mean the successor Trustee. “Principal Office” of the Trustee shall mean the corporate trust office of the Trustee, which office at the date of issuance of the 2008A Bonds is located at its Notice Address.

“Unassigned Issuer Rights” means all of the rights of the Issuer to receive Additional Payments under Section 4.2 hereof, to perform inspections pursuant to Section 5.1 hereof, to be held harmless and indemnified under Section 5.9 hereof, to be reimbursed for attorney’s fees and expenses under Section 7.4 hereof and to give or withhold consent to amendments, changes, modifications, alterations and termination of this 2008A Agreement under Section 8.6 hereof and its right to enforce such rights.

“Underwriter” means Wachovia Bank, National Association as the original purchaser of the 2008A Bonds.

“1954 Code” means the Internal Revenue Code of 1954 as amended from time to time through the date of enactment of the Code. References to the 1954 Code and Sections of the 1954 Code include relevant applicable regulations (including temporary regulations) and proposed regulations thereunder and any successor provisions to those Sections, regulations or proposed regulations.

“1979 CG&E Bonds” means the \$48,000,000 County of Boone, Kentucky Pollution Control Revenue Bonds (The Cincinnati Gas & Electric Company Project), 1979 Series A.

“1979 DP&L Bonds” means the \$48,000,000 County of Boone, Kentucky Pollution Control Revenue Bonds (The Dayton Power and Light Company Project), 1979 Series A.

“1982 Bonds” means the \$16,000,000 County of Boone, Kentucky Pollution Control Revenue Bonds, 1982 Series A (The Cincinnati Gas & Electric Company Project).

“1985 Bonds” means the \$16,000,000 County of Boone, Kentucky Floating Rate Monthly Demand Pollution Control Revenue Refunding Bonds, Series 1985 A (The Cincinnati Gas & Electric Company Project).

“1985 Project” or “1985 Project Facilities” means the real, personal or real and personal property, including undivided or other interests therein, identified in the 1985 Project Description.

“1985 Project Description” means the description of the 1985 Project Facilities attached hereto as Exhibit A.

“1992 Bonds” means the \$48,000,000 County of Boone, Kentucky 6.5% Collateralized Pollution Control Revenue Refunding Bonds, 1992 Series A (The Dayton Power and Light Company Project), the duties and obligations with respect to \$12,720,000 principal amount of which were assumed by the Company.

“1992/1994 Project” or “1992/1994 Project Facilities” means the real, personal or real and personal property, including undivided or other interests therein, identified in the 1992/1994 Project Description.

“1992/1994 Project Description” means the description of the 1992/1994 Project Facilities attached hereto as Exhibit B.

“1994 Bonds” means the \$48,000,000 County of Boone, Kentucky 5-1/2% Collateralized Pollution Control Revenue Refunding Bonds, 1994 Series A (The Cincinnati Gas & Electric Company Project).

“2006B Bonds” means the \$26,720,000 County of Boone, Kentucky Pollution Control Revenue Refunding Bonds, Series 2006B (Duke Energy Kentucky, Inc. Project).

“2006 Refunding Bonds” means, collectively, the Refunded 2006A Bonds and the 2006B Bonds.

“2008A Agreement” means this Loan Agreement, as amended or supplemented from time to time.

“2008A Indenture” means the Trust Indenture related to the 2008A Bonds, dated as of the same date as this 2008A Agreement, between the Issuer and the Trustee, as amended or supplemented from time to time.

“2008A Rebate Fund” means the 2008A Rebate Fund created in the 2008A Indenture.

Section 1.3. Interpretation. Any reference herein to the State, to the Issuer or to any member or officer of either includes entities or officials succeeding to their respective functions, duties or responsibilities pursuant to or by operation of law or lawfully performing their functions.

Any reference to a section or provision of the Constitution of the State or the Act, or to a section, provision or chapter of the Kentucky Revised Statutes, or to any statute of the United States of America, includes that section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time; provided, that no amendment, modification, revision, supplement or superseding section, provision or chapter shall be applicable solely by reason of this provision, if it constitutes in any way an impairment of the rights or obligations of the Issuer, the State, the Holders, the Trustee, the Registrar, the Auction Agent, an Authenticating Agent, a Paying Agent, the Remarketing Agent, any Credit Facility Issuer or the Company under this 2008A Agreement, the 2008A Indenture or the 2008A Bonds.

Unless the context indicates otherwise, words importing the singular number include the plural number, and vice versa; the terms “hereof”, “hereby”, “herein”, “hereto”, “hereunder” and similar terms refer to this 2008A Agreement; and the term “hereafter” means after, and the term “heretofore” means before, the date of delivery of the 2008A Bonds. Words of any gender include the correlative words of the other genders, unless the sense indicates otherwise.

Section 1.4. Captions and Headings. The captions and headings in this 2008A Agreement are used solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections, paragraphs or subparagraphs or clauses hereof.

(End of Article I)

ARTICLE II.

REPRESENTATIONS

Section 2.1. Representations of the Issuer. The Issuer represents that: (a) it is a de jure county and a political subdivision of the State duly organized and validly existing under the laws of the State; (b) it has duly accomplished all conditions necessary to be accomplished by it prior to the issuance and delivery of the 2008A Bonds and the execution and delivery of this 2008A Agreement and the 2008A Indenture; (c) it is not in violation of or in conflict with any provisions of the laws of the State which would impair its ability to carry out its obligations contained in this 2008A Agreement or the 2008A Indenture; (d) it is empowered to enter into the transactions contemplated by this 2008A Agreement and the 2008A Indenture; (e) it has duly authorized the execution, delivery and performance of this 2008A Agreement and the 2008A Indenture; and (f) it will do all things in its power in order to maintain its existence or assure the assumption of its obligations under this 2008A Agreement and the 2008A Indenture by any successor public body.

Section 2.2. No Warranty by Issuer of Condition or Suitability of the Project. The Issuer makes no warranty, either express or implied, as to the suitability or utilization of the Project for the Project Purposes, or as to the condition of the Project Facilities or that the Project Facilities are or will be suitable for the Company's purposes or needs.

Section 2.3. Representations and Covenants of the Company. The Company represents that:

(a) The Company has been duly incorporated and is validly existing as a corporation under the laws of the State, with power and authority (corporate and other) to own its properties and conduct its business, to execute and deliver this 2008A Agreement and to perform its obligations under this 2008A Agreement.

(b) This 2008A Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding obligation of the Company, enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(c) The execution, delivery and performance by the Company of this 2008A Agreement, and the consummation of the transactions contemplated hereby, will not violate any provision of law or regulation applicable to the Company, or of any writ or decree of any court or governmental instrumentality, or of the Restated and Amended Articles of Incorporation, as amended, or the By-laws of the Company, or of any mortgage, indenture, contract, agreement or other undertaking to which the Company is a party or which purports to be binding upon the Company or upon any of its assets.

(d) The Project constitutes Pollution Control Facilities under the Act, is consistent with and will further the purposes of the Act and is located entirely within the State. The Project is being, and the Company will cause the Project to be, operated and maintained in such manner as to be consistent with the Act and to conform to all applicable, if any, zoning, planning, building, environmental and other applicable governmental regulations. All necessary permits, variances and orders remain in full force and effect and have not been withdrawn or otherwise suspended.

(e) The Project is being, and will be, utilized as Pollution Control Facilities under the Act.

(f) It presently intends to use or operate or cause to be used or operated the Project in a manner consistent with the Project Purposes until the date on which the 2008A Bonds have been fully paid and knows of no reason why the Project will not be so operated. The Company does not presently intend to sell or otherwise dispose of the Project or any portion thereof.

(g) Substantially all (at least 90%) of the proceeds of the 1982 Bonds were used to provide air and water pollution control facilities and solid waste disposal facilities within the meaning of Sections 103(b)(4)(E) and (F) of the 1954 Code, the original use of which facilities commenced with CG&E and all of the proceeds of the 1982 Bonds have been spent for the 1985 Project or to pay costs of issuance of the 1982 Bonds. The proceeds of the 1985 Bonds (other than any accrued interest thereon) were used exclusively to refund the 1982 Bonds or to pay costs of issuance of the 1985 Bonds. All of the proceeds of the 1985 Bonds were used to retire the 1982 Bonds not later than 90 days after the date of issuance of the 1985 Bonds. The 1982 Bonds were issued prior to August 16, 1986.

(h) Substantially all (at least 90%) of the proceeds of the 1979 DP&L Bonds were used to provide air and water pollution control facilities and solid waste disposal facilities within the meaning of Sections 103(b)(4)(E) and (F) of the 1954 Code, the original use of which facilities commenced with DP&L and all of the proceeds of the 1979 DP&L Bonds have been spent for the 1992/1994 Project or to pay costs of issuance of the 1979 DP&L Bonds. The proceeds of the 1992 Bonds (other than any accrued interest thereon) were used exclusively to refund the 1979 DP&L Bonds and none of the proceeds of the 1992 Bonds were used to pay for any costs of issuance of the 1992 Bonds. All of the proceeds of the 1992 Bonds were used to retire the 1979 DP&L Bonds not later than 90 days after the date of issuance of the 1992 Bonds. The 1979 DP&L Bonds were issued prior to August 16, 1986.

(i) Substantially all (at least 90%) of the proceeds of the 1979 CG&E Bonds were used to provide air and water pollution control facilities and solid waste disposal facilities within the meaning of Sections 103(b)(4)(E) and (F) of the 1954 Code, the original use of which facilities commenced with CG&E and all of the proceeds of the 1979 CG&E Bonds have been spent for the 1992/1994 Project or to pay costs of issuance of the 1979 CG&E Bonds. The proceeds of the 1994 Bonds (other than any accrued interest thereon) were used exclusively to refund the 1979 CG&E Bonds and none of the proceeds of the 1994 Bonds were used to pay for any costs of issuance of the 1994 Bonds. All of the proceeds of the 1994 Bonds were used to

retire the 1979 CG&E Bonds not later than 90 days after the date of issuance of the 1994 Bonds. The 1979 CG&E Bonds were issued prior to August 16, 1986.

(j) The proceeds of the 2006 Refunding Bonds (other than any accrued interest thereon) were used exclusively to refund the 1985 Bonds, 1992 Bonds and 1994 Bonds and none of the proceeds of the 2006 Refunding Bonds were used to pay for any costs of issuance of the 2006 Refunding Bonds. All of the proceeds of the 2006 Refunding Bonds were used to retire the 1985 Bonds, 1992 Bonds and 1994 Bonds not later than 90 days after the date of issuance of the 2006 Refunding Bonds.

(k) The principal amount of the 2008A Bonds does not exceed the outstanding principal amount of the Refunded 2006A Bonds. All of the proceeds of the 2008A Bonds will be used to retire the Refunded 2006A Bonds not later than 90 days after the date of issuance of the 2008A Bonds.

(l) Either the acquisition and construction of the 1985 Project was not commenced (within the meaning of Treasury Regulations §1.103-8(a)(5)) prior to the adoption of the resolution of the Issuer evidencing the intent of the Issuer to issue the 1982 Bonds, or, any proceeds of the corresponding 1985 Bonds used to pay costs incurred prior to the adoption of such corresponding resolution have been treated for purposes of this Agreement as having been used to provide working capital (not land or depreciable property) to the Company.

(m) Either the acquisition and construction of the 1992/1994 Project was not commenced (within the meaning of Treasury Regulations §1.103-8(a)(5)) prior to the adoption of the resolutions of the Issuer evidencing the intent of the Issuer to issue the 1979 DP&L Bonds and 1979 CG&E Bonds, or, any proceeds of the corresponding 1992 Bonds and 1994 Bonds used to pay costs incurred prior to the adoption of such corresponding resolution have been treated for purposes of this Agreement as having been used to provide working capital (not land or depreciable property) to the Company.

(n) None of the proceeds of the Prior Bonds have been used and none of the proceeds of the 2008A Bonds will be used directly or indirectly to acquire land or any interest therein.

(o) No portion of the proceeds of the Prior Bonds has been used and no portion of the proceeds of the 2008A Bonds will be used to acquire existing property or any interest therein unless the first use of such property was by the Company (or DP&L or CG&E as the original user of such property) and was pursuant to and followed such acquisition.

(p) On the respective dates of issuance and delivery of the 1979 DP&L Bonds, 1979 CG&E Bonds and 1982 Bonds, DP&L or CG&E, as the case may be, as the original user of the property financed reasonably expected that all of the proceeds thereof would be used to carry out the governmental purposes of each such issue within the 3-year period beginning on the date each such issue was issued and none of the proceeds of each such issue, if any, were invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

(q) None of the proceeds of the 2008A Bonds will be used to provide working capital or to pay costs of issuance of the 2008A Bonds.

(r) In accordance with Section 147(b) of the Code, the weighted average maturity of the 2008A Bonds does not exceed 120% of the weighted average reasonably expected economic life of the Project Facilities.

(s) None of the proceeds of the Prior Bonds were used, and none of the proceeds of the 2008A Bonds will be used, to provide any airplane; skybox or other private luxury box; health club facility; any facility primarily used for gambling; or any store the principal business of which is the sale of alcoholic beverages for consumption off premises;

(t) The Project has been and will be used wholly to control pollution and dispose of solid waste and were designed for no significant purpose other than pollution control and disposal of solid waste, and the Project was not designed to result in an increase in production or capacity, in a material extension of the useful life of the Generating Station or, in the case of the portions of the Project which are Pollution Control Facilities, in the recovery of by-products of any substantial value.

(u) At no time will any funds constituting gross proceeds of the 2008A Bonds be used in a manner as would constitute failure of compliance with Section 148 of the Code.

(v) The 2008A Bonds are not and will not be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(w) It is not anticipated that as of the date hereof, there will be created any “replacement proceeds”, within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 2008A 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.

(x) The information furnished by the Company and used by the Issuer in preparing the certification pursuant to Section 148 of the Code and in preparing any necessary information statement pursuant to Section 149(e) of the Code will be accurate and complete as of the date of issuance of the 2008A Bonds; and

(y) The Project Facilities do not include any office except for offices (i) located on the Project Site and (ii) not more than a *de minimis* amount of the functions to be performed at which is not directly related to the day-to-day operations of the Project Facilities.

(z) The Department of Natural Resources and Environmental Protection of Kentucky (now the Natural Resources and Environmental Protection Cabinet of Kentucky), having jurisdiction in the premises, has previously certified that each of the 1985 Project and the 1992/1994 Project, as designed, is in furtherance of the purposes of abating and controlling atmospheric pollutants and contaminants and water pollution.

(End of Article II)

ARTICLE III.

COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS

Section 3.1. Acquisition, Construction and Installation. The Project was acquired, constructed and installed on the Project Site in accordance with the Project Descriptions and in conformance with all applicable, valid and enforceable (i) zoning, planning, building, environmental and other similar regulations of all governmental authorities having jurisdiction over the Project and (ii) permits, variances and orders issued in respect of the Project. The proceeds derived from each issue of the Prior Bonds, including any investment thereof, were expended in accordance with the respective trust indenture and loan agreement relating to the corresponding issue of the Prior Bonds.

It is understood that the Project is that of the Company and any contracts made by the Company with respect thereto, whether acquisition contracts, installation contracts or otherwise, or any work to be done by the Company on the Project are made or done by the Company on its own behalf and not as agent or contractor for the Issuer.

Section 3.2. Project Descriptions. The Project Descriptions may be changed from time to time by, or with the consent of, the Company provided that any such change shall not adversely affect the exclusion of interest on the 2008A Bonds from gross income for federal income tax purposes.

Section 3.3. Issuance of the 2008A Bonds; Application of Proceeds. To provide funds to make the Loan to the Company to assist the Company in the refunding of the Refunded 2006A Bonds, the Issuer will issue, sell and deliver the 2008A Bonds to the Underwriter. The 2008A Bonds will be issued pursuant to the 2008A Indenture in the aggregate principal amount, will bear interest, will mature and will be subject to redemption as set forth therein. The Company hereby approves the terms and conditions of the 2008A Indenture and the 2008A Bonds, and the terms and conditions under which the 2008A Bonds will be issued, sold and delivered. The Company, for the benefit of the Issuer and each Bondholder, shall do and perform all acts and things required or contemplated in the Indenture to be done or performed by the Company.

The proceeds from the sale of the 2008A Bonds (other than any accrued interest) shall be loaned to the Company to assist the Company in the refunding of the Refunded 2006A Bonds and shall be deposited in the Principal Account of the 2008A Refunding Fund. All investment earnings thereon shall be credited to the Interest Account of the 2008A Refunding Fund. Any accrued interest shall be deposited in the Bond Fund.

On the date set forth in the 2008A Indenture, all moneys on deposit in the Principal Account of the 2008A Refunding Fund, together with all moneys on deposit in the Interest Account of the 2008A Refunding Fund up to, but not exceeding, the principal and interest due on the Refunded 2006A Bonds on the Redemption Date shall be delivered by the Trustee to the Refunded Bonds Trustee pursuant to, and in accordance with, the 2008A Indenture.

Any amounts remaining in the Interest Account after the redemption of all of the Refunded 2006A Bonds shall be disbursed by the Trustee to the Company upon the written request of the Authorized Company Representative solely for the purpose of paying, or to reimburse the Company for its payment of, Issuance Costs in an aggregate amount that does not exceed 2% of the proceeds of the 2008A Bonds, computed for this purpose as the issue price of the Bonds less any accrued interest included therein.

Pending disbursement pursuant to this Section, the proceeds so deposited in the 2008A Refunding Fund, together with any investment earnings thereon, shall constitute a part of the Revenues assigned by the Issuer to the Trustee for the payment of Bond Service Charges.

The Company acknowledges that the proceeds of the 2008A Bonds (including any interest income thereon) may be insufficient to pay the full costs of refunding the Refunded 2006A Bonds and that the Issuer has made no representation or warranty with respect to the sufficiency thereof. The Company further acknowledges that it is (and will remain after the issuance of the 2008A Bonds) obligated to, and hereby confirms that it will, pay all costs of the refunding and redemption of the Refunded 2006A Bonds.

The Company hereby requests that the Issuer notify the Refunded Bonds Trustee that the entire outstanding principal amount of the Refunded 2006A Bonds is to be redeemed on the Redemption Date, at a redemption price of 100% of the principal amount thereof, plus interest accrued to the Redemption Date.

Section 3.4. Disbursements from the 2008A Refunding Fund. Pending disbursement pursuant to Section 5.02 of the 2008A Indenture, the proceeds of the 2008A Bonds so deposited in the 2008A Refunding Fund, together with any investment earnings thereon, shall constitute a part of the Revenues assigned by the Issuer to the Trustee for the payment of Bond Service Charges.

Section 3.5. Investment of Fund Moneys. At the oral (confirmed promptly in writing) or written request of the Company, any moneys held as part of the 2008A Bond Fund, the 2008A Refunding Fund or the 2008A Rebate Fund shall be invested or reinvested by the Trustee in Eligible Investments; provided, that such moneys shall be invested or reinvested by the Trustee only in Eligible Investments which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the date upon which the moneys so invested are needed to make payments from those Funds. The Issuer (to the extent it retained or retains direction or control) and the Company each hereby represents that the investment and reinvestment and the use of the proceeds of the Refunded 2006A Bonds were restricted in such manner and to such extent as was necessary so that the Refunded 2006A Bonds would not constitute arbitrage bonds under Section 148 of the Code or its statutory predecessor and each hereby covenants that it will restrict the investment and reinvestment and the use of the proceeds of the 2008A Bonds in such manner and to such extent, if any, as may be necessary so that the 2008A Bonds will not constitute arbitrage bonds under Section 148 of the Code.

The Company shall provide the Issuer with, and the Issuer may base its certificate and statement, each as authorized by the Bond Ordinance, on a certificate of an appropriate officer, employee or agent of or consultant to the Company for inclusion in the transcript of proceedings for the 2008A Bonds, setting forth the reasonable expectations of the Company on the date of delivery of and payment for the 2008A Bonds regarding the amount and use of the proceeds of the 2008A Bonds and the facts, estimates and circumstances on which those expectations are based.

Section 3.6. 2008A Rebate Fund. To the extent required by Section 5.09 of the 2008A Indenture, within five days after the end of the fifth Bond Year and every fifth Bond Year thereafter, and within five days after payment in full of all outstanding 2008A Bonds, the Company shall calculate the amount of Excess Earnings as of the end of that Bond Year or the date of such payment and shall notify the Trustee of that amount. If the amount then on deposit in the 2008A Rebate Fund created under the 2008A Indenture is less than the amount of Excess Earnings (computed by taking into account the amount or amounts, if any, previously paid to the United States pursuant to Section 5.09 of the 2008A Indenture and this Section), the Company shall, within five days after the date of the aforesaid calculation, pay to the Trustee for deposit in the 2008A Rebate Fund an amount sufficient to cause the 2008A Rebate Fund to contain an amount equal to the Excess Earnings. The obligation of the Company to make such payments shall remain in effect and be binding upon the Company notwithstanding the release and discharge of the 2008A Indenture. The Company shall obtain and keep such records of the computations made pursuant to this Section as are required under Section 148(f) of the Code.

Section 3.7. Agreement as to Ownership of Project. The Issuer agrees that it will not have any interest in, title to or ownership of the Project or the Project Site.

Section 3.8. Use of Project. The Issuer does hereby covenant and agree that it will not take any action, or cause any action to be taken, during the term of this 2008A Agreement, other than pursuant to Article VII of this 2008A Agreement or Article VII of the 2008A Indenture, to interfere with the Company's ownership of the Project or to prevent the Company from having possession, custody, use and enjoyment of the Project, except such action as is requested by the Trustee in enforcing any remedies available to it under this 2008A Agreement or the 2008A Indenture.

(End of Article III)

ARTICLE IV.

LOAN BY ISSUER; LOAN PAYMENTS; ADDITIONAL PAYMENTS; CREDIT FACILITY

Section 4.1. Loan Repayment. Upon the terms and conditions of this 2008A Agreement, the Issuer agrees to make the Loan to the Company. The proceeds of the Loan shall be deposited with the Trustee pursuant to Section 3.3 hereof. In consideration of and in repayment of the Loan, the Company shall, under all circumstances and without reduction for any reason, make, as Loan Payments, to the Trustee for the account of the Issuer, payments which correspond, as to time, and are equal in amount as of the Loan Payment Date, to the corresponding Bond Service Charges payable on the 2008A Bonds. All Loan Payments received by the Trustee shall be held and disbursed in accordance with the provisions of the 2008A Indenture and this 2008A Agreement for application to the payment of Bond Service Charges.

The Company shall be entitled to a credit against the Loan Payments required to be made on any Loan Payment Date to the extent that the balance of the 2008A Bond Fund is then in excess of amounts required (a) for the payment of 2008A Bonds theretofore matured or theretofore called for redemption, or to be called for redemption pursuant to Section 6.1 hereof (b) for the payment of interest for which checks or drafts have been drawn and mailed by the Trustee or Paying Agent, and (c) to be deposited in the 2008A Bond Fund by the 2008A Indenture for use other than for the payment of Bond Service Charges due on that Loan Payment Date.

The Company's obligation to make Loan Payments shall be reduced to the extent of any payments made by any Credit Facility Issuer to the Trustee in respect of the principal of, premium, if any, or interest on the 2008A Bonds when due pursuant to any Credit Facility, provided, that the Credit Facility Issuer has been reimbursed for such payments in accordance with the terms of the Reimbursement Agreement.

Except for such interest of the Company as may hereafter arise pursuant to Section 8.2 hereof or Sections 5.07 or 5.08 of the 2008A Indenture, the Company and the Issuer each acknowledge that neither the Company, the State nor the Issuer has any interest in the 2008A Bond Fund or the 2008A Bond Purchase Fund, and any moneys deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Holders.

Section 4.2. Additional Payments. The Company shall pay to the Issuer, as Additional Payments hereunder, any and all reasonable costs and expenses incurred or to be paid by the Issuer in connection with the issuance and delivery of the 2008A Bonds or otherwise related to actions taken by the Issuer under this 2008A Agreement or the 2008A Indenture.

The Company shall pay the Administration Expenses to the Trustee, the Registrar, the Remarketing Agent, the Auction Agent, and any Paying Agent or Authenticating Agent, as appropriate, as Additional Payments hereunder.

The Company may, without creating a default hereunder, contest in good faith the reasonableness of any such cost or expense incurred or to be paid by the Issuer and any Administration Expenses claimed to be due to the Trustee, the Registrar, the Auction Agent, the Remarketing Agent, any Paying Agent or any Authenticating Agent.

In the event the Company should fail to pay any Loan Payments, Additional Payments or Administration Expenses as provided herein when due, the payment in default shall continue as an obligation of the Company until the amount in default shall have been fully paid together with interest thereon during the default period at the Interest Rate for Advances.

Section 4.3. Place of Payments. The Company shall make all Loan Payments directly to the Trustee at its Principal Office. Additional Payments shall be made directly to the person or entity to whom or to which they are due.

Section 4.4. Obligations Unconditional. The obligations of the Company to make Loan Payments, Additional Payments and any payments required of the Company under Section 5.09 of the 2008A Indenture shall be absolute and unconditional, and the Company shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the Company may have or assert against the Issuer, the Trustee, the Registrar, the Remarketing Agent, the Auction Agent, the Paying Agent or any other Person.

Section 4.5. Assignment of Revenues and 2008A Agreement. To secure the payment of Bond Service Charges, the Issuer shall, by the 2008A Indenture, (a) absolutely and irrevocably assign to the Trustee, its successors in trust and its and their assigns, (1) all right, title and interest of the Issuer in and to all moneys and investments (including, without limitation, the proceeds of any Credit Facility) in the Credit Facility Account in the 2008A Bond Fund and (2) all of the Issuer's rights and remedies under this 2008A Agreement (except for the Unassigned Issuer Rights), and (b) grant a security interest to the Trustee, its successors in trust and its and their assigns, in all of the right, title and interest of the Issuer in and to the Revenues (other than the Credit Facility Account, all money and investments therein and the proceeds of any Credit Facility), including, without limitation, all Loan Payments and other amounts receivable by or on behalf of the Issuer under the 2008A Agreement in respect of repayment of the Loan.

Section 4.6. Credit Facility: Cancellation.

(a) The Company may, but shall not be required to, provide for the delivery of a Credit Facility with respect to the Bonds.

(b) The Company agrees to provide for the payment of the principal of and interest on the 2008A Bonds and for payment of the purchase price of 2008A Bonds delivered to the Trustee or Paying Agent pursuant to the 2008A Indenture by causing the Initial Credit Facility to be delivered to the Trustee on the date of the delivery of the 2008A Bonds. The Company hereby authorizes and directs the Trustee to draw moneys under the Credit Facility in accordance with its terms and the terms of the 2008A Indenture, to the extent necessary and permitted by the

terms of the Credit Facility to pay Bond Service Charges when due and to pay the purchase price of the 2008A Bonds. The Company may, at its election and with the consent of the Credit Facility Issuer, provide for one or more extensions of the Credit Facility beyond its then stated date of expiration.

(c) Upon satisfaction of the requirements contained in Section 14.03 of the 2008A Indenture, the Company may provide for the delivery of an Alternate Credit Facility.

(d) Upon satisfaction of the conditions contained in Section 14.02 of the 2008A Indenture, the Company may cancel any Credit Facility then in effect at such time and direct the Trustee in writing to surrender such Credit Facility to the Credit Facility Issuer by which it was issued in accordance with the 2008A Indenture; provided, that no such cancellation shall become effective and no such surrender shall take place until all 2008A Bonds subject to purchase pursuant to Section 4.07(d) of the Indenture have been so purchased or redeemed with the proceeds of such Credit Facility.

Section 4.7. Company's Option to Elect Rate Period: Changes in Auction Date and Length of Auction Periods. The Company shall have, and is hereby granted, the option to elect to convert on any Conversion Date the interest rate borne by the 2008A Bonds to another Variable Rate or to the Auction Rate, to be effective for a Rate Period pursuant to the provisions of Article II of the 2008A Indenture and subject to the terms and conditions set forth therein. Prior to conversion to an Auction Rate, the Company shall designate an Auction Agent; until any such conversion is made any references herein to the Auction Agent and the Broker-Dealer shall be ineffective. When the Bonds bear interest at an Auction Rate, the Company also shall have the option to direct the change of Auction Dates and/or the length of Auction Periods (as such terms are defined in the 2008A Indenture) in accordance with the 2008A Indenture. To exercise such options, the Company shall give the written notice required by the 2008A Indenture.

Section 4.8. Company's Obligation to Purchase 2008A Bonds. The Company hereby agrees to pay or cause to be paid to the Trustee or the Paying Agent, on or before each day on which 2008A Bonds may be or are required to be tendered for purchase, amounts equal to the amounts to be paid by the Trustee or the Paying Agent with respect to the 2008A Bonds tendered for purchase on such dates pursuant to Article IV of the 2008A Indenture; provided, however, that the obligation of the Company to make any such payment under this Section shall be reduced by the amount of (A) moneys paid by the Remarketing Agent as proceeds of the remarketing of such 2008A Bonds by the Remarketing Agent, (B) moneys drawn under a Credit Facility, if any, for the purpose of paying such purchase price and (C) other moneys made available by the Company, as set forth in Section 4.08(b)(ii) of the 2008A Indenture.

(End of Article IV)

ARTICLE V.

ADDITIONAL AGREEMENTS AND COVENANTS

Section 5.1. Right of Inspection. The Company agrees that, subject to reasonable security and safety regulations and to reasonable requirements as to notice, the Issuer and the Trustee and their or any of their respective duly authorized agents shall have the right at all reasonable times to enter upon the Project Site to examine and inspect the Project.

Section 5.2. Maintenance. The Company shall use its best efforts to keep and maintain the Project Facilities, including all appurtenances thereto and any personal property therein or thereon, in good repair and good operating condition so that the Project Facilities will continue to constitute Pollution Control Facilities for the purposes of the operation thereof as required by Section 5.4 hereof.

So long as such shall not be in violation of the Act or impair the character of the Project Facilities as Pollution Control Facilities and provided there is continued compliance with applicable laws and regulations of governmental entities having jurisdiction thereof, the Company shall have the right to remodel the Project Facilities or make additions, modifications and improvements thereto, from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, the cost of which remodeling, additions, modifications and improvements shall be paid by the Company and the same shall, when made, become a part of the Project Facilities.

Section 5.3. Removal of Portions of the Project Facilities. The Company shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary portions of the Project Facilities, except that, subject to Section 5.4 hereof, it will use its best efforts to ensure the continued character of the Project Facilities as Pollution Control Facilities. The Company shall have the right from time to time to substitute personal property or fixtures for any portions of the Project Facilities, provided that the personal property or fixtures so substituted shall not impair the character of the Project Facilities as Pollution Control Facilities. Any such substituted property or fixtures shall, when so substituted, become a part of the Project Facilities. The Company shall also have the right to remove any portion of the Project Facilities, without substitution therefor; provided, that the Company shall deliver to the Trustee a certificate signed by an Engineer describing said portion of the Project Facilities and stating that the removal of such property or fixtures will not impair the character of the Project Facilities as Pollution Control Facilities.

Section 5.4. Operation of Project Facilities. The Company will, subject to its obligations and rights to maintain, repair or remove portions of the Project Facilities, as provided in Sections 5.2 and 5.3 hereof, use its best efforts to continue operation of the Project Facilities so long as and to the extent that operation thereof is required to comply with laws or regulations of governmental entities having jurisdiction thereof or unless the Issuer shall have approved the discontinuance of such operation (which approval shall not be unreasonably withheld). The Company agrees that it will, within the design capacities thereof, use its best efforts to operate

and maintain the Project Facilities in accordance with all applicable, valid and enforceable rules and regulations of governmental entities having jurisdiction thereof; provided, that the Company reserves the right to contest in good faith any such laws or regulations.

Nothing in this 2008A Agreement shall prevent or restrict the Company, in its sole discretion, at any time, from discontinuing or suspending either permanently or temporarily its use of any facility of the Company served by the Project Facilities and in the event such discontinuance or suspension shall render unnecessary the continued operation of the Project Facilities, the Company shall have the right to discontinue the operation of the Project Facilities during the period of any such discontinuance or suspension.

Section 5.5. Insurance. The Company shall cause the Project Facilities to be kept insured against fire or other casualty to the extent that property of similar character is usually so insured by companies similarly situated and operating like properties (including self-insurance and self-insured retentions or deductibles generally consistent with industry practice), to a reasonable amount by reputable insurance companies or, in lieu of or supplementing such insurance in whole or in part, adopt some other method or plan of protection against loss by fire or other casualty at least equal in protection to the method or plan of protection against loss by fire or other casualty of companies similarly situated and operating properties subject to similar or greater fire or other hazards or on which properties an equal or higher primary fire or other casualty insurance rate has been set by reputable insurance companies.

Section 5.6. Workers' Compensation Coverage. Throughout the term of this 2008A Agreement, the Company shall comply, or cause compliance, with applicable workers' compensation laws of the State.

Section 5.7. Damage: Destruction and Eminent Domain. If, during the term of this 2008A Agreement, the Project Facilities or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project Facilities or any portion thereof shall have been taken by the exercise of the power of eminent domain, the Company (unless it shall have exercised its option to prepay the Loan Payments pursuant to Section 6.2 hereof) shall promptly repair, rebuild or restore the portion of the Project Facilities so damaged, destroyed or taken with such changes, alterations and modifications (including the substitution and addition of other property) as may be necessary or desirable for the administration and operation of the Project Facilities as Pollution Control Facilities and as shall not impair the character or significance of the Project Facilities as furthering the purposes of the Act.

Section 5.8. Company to Maintain its Existence; Conditions Under Which Exceptions Permitted. The Company agrees that, during the term of this 2008A Agreement, it will maintain its existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or other entity or permit one or more other corporations or other entities to consolidate with or merge into it; provided that the Company may, without violating its agreement contained in this Section, consolidate with or merge into another corporation or other entity, or permit one or more other entities to consolidate

with or merge into it, or sell or otherwise transfer to another entity all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee entity, as the case may be (if other than the Company), is a corporation or other entity organized and existing under the laws of one of the states of the United States, and assumes in writing all of the obligations of the Company herein, and, if not organized under the laws of Kentucky, is qualified to do business in the State.

If consolidation, merger or sale or other transfer is made as provided in this Section, the provisions of this Section shall continue in full force and effect and no further consolidation, merger or sale or other transfer shall be made except in compliance with the provisions of this Section.

Section 5.9. Indemnification.

(a) The Company releases the Issuer from, agrees that the Issuer, the Trustee and the State shall not be liable for, and shall indemnify, defend and hold harmless the Issuer and the State from and against all liabilities, claims, costs, loss, penalty, tax and expenses, including attorneys fees and expenses of any nature imposed upon, incurred or asserted against the Issuer, the Trustee or the State on account of: (i) the acceptance or administration of the 2008A Indenture by the Trustee or the performance of the Issuer's duties thereunder, except with respect to liability from such Trustee's gross negligence or willful misconduct in connection with such action taken; (ii) any loss or damage to property or injury to or death of or loss by any person that may be occasioned by any cause whatsoever pertaining to the maintenance, operation or use, non-use, condition or occupancy of the Project or a part thereof; (iii) any breach or default on the part of the Company in the performance of any covenant or agreement of the Company under this 2008A Agreement, the Bond Purchase Agreement or any contract or other document related to the Project or a part thereof, or arising from any act or failure to act or misrepresentation by the Company, or any of the Company's agents, contractors, servants, employees or licensees; (iv) violation of any law, ordinance, or regulation arising out of the ownership, occupancy, or use of the Project or a part thereof; (v) any act, omitted act, or misrepresentation by the Issuer in connection with or in the performance of any obligation related to the issuance, sale, or delivery of (or failure to issue, sell, or deliver) the 2008A Bonds under this 2008A Agreement or the 2008A Indenture, or any other agreement executed by or on behalf of the Issuer (provided that nothing in this clause should be construed to indemnify or release the Issuer from any liability which it would otherwise have had arising from the intentional misrepresentation or willful misconduct on the part of the Issuer); (vi) the authorization, issuance, failure to issue, sale, remarketing, trading, redemption or servicing of the 2008A Bonds, and the provision of any information or certification furnished in connection therewith concerning the 2008A Bonds, the Project or the Company including, without limitation, the Official Statement (as defined in the Bond Purchase Agreement), any information furnished by the Company for, and included in, or used as a basis for preparation of, any certifications, information statements or reports furnished by the Issuer (including, without limitation, IRS Form 8038), and any other information or certification obtained from the Company to assure the exclusion of the interest on the 2008A Bonds from gross income of the holders thereof for federal income tax purposes; (vii) the

Company's failure to comply with, any requirement of this 2008A Agreement or the Code pertaining to such exclusion of that interest, including the covenants in Section 5.10 hereof and in the Tax Certificate; and (viii) any claim, action or proceeding brought with respect to the matters set forth in (i), (ii), (iii), (iv), (v), (vi) or (vii) above, except as limited or excluded based upon gross negligence, willful misconduct or intentional misrepresentation.

The Company agrees to indemnify the Trustee for, and to hold it harmless against, all liabilities, claims, and reasonable costs and expenses, including counsel fees and expenses, incurred without gross negligence or willful misconduct on the part of the Trustee on account of any action taken or omitted to be taken by the Trustee in accordance with the terms of this 2008A Agreement, the 2008A Bonds or the 2008A Indenture, or any action taken at the request of or with the consent of the Company, including the reasonable costs and expenses of the Trustee in defending itself against any such claim, action or proceeding brought in connection with the exercise or performance of any of its powers or duties under this 2008A Agreement, the 2008A Bonds or the 2008A Indenture.

In case any action or proceeding is brought against the Issuer or the Trustee in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Company, and the Company upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Company from any of the Company's obligations under this Section unless that failure materially prejudices the defense of the action or proceeding by the Company. An indemnified party at its own expense may employ separate counsel and participate in the defense, unless (i) the Company and the indemnified party shall have mutually agreed to the retention of such counsel, or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Company and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The Company shall not be liable for any settlement made without the Company's consent.

The release and indemnification by the Company set forth above is intended to and shall include the release and indemnification of all affected officials, directors, members, officers, employees, attorneys, agents, successors and assigns of the Issuer and the Trustee, respectively, past, present or future. Each release and/or indemnification is intended to and shall be enforceable by the Issuer and the Trustee, respectively, to the full extent permitted by law.

(b) Notwithstanding the foregoing, the Company shall be entitled to pursue its remedies against the Issuer for damages to the Company resulting directly from personal injury or property damage caused by the gross negligence or willful misconduct of the Issuer.

(c) No covenant or agreement contained in the 2008A Bonds or this 2008A Agreement shall be deemed to be a covenant or agreement of any member of the Issuer or of any officer or employee of the Issuer in his or her individual capacity, and neither the Issuer nor any officer or employee of the Issuer executing the 2008A Bonds shall be liable personally on the

2008A Bonds or be subject to any personal liability or accountability by reason of the issuance of the 2008A Bonds.

(d) The indemnity set forth herein shall be in addition to any other obligations of the Company to the holder or amounts due hereunder to the Issuer or at common law or otherwise, and shall survive any termination of this 2008A Agreement, the resignation or removal of the Trustee and the payment of all obligations hereunder.

Section 5.10. Company Not to Adversely Affect Exclusion of Interest on 2008A Bonds from Gross Income for Federal Income Tax Purposes. The Company hereby covenants and represents that it has taken and caused to be taken and shall take and cause to be taken all actions that may be required of it for the interest on the 2008A Bonds to be and remain excluded from the gross income of the Holders for federal income tax purposes, and that it has not taken or permitted to be taken on its behalf, and covenants that it will not take, or permit to be taken on its behalf, any action which, if taken, would adversely affect that exclusion under the provisions of the Code.

Section 5.11. Ownership of Project; Use of Project. The Issuer agrees that it does not have and shall not have any interest in, title to or ownership of the Project or the Project Site. The Issuer does hereby covenant and agree that it will not take any action, or cause any action to be taken on its behalf, during the term of this 2008A Agreement, other than pursuant to Article VII of this 2008A Agreement or Article VII of the 2008A Indenture, to interfere with the Company's ownership interest in the Project or to prevent the Company from having possession, custody, use and enjoyment of the Project, except such action as is requested by the Trustee in enforcing any remedies available to it under this 2008A Agreement or the 2008A Indenture.

Section 5.12. Assignment by Company. Notwithstanding any other provision of this 2008A Agreement, this 2008A Agreement may be assigned in whole or in part by the Company and the Project may be sold or conveyed by the Company without the necessity of obtaining the consent of either the Issuer or the Trustee and after providing written notice to the Issuer but, subject, however, to each of the following conditions:

(a) The Company must provide the Trustee and the Remarketing Agent with an Opinion of Bond Counsel that such action will not affect the exclusion of interest on the 2008A Bonds for federal income tax purposes.

(b) The Company shall, within 30 days after execution thereof, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of each such assignment together with any instrument of assumption.

(c) Any assignment from the Company shall not materially impair fulfillment of the Project Purposes to be accomplished by operation of the Project as herein provided.

(End of Article V)

ARTICLE VI.

REDEMPTION

Section 6.1. Optional Redemption. Provided no Event of Default shall have occurred and be subsisting, at any time and from time to time, the Company may deliver moneys to the Trustee in addition to Loan Payments or Additional Payments required to be made and direct the Trustee to use the moneys so delivered for the purpose of calling 2008A Bonds for optional redemption in accordance with the applicable provisions of the 2008A Indenture providing for optional redemption at the redemption price stated in the 2008A Indenture. Pending application for those purposes, any moneys so delivered shall be held by the Trustee in a special account in the 2008A Bond Fund and delivery of those moneys shall not, except as set forth in Section 4.1 hereof, operate to abate or postpone Loan Payments or Additional Payments otherwise becoming due or to alter or suspend any other obligations of the Company under this 2008A Agreement.

Section 6.2. Extraordinary Optional Redemption. The Company shall have, subject to the conditions hereinafter imposed, the option during a Term Rate Period to direct the redemption of the 2008A Bonds in whole or in part in accordance with Section 4.01(a) of the 2008A Indenture upon the occurrence of any of the following events:

(a) The Project Facilities or the Generating Station shall have been damaged or destroyed to such an extent that (1) the Project Facilities or the Generating Station cannot reasonably be expected to be restored, within a period of six consecutive months, to the condition thereof immediately preceding such damage or destruction or (2) the Company is reasonably expected to be prevented from carrying on its normal use and operation of the Project Facilities or the Generating Station for a period of six consecutive months.

(b) Title to, or the temporary use of, all or a significant part of the Project Facilities or the Generating Station shall have been taken under the exercise of the power of eminent domain to such an extent that (1) the Project Facilities or the Generating Station cannot reasonably be expected to be restored within a period of six consecutive months to a condition of usefulness comparable to that existing prior to the taking or (2) the Company is reasonably expected to be prevented from carrying on its normal use and operation of the Project Facilities or the Generating Station for a period of six consecutive months.

(c) As a result of any changes in the Constitution of the State, the Constitution of the United States of America or any state or federal laws or as a result of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after any contest thereof by the Issuer or the Company in good faith, this 2008A Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in this Agreement.

(d) Unreasonable burdens or excessive liabilities shall have been imposed upon the Issuer or the Company with respect to the Project Facilities or the Generating Station or the

operation thereof, including, without limitation, the imposition of federal, state or other ad valorem, property, income or other taxes other than ad valorem taxes at the rates presently levied upon privately owned property used for the same general purpose as the Project Facilities or the Generating Station.

(e) Changes in the economic availability of raw materials, operating supplies, energy sources or supplies or facilities (including, but not limited to, facilities in connection with the disposal of industrial wastes) necessary for the operation of the Project Facilities or the Generating Station for the Project Purposes occur or technological or other changes occur which the Company cannot reasonably overcome or control and which in the Company's reasonable judgment render the Project Facilities or the Generating Station uneconomic or obsolete for the Project Purposes.

(f) Any court or administrative body shall enter a judgment, order or decree, or shall take administrative action, requiring the Company to cease all or any substantial part of its operations served by the Project Facilities or the Generating Station to such extent that the Company is or will be prevented from carrying on its normal operations at the Project Facilities or the Generating Station for a period of six consecutive months.

(g) The termination by the Company of operations at the Generating Station.

The amount payable by the Company in the event of its exercise of the option granted in this Section shall be the sum of the following:

(i) An amount of money which, when added to the moneys and investments held to the credit of the 2008A Bond Fund, will be sufficient pursuant to the provisions of the 2008A Indenture to pay, at a redemption price of 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date, and discharge, all or such portion of Outstanding Bonds then being redeemed on the earliest applicable redemption date, that amount to be paid to the Trustee, plus

(ii) An amount of money equal to the Additional Payments relating to those 2008A Bonds accrued and to accrue until actual final payment and redemption of those 2008A Bonds, that amount or applicable portions thereof to be paid to the Trustee or to the Persons to whom those Additional Payments are or will be due.

The requirement of (ii) above with respect to Additional Payments to accrue may be met if provisions satisfactory to the Trustee and the Issuer are made for paying those amounts as they accrue.

The rights and options granted to the Company in this Section may be exercised whether or not the Company is in default hereunder; provided, that such default will not relieve the Company from performing those actions which are necessary to exercise any such right or option granted hereunder.

Section 6.3. Mandatory Redemption. The Company shall deliver to the Trustee the moneys needed to redeem the 2008A Bonds in accordance with any mandatory redemption provisions relating thereto as may be set forth in Section 4.01(b) of the 2008A Indenture.

Section 6.4. Notice of Redemption. In order to exercise an option granted in, or to consummate a redemption required by, this Article VI, the Company shall, within 180 days following the event authorizing the exercise of such option, or at any time during the continuation of the condition referred to in paragraphs (c), (d) or (e) of Section 6.2 hereof, or at any time that optional redemption of the 2008A Bonds is permitted under the 2008A Indenture as provided in Section 6.1 hereof, or promptly upon the occurrence of a Determination of Taxability, give written notice to the Issuer and the Trustee that it is exercising its option to direct the redemption of 2008A Bonds, or that the redemption thereof is required by Section 4.01(b) of the 2008A Indenture due to the occurrence of a Determination of Taxability, as the case may be, in accordance with the 2008A Agreement and the 2008A Indenture, and shall specify therein the date on which such redemption is to be made, which date shall not be more than 180 days from the date such notice is mailed. The Company shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption to the Holders of the 2008A Bonds, in which arrangements the Issuer shall cooperate.

Section 6.5. Actions by Issuer. Subject to Section 4.2 hereof, at the request of the Company or the Trustee, the Issuer shall take all steps required of it under the applicable provisions of the 2008A Indenture or the 2008A Bonds to effect the redemption of all or a portion of the 2008A Bonds pursuant to this Article VI.

(End of Article VI)

ARTICLE VII.

EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Events of Default. Each of the following shall be an Event of Default:

(a) The occurrence of an event of default as defined in Section 7.01 (a), (b), (c) or (d) of the 2008A Indenture;

(b) The Company shall fail to observe and perform any other agreement, term or condition contained in this 2008A Agreement, other than such failure as will have resulted in an event of default described in (a) above and the continuation of that failure for a period of 90 days after notice thereof shall have been given to the Company by the Issuer or the Trustee, or for such longer period as the Issuer and the Trustee may agree to in writing; provided, that failure shall not constitute an Event of Default so long as the Company institutes curative action within the applicable period and diligently pursues that action to completion within 150 days after the expiration of initial cure period as determined above, or within such longer period as the Issuer and the Trustee may agree to in writing;

(c) By decree of a court of competent jurisdiction the Company shall be adjudicated a bankrupt, or an order shall be made approving a petition or answer filed seeking reorganization or readjustment of the Company under the federal bankruptcy laws or other law or statute of the United States of America or of the state of incorporation of the Company or of any other state, or, by order of such a court, a trustee in bankruptcy, a receiver or receivers shall be appointed of all or substantially all of the property of the Company, and any such decree or order shall have continued unstayed on appeal or otherwise and in effect for a period of sixty (60) days; and

(d) The Company shall file a petition in voluntary bankruptcy or shall make an assignment for the benefit of creditors or shall consent to the appointment of a receiver or receivers of all or any part of its property, or shall file a petition seeking reorganization or readjustment under the Federal bankruptcy laws or other law or statute of the United States of America or any state thereof, or shall file a petition to take advantage of any debtors' act.

Notwithstanding the foregoing, if, by reason of Force Majeure, the Company is unable to perform or observe any agreement, term or condition hereof which would give rise to an Event of Default under subsection (b) hereof, the Company shall not be deemed in default during the continuance of such inability. However, the Company shall promptly give notice to the Trustee and the Issuer of the existence of an event of Force Majeure and shall use its best efforts to remove the effects thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within its discretion.

The exercise of remedies hereunder shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding that declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Section 7.2. Remedies on Default. Whenever an Event of Default shall have happened and be subsisting, either or both of the following remedial steps may be taken:

(a) The Issuer or the Trustee may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Company, only, however, insofar as they pertain to the Project; or

(b) The Issuer or the Trustee may pursue all remedies now or hereafter existing at law or in equity to recover all amounts, including all Loan Payments and Additional Payments and under Section 4.8 hereof the purchase price of 2008A Bonds tendered for purchase, then due and thereafter to become due under this 2008A Agreement, or to enforce the performance and observance of any other obligation or agreement of the Company under this 2008A Agreement.

Notwithstanding the foregoing, the Issuer shall not be obligated to take any step which in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to the Issuer at no cost or expense to the Issuer. Any amounts collected as Loan Payments or applicable to Loan Payments and any other amounts which would be applicable to payment of Bond Service Charges collected pursuant to action taken under this Section shall be paid into the 2008A Bond Fund and applied in accordance with the provisions of the 2008A Indenture or, if the outstanding 2008A Bonds have been paid and discharged in accordance with the provisions of the 2008A Indenture, shall be paid as provided in Section 5.08 of the 2008A Indenture for transfers of remaining amounts in the 2008A Bond Fund.

The provisions of this Section are subject to the further limitation that the rescission and annulment by the Trustee of its declaration that all of the 2008A Bonds are immediately due and payable also shall constitute a rescission and annulment of any corresponding declaration made pursuant to this Section and a rescission and annulment of the consequences of that declaration and of the Event of Default with respect to which that declaration has been made, provided that no such rescission and annulment shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Section 7.3. No Remedy Exclusive. No remedy conferred upon or reserved to the Issuer or the Trustee by this 2008A Agreement 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 2008A Agreement, or now or hereafter existing at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair that right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than any notice required by law or for which express provision is made herein.

Section 7.4. Agreement to Pay Attorneys' Fees and Expenses. If an Event of Default should occur and the Issuer or the Trustee should incur expenses, including attorneys' fees, in

connection with the enforcement of this 2008A Agreement or the collection of sums due hereunder, the Company shall be required, to the extent permitted by law, to reimburse the Issuer and the Trustee, as applicable, for the expenses so incurred upon demand.

Section 7.5. No Waiver. No failure by the Issuer or the Trustee to insist upon the strict performance by the Company of any provision hereof shall constitute a waiver of their right to strict performance and no express waiver shall be deemed to apply to any other existing or subsequent right to remedy the failure by the Company to observe or comply with any provision hereof.

Section 7.6. Notice of Default. The Company shall notify the Trustee and the Issuer immediately if it becomes aware of the occurrence of any Event of Default hereunder or of any fact, condition or event which, with the giving of notice or passage of time or both, would become an Event of Default.

(End of Article VII)

ARTICLE VIII.

MISCELLANEOUS

Section 8.1. Term of Agreement. This 2008A Agreement shall be and remain in full force and effect from the date of delivery of the 2008A Bonds to the Underwriter until such time as (i) all of the 2008A Bonds shall have been fully paid (or provision made for such payment) pursuant to the 2008A Indenture, and the 2008A Indenture has been released pursuant to Section 9.01 thereof and (ii) all other sums payable by the Company under this 2008A Agreement shall have been paid; provided, however, the obligations of the Company under Sections 4.2 and 5.9 hereof shall survive any termination of this 2008A Agreement.

Section 8.2. Amounts Remaining in Funds. Any amounts in the 2008A Bond Fund remaining unclaimed by the Holders of 2008A Bonds for four years after the due date thereof (whether at stated maturity, by redemption, upon acceleration or otherwise), at the option of the Company, shall be deemed to belong to and shall be paid, subject to Section 5.07 of the 2008A Indenture, at the written request of the Company, to the Company by the Trustee. With respect to that principal of and any premium and interest on the 2008A Bonds to be paid from moneys paid to the Company pursuant to the preceding sentence, the Holders of the 2008A Bonds entitled to those moneys shall look solely to the Company for the payment of those moneys. Further, any amounts remaining in the 2008A Bond Fund and any other special funds or accounts created under this 2008A Agreement or the 2008A Indenture, except the 2008A Rebate Fund, after all of the 2008A Bonds shall be deemed to have been paid and discharged under the provisions of the 2008A Indenture and all other amounts required to be paid under this 2008A Agreement and the 2008A Indenture have been paid, shall be paid to the Company to the extent that those moneys are in excess of the amounts necessary to effect the payment and discharge of the Outstanding Bonds.

Section 8.3. Notices. All notices, certificates, requests or other communications hereunder shall be in writing, except as provided in Section 3.4 hereof, and shall be deemed to be sufficiently given when mailed by registered or certified mail, postage prepaid, and addressed to the appropriate Notice Address. A duplicate copy of each notice, certificate, request or other communication given hereunder to the Issuer, the Company, the Trustee or any Credit Facility Issuer shall also be given to the others. The Company, the Issuer, the Trustee and any Credit Facility Issuer, by notice given hereunder, may designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 8.4. Extent of Covenants of the Issuer; No Personal Liability. All covenants, obligations and agreements of the Issuer contained in this 2008A Agreement or the 2008A Indenture shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future member, officer, agent or employee of the Issuer in other than his official capacity, and neither the members of the Issuer nor any official executing the 2008A Bonds shall be liable personally on the 2008A Bonds or be subject to any personal liability or accountability

by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Issuer contained in this 2008A Agreement or in the 2008A Indenture.

Section 8.5. Binding Effect. This 2008A Agreement shall inure to the benefit of and shall be binding in accordance with its terms upon the Issuer, the Company and their respective permitted successors and assigns provided that this 2008A Agreement may not be assigned by the Company (except as permitted under Sections 5.8 or 5.12 hereof) and may not be assigned by the Issuer except to (i) the Trustee pursuant to the 2008A Indenture or as otherwise may be necessary to enforce or secure payment of Bond Service Charges or (ii) any successor public body to the Issuer.

Section 8.6. Amendments and Supplements. Except as otherwise expressly provided in this 2008A Agreement or the 2008A Indenture, subsequent to the issuance of the 2008A Bonds and prior to all conditions provided for in the 2008A Indenture for release of the 2008A Indenture having been met, this 2008A Agreement may not be effectively amended, changed, modified, altered or terminated by the parties hereto except with the consents required by, and in accordance with, the provisions of Article XI of the 2008A Indenture, as applicable.

Section 8.7. References to Credit Facility. During such time or times as no Credit Facility is in effect, and during the continuation of any event of default under the Indenture due to a failure by the Credit Facility Issuer to honor a drawing by the Trustee under the Credit Facility then in effect in accordance with the terms thereof, references herein to the Credit Facility Issuer shall be ineffective.

Section 8.8. Execution Counterparts. This 2008A Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

Section 8.9. Severability. If any provision of this 2008A Agreement, or any covenant, obligation or agreement contained herein is determined by a judicial or administrative authority to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. That invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 8.10. Governing Law. This 2008A Agreement shall be deemed to be a contract made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State.

(End of Article VIII)

IN WITNESS WHEREOF, the Issuer and the Company have caused this 2008A Agreement to be duly executed in their respective names, all as of the date hereinbefore written.

COUNTY OF BOONE, KENTUCKY

By: _____
Name: Gary W. Moore
Title: Judge/Executive

Attest:

Blair G. Schroeder, Fiscal Court Clerk

[Issuer's Signature Page to Series 2008A Loan Agreement]

DUKE ENERGY KENTUCKY, INC.

By: _____
Name:
Title:

[Company's Signature Page to Series 2008A Loan Agreement]

EXHIBIT A

“1985 PROJECT” PROJECT DESCRIPTION

EAST BEND STATION POLLUTION CONTROL FACILITIES

The Pollution Control Facilities are designed to control the emission of particulates and sulphur dioxide to the atmosphere and various pollutants to the Ohio River.

(1) Electrostatic Precipitator System.

The electrostatic precipitator system will control the release of fly ash and includes the construction and installation of a precipitator and related ductwork and foundation.

(2) Flue Gas Desulfurization System.

The Flue Gas Desulfurization System is designed to control sulfur dioxide present in flue gases. Flue gases will be transmitted from the precipitators to the scrubber, where they will be reacted with a liquefied calcium hydroxide solution utilized in the scrubbing process as a reactive agent. Sulphur dioxide contained in flue gases undergoes chemical reaction upon contact with calcium hydroxide, with resultant formation of noncommercial calcium sulfite and calcium sulfate sludges. The sulphur dioxide scrubber is designed to remove 87% of airborne sulphur dioxide and will also remove a portion of any particulate matter remaining after electrostatic precipitation, before emission of the cleansed gases to the atmosphere. The sulphur dioxide scrubber system will be composed of the scrubber itself, associated ductwork, structural supports and piping, electric elements, reactive tanks for holding the reactive agents, surge tanks, vacuum system and recycling and thickening tanks from which the resulting calcium sulfite and calcium sulfate is dewatered and withdrawn for final disposal. There will also be acquired and installed certain functionally related facilities to prepare reactant materials for use in scrubbers, together with pumps, mixers and holding tanks and conveyors and other transport mechanisms situated at or near reactant reception facilities in close proximity to the generating station for the receipt of reactants and transmission thereof to storage facilities or directly to the sulphur dioxide removal system.

(3) Wastewater Disposal Facilities.

The Wastewater Disposal System includes facilities for the collection, transportation and disposal of wastewater from the boiler room (including sumps, pumps and piping) and a sewage treatment plant with a capacity of 10,000 gallons per day. Wastewater collected from the boiler room will be treated by sedimentation for settleable solids removal, neutralization and oil removal. Sanitary wastes from the Station are treated at the sewage treatment plant to remove settleable solids and biological oxygen demand, chlorinated and discharged to the ash basin.

EXHIBIT B

"1992/1994 PROJECT" PROJECT DESCRIPTION

EAST BEND STATION POLLUTION CONTROL FACILITIES

PART I

THE PROJECT

Facilities to be acquired, constructed and installed at the East Bend Generating Station, Unit 2, and financed in part by proceeds of the 1979 Series A Bonds.

EAST BEND GENERATING STATION UNIT 2

ELECTROSTATIC PRECIPITATORS

Electrostatic precipitators will be installed to serve Unit 2 of the East Bend Generating Station. Unit 2 of the East Bend Generating Station is a new coal-fired steam electric generating unit, and the precipitators are and will be installed simultaneously with construction and installation of the generating unit itself. The electrostatic precipitators, together with functionally related and associated structural supports and ductwork are solely designed and intended to reduce particulate loading of flue gases by removal of flyash and particulates from flue gases exiting the Unit 2 steam boiler. The precipitators are designed to remove 99.6% of particulate emissions and flyash when the steam boiler is being operated. The precipitators operate upon the principle of creation of an electromagnetic field which attracts and captures particulate matter (flyash) from the flue gases. The flyash is then removed and conveyed to silos. Thereafter, the flyash is conveyed by pneumatic systems to a sludge and flyash processing facility or to an ash pond for ultimate disposal.

SULPHUR DIOXIDE REMOVAL SYSTEM

A complete sulphur dioxide removal system (scrubbers) will be provided for the East Bend Generating Station, Unit 2. Following electrostatic precipitation, flue gases will be transmitted from the precipitators to the scrubber, where they will be reacted with a liquefied calcium hydroxide solution utilized in the scrubbing process as a reactive agent. Sulphur dioxide contained in flue gases undergoes chemical reaction upon contact with calcium hydroxide, with

resultant formation of non-commercial calcium sulfite and calcium sulfate sludges. The sulphur dioxide scrubber is designed to remove 87% of airborne sulphur dioxide and will also remove a portion of any particulate matter remaining after electrostatic precipitation, before emission of the cleansed gases to the atmosphere. The sulphur dioxide scrubber system will be composed of the scrubber itself, associated ductwork, structural supports and piping, electric elements, reactive tanks for holding the reactive agents and recycling and thickening tanks from which the resulting calcium sulfite and calcium sulfate is withdrawn for final disposal. There will also be acquired and installed certain functionally related facilities to prepare reactant materials for use in scrubbers, together with pumps, mixers and holding tanks and conveyors and other transport mechanisms situated at or near reactant reception facilities in close proximity to the generating station for the receipt of reactants and transmission thereof to storage facilities or directly to the sulphur dioxide removal system.

SOLID WASTE DISPOSAL FACILITIES

Sludge produced by the sulphur dioxide removal system will be conveyed, together with flyash collected by the electrostatic precipitators, to the sludge and flyash processing facility, where sludge and flyash will be mixed with lime, dewatered and prepared for ultimate disposal. The system consists of receptacles for the storage and handling of flyash, lime and sludge, mixers, sludge pits, pumps, dewatering and solids-formation pads for receipt of the final waste product together with functionally related and subordinate facilities.

COOLING TOWER

A mechanical draft cooling tower with a closed-loop water system will be provided for the East Bend Generating Station, Unit 2. The purpose of the cooling tower is to transfer to the atmosphere the heat absorbed by waters circulated through the condenser, which condenses low pressure steam discharged from the steam driven electric turbine. The closed-loop system with cooling tower is designed to minimize the release of heated water (thermal pollution) to the Ohio River and is required in order to conform to applicable water pollution control regulations. The described water pollution control and abatement facility consists of a mechanical draft cooling tower, pumps, circulating water pipes, structural supports and associated and related equipment. Because a portion of the cost of the closed-loop cooling tower is allocable to cost savings resulting because an alternate facility need not be constructed which would, without any pollution control restrictions, be an adequate facility to cycle water to and from the generating unit, only an incremental portion of the closed-loop cooling tower is deemed to be a Project facility.

WASTEWATER DISPOSAL FACILITIES

Sumps, piping, a sewage treatment plant, a neutralization basin and an ash pond will be acquired and constructed to provide for the disposal of various liquid wastes, including oil, chemicals, contaminated water and flow-off from coal piles.

**ENGINEERING FEES, RESIDENT INSPECTION,
CAPITALIZED INTEREST AND TEST COSTS**

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

PART II

ADDITIONAL POLLUTION CONTROL FACILITIES

The pollution control facilities constituting the Project as described in Part I of this Exhibit B represents a portion of all of the pollution control facilities acquired, constructed and installed at the East Bend Generating Station, Units 1 and 2, which complete pollution control facilities are described in that certain Memorandum of Agreement dated as of February 17, 1976, by and between the County of Boone, Kentucky, The Cincinnati Gas & Electric Company and The Dayton Power and Light Company, as follows:

**DESCRIPTION OF POLLUTION CONTROL FACILITIES
TO BE CONSTRUCTED IN CONNECTION WITH UNIT 1 AND
UNIT 2 OF THE EAST BEND GENERATING STATION
(BOONE COUNTY, KENTUCKY)**

**THE CINCINNATI GAS & ELECTRIC COMPANY
AND
THE DAYTON POWER AND LIGHT COMPANY**

The Project will consist of air, solid waste and water pollution control and abatement facilities and systems. The Project will be installed in conjunction with the construction of Unit 1 and Unit 2 of an electric generation facility now known as the East Bend Generating Station, being constructed by The Cincinnati Gas & Electric Company and The Dayton Power and Light Company, to be situated near the community of Rabbit Hash, in Boone County, Kentucky, on the Ohio River.

The Project facilities and systems hereafter described are designed and are to be installed and utilized solely and only for the collection, removal, abatement, alteration, control, containment and disposition of atmospheric, solid waste and water pollutants so that gaseous and

liquid emissions and sanitary effluent from Unit 1 and Unit 2 of the East Bend Generating Station meet applicable governmental air and water quality standards or limitations.

The following, together with necessary appurtenant and incidental facilities, constitute the major components of the Project:

ELECTROSTATIC PRECIPITATORS

Electrostatic precipitators or other comparable particulate control devices will be constructed in connection with Unit 1 and Unit 2, together with associated structural supports, power modules and electrical substations, and necessary and incidental ductwork. The electrostatic precipitators or other particulate control devices will be designed and intended solely and only to remove flyash and particulate matter from flue gases exiting the coal-fired steam boilers. Such air pollution control devices will be designed to at least meet or exceed applicable governmental air quality standards or limitations.

FLUE GAS DUCT SYSTEMS

Proposed flue gas duct systems will be designed to convey untreated boiler flue gases emitted from the steam boilers to the electrostatic precipitators or comparable particulate control devices where particulate emissions and flyash will be removed.

Induced draft fans and booster fans, as appropriate, will form an integral part of the flue gas duct systems. The system will convey partially cleansed flue gases to the sulphur dioxide removal systems following particulate removal.

FLYASH STORAGE SILOS AND ASSOCIATES FACILITIES

Flyash and particulate loadings removed from boiler flue gases by electrostatic precipitators or other particulate removal devices and collected from economizer hoppers and air heater hoppers will be conveyed either to storage silos for removal from the site in dry form or to proposed waste retention basin or basins, or central storage and removal facilities. Incorporated into all flyash storage silos will be bag-house filter systems for the control of dust.

ASH HANDLING AND TRANSPORT SYSTEMS

Proposed ash handling and transport systems will be either air or water pressure motivated. If water pressure motivated, the systems will utilize blowdown from proposed water cooling towers. If air pressure motivated, the systems will utilize compressors, fans or hydraulic facilities. In either case, the ash handling and transport systems will be designed to convey ash from collection hoppers at various generating station facilities to either (i) storage silos, (ii) ash retention basins, or (iii) other ash disposal facilities. Certain roadways solely for transportation of wastes will be constructed.

WASTE RETENTION BASINS

Proposed waste retention basins, involving substantial land, will be situated at the generating station and will serve no other purpose but to receive, contain and neutralize (i) flyash and particulate matter captured by operation of the electrostatic precipitators or by the dust control systems, (ii) bottom ash produced by operation of the coal-fired steam generators, (iii) liquid wastes produced by coal pile runoffs, chemical spills, oil spills and other causes (with exception of sanitary wastes which are treated by a separate sanitary sewer facility), and (iv) acid and caustic liquid wastes produced by boiler operations. The waste retention basins will allow neutralization of wastes collected therein, will function on the gravity-settling principle and will incorporate barriers and skimmers as appropriate to prevent floating flyash and floating liquid wastes, including waste oils, from being transmitted to the water source (Ohio Rivers).

OIL ELIMINATION SYSTEM

An oil elimination and control system will be incorporated in each generating unit, which will collect oil runoffs, exudations and spills and convey them to a central oil waste receptacle for skimming and separation of oils from watery effluent.

COAL DUST CONTROL SYSTEM

The proposed coal dust control system will provide facilities to prevent atmospheric pollution while coal is being conveyed from the coal storage and/or coal unloading facilities to the boilers. Coal is proposed to be transported from river barges by means of a mechanical unloader and conveyed to transfer houses where it will be crushed and thence delivered to coal storage bunkers by belt conveyors. The coal conveyor systems will be covered as required, and additional coal dust control devices will be employed at each transfer point and at the coal storage bunkers.

WATER COOLING TOWERS AND ASSOCIATED EQUIPMENT

Water cooling towers, complete with all necessary associated equipment, will be provided to remove heat (thermal pollution) from the steam turbine exhausts. The heat will be dissipated to the atmosphere and cooling tower blowdown streams will be utilized as required, to provide motive power for transporting bottom ash, flyash and other wastes to the waste retention basins or other waste disposal facilities.

SANITARY SEWAGE TREATMENT PLANT

A sanitary sewage treatment plant and necessary appurtenances will be constructed upon the generating station site to meet appropriate federal, state and local requirements. Such treatment plant will be adequate to serve all personnel permanently assigned to the generating station as well as all members of construction crews on the premises during construction of the East Bend Generating Station.

SULPHUR DIOXIDE REMOVAL SYSTEMS

Sulphur dioxide removal systems will be installed as appropriate, dependent upon the sulphur content of coal utilized in the generating process and regulatory requirements. Such facilities will be designed to reduce sulphur dioxide emissions to such level as will meet or exceed applicable governmental air quality standards or limitations. The sulphur dioxide removal facilities may utilize either the "wet scrubber" system, or such other system as at the time of design represents the most appropriate technology for the site and will meet or exceed applicable governmental air quality standards or limitations.

SLUDGE RETENTION BASINS

Sulphur dioxide removal systems may produce substantial solid or liquid waste byproducts. Dependent upon the sulphur dioxide removal process used, sludge retention basins will be provided to receive and hold such liquid and/or solid waste products for ultimate disposition.

AUXILIARY FACILITIES ASSOCIATED WITH SULPHUR DIOXIDE REMOVAL EQUIPMENT

Dependent upon the technology to be utilized, the sulphur dioxide removal systems will require facilities for reception of reactant material, together with holding vats or ponds, transmission lines, reactant tanks, pumps, sprays, transmission facilities and other associated structures and facilities.

ELEVATED FLUE GAS DIFFUSER

Proposed elevated flue gas diffusers (chimneys) will be constructed to maximize diffusion of stack gases produced by operation of the generating station.

MONITORING EQUIPMENT

Monitoring equipment, as required by appropriate laws and regulations, will be installed to monitor liquid discharges, solid waste discharges, stack gas discharges and ambient air quality.

ENGINEERING COSTS, RESIDENT INSPECTIONS, TEST COSTS AND ISSUANCE COSTS

Amounts representing engineering costs, resident inspection and testing of Project facilities, together with actual costs of Project facilities and bond issuance costs, will form a part of the Project.

New Issue—Book-Entry-Only

In the opinion of Frost Brown Todd LLC, Bond Counsel, under existing federal statutes, decisions, regulations and rulings, the interest on the Bonds is excludable from gross income of the owners for federal income tax purposes (except for interest on any Bond for any period during which such Bond is held by a person who is a "substantial user" of the Project or a "related person"). Such exclusion is conditioned on continuing compliance with the Tax Covenants (hereinafter defined). Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, but such interest is included in adjusted current earnings in calculating the federal alternative minimum tax imposed on certain corporations. In the opinion of Frost Brown Todd LLC, under existing statutes, decisions, regulations and rulings, the interest on the Bonds is exempt from income taxation in the Commonwealth of Kentucky. See "TAX MATTERS" herein.

\$50,000,000

**County of Boone, Kentucky
Pollution Control Revenue Refunding Bonds
Series 2008A
(Duke Energy Kentucky, Inc. Project)**

Dated: Date of Issuance

Due: August 1, 2027

The Series 2008A Bonds (the "Bonds") will be issued to refund certain outstanding bonds which were issued to refinance a portion of the costs of acquisition, construction, improvement and equipping of certain air and water pollution control facilities and solid waste disposal facilities for Duke Energy Kentucky, Inc.

The Bonds will be special and limited obligations of the County of Boone, Kentucky (the "Issuer"), a de jure county and political subdivision of the Commonwealth of Kentucky, and will be payable solely from and secured exclusively by payments, revenues and other amounts pledged thereto pursuant to an Indenture (described herein). The Bonds do not represent or constitute a debt or pledge of the faith and credit or taxing power of the Issuer or the Commonwealth of Kentucky (the "State") or any political subdivision thereof and the holders and owners of the Bonds will have no right to have any taxes levied by the Issuer or the State or any political subdivision or other taxing authority of the State for the payment or redemption price of, and interest on, the Bonds. See "THE ISSUER" herein. The Bonds will be payable solely, except to the extent paid out of moneys attributable to proceeds thereof, from and secured by an assignment by the Issuer of loan payments to be received under a Loan Agreement with Duke Energy Kentucky, Inc. (the "Company").

From the date of original issuance of the Bonds through September 12, 2011 (subject to extension or earlier termination), the Bonds also will be payable from funds drawn under an irrevocable direct-pay letter of credit issued by Wells Fargo Bank, National Association (the "Bank").

Wells Fargo Bank, National Association

The Letter of Credit will permit the Trustee to draw with respect to the Bonds up to (i) an amount sufficient to pay the principal thereof (or that portion of the purchase price corresponding to principal) plus (ii) interest thereon (or that portion of the purchase price corresponding to interest) at an assumed rate of 13% for at least 48 days.

Interest on the Bonds will accrue initially at the Weekly Rate and will be payable on the first Business Day of each month, commencing January 2, 2009. The Bonds will continue to bear interest at the Weekly Rate until converted to a different Variable Rate or the Auction Rate or until the maturity of the Bonds. Deutsche Bank National Trust Company will serve as Trustee, Paying Agent and Registrar under the Trust Indenture. Wachovia Bank, National Association will serve as Remarketing Agent.

The method for determining the interest rate to be borne by the Bonds may be changed from the Weekly Rate to a Daily Rate, Commercial Paper Rate, an Auction Rate or a Term Rate at the times and in the manner set forth in this Official Statement.

The Bonds will be subject to optional, extraordinary optional and mandatory redemption and optional and mandatory tender prior to maturity, in each case at the price, in the manner and at the time set forth in this Official Statement.

Because the Bonds are secured by the Letter of Credit, this Official Statement does not contain information relating to the Company or its ability to pay principal and purchase price of and interest on the Bonds. The investment decision to purchase the Bonds should be made solely on the basis of the creditworthiness of the Bank, as issuer of the Letter of Credit, from which all principal and purchase price of and interest on the Bonds will be paid.

The Bonds will be issued only as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as a securities depository for the Bonds. Purchases of beneficial interests in the Bonds while bearing interest at the Weekly Rate will be made in book-entry-only form (without certificates) in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof and under certain circumstances are exchangeable as more fully described herein. Principal of and any premium on the Bonds will be payable upon presentation and surrender of the Bonds at the corporate trust office of the Registrar. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to Cede & Co. See "THE BONDS — Book-Entry-Only System" herein.

Price: 100%

The Bonds are offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, the approval of legality by Frost Brown Todd LLC, as Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for Duke Energy Kentucky, Inc. by Robert T. Lucas III, Esq., Associate General Counsel of Duke Energy Corporation, and Richard G. Beach, Esq., Assistant General Counsel of Duke Energy Corporation, as counsel to the Company; for the Issuer by Robert D. Neace, Esq., County Attorney of the Issuer; and for the Underwriter by Squire, Sanders & Dempsey L.L.P. It is expected that delivery of the Bonds in book-entry-only form will be made on or about December 11, 2008 in New York, New York, against payment therefor.

Wachovia Securities

Dated: December 3, 2008

No dealer, broker, salesman or other person has been authorized by the Issuer, Duke Energy Kentucky, Inc. (the "Company") and Wachovia Bank, National Association (the "Underwriter") to give any information or to make any representation with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. Certain information contained herein has been obtained from the Issuer, the Company, the Underwriter and the Bank and other sources which are believed to be reliable.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Neither the Issuer, its counsel, nor any of its members, agents, employees or representatives have reviewed this Official Statement or investigated the statements or representations contained herein, except the Issuer has reviewed the statements relating to the Issuer set forth under the caption "THE ISSUER." Except with respect to the information contained under such caption, neither the Issuer, its counsel (provided that such counsel has not independently investigated the statements contained under such caption), nor any of its officials, agents, employees or representatives makes any representation as to the completeness, sufficiency and truthfulness of the statements set forth in this Official Statement. The officials of the Issuer and any other person executing the Bonds are not subject to personal liability by reason of the issuance of the Bonds. This Official Statement is not to be construed as an agreement or contract between the Issuer and the purchasers or holders of any Bonds.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY STATEMENT	1
THE ISSUER	3
APPLICATION OF PROCEEDS	3
THE BONDS	4
THE LETTER OF CREDIT	23
THE LOAN AGREEMENT	26
THE INDENTURE	30
TAX MATTERS	40
LEGAL MATTERS	42
UNDERWRITING	42

- Appendix A – Duke Energy Kentucky, Inc.
- Appendix B – Wells Fargo Bank, National Association
- Appendix C – Certain Definitions
- Appendix D – Proposed Form of Bond Counsel Opinion

OFFICIAL STATEMENT

\$50,000,000
County of Boone, Kentucky
Pollution Control Revenue Refunding Bonds
Series 2008A
(Duke Energy Kentucky, Inc. Project)

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and Appendices, is provided to furnish information in connection with the offer and sale by the County of Boone, Kentucky (the "Issuer") of \$50,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds, Series 2008A (Duke Energy Kentucky, Inc. Project) (the "Bonds"). The Bonds will be issued under a Trust Indenture, dated as of December 1, 2008 (the "Indenture"), between the Issuer and Deutsche Bank National Trust Company, as trustee (the "Trustee"). The Registrar and Paying Agent will be Deutsche Bank National Trust Company, located in Chicago, Illinois. Terms used as defined terms and not otherwise defined herein are used as defined in the Indenture.

The proceeds of the Bonds will be loaned by the Issuer to Duke Energy Kentucky, Inc. (formerly The Union Light, Heat and Power Company), a public utility and corporation organized and existing under the laws of the State of Kentucky (the "Company"), pursuant to a Loan Agreement dated as of December 1, 2008 (the "Loan Agreement"), between the Company and the Issuer. The Bonds are being issued to refund certain outstanding revenue bonds (the "Refunded Bonds") originally issued by the Issuer to refinance the Company's portion of the costs of certain air and water pollution and solid waste disposal facilities (the "Project Facilities" or "Project") located at the East Bend Generating Station (the "Generating Station") within the boundaries of the Issuer, now owned by the Company. See "APPLICATION OF PROCEEDS." The Company will agree in the Loan Agreement to make payments sufficient to pay when due the principal of and interest and any premium on the Bonds and any other amounts relating thereto, including payments of the purchase price. See "THE LOAN AGREEMENT."

The Company's obligations under the Loan Agreement will be unsecured. There is no requirement in the Indenture for the Company to provide or deliver any security for its obligations under the Loan Agreement. All references in this Official Statement to "Credit Facility" and "Credit Facility Issuer" apply only if a Credit Facility is then in effect.

The Bonds will be dated the date of their original issuance, will mature on the date set forth on the cover page of this Official Statement, will be subject to optional and mandatory tender for purchase, and will be subject to optional, extraordinary optional and mandatory redemption, as provided in the Indenture and as further described in this Official Statement. The Bonds will bear interest initially at Weekly Rates and will continue to bear interest at Weekly Rates until the conversion of the Bonds to a different Rate Period or until the maturity of the

Bonds. The Bonds will be subject to mandatory tender for purchase on any Conversion Date. The method for determining the interest rate to be borne by the Bonds may be changed from the Weekly Rate to a Daily Rate, Commercial Paper Rate, Term Rate or Auction Rate at the times and in the manner set forth in this Official Statement.

Concurrently with, and as a condition to, the issuance of the Bonds, the Company will cause to be delivered an irrevocable, direct-pay letter of credit (the "*Letter of Credit*"), issued by Wells Fargo Bank, National Association (the "*Bank*"), to provide for the timely payment of principal of and interest (calculated for at least 48 days at the maximum rate of 13% per annum) on, and purchase price of, the Bonds. The Company will be required to reimburse the Bank for all amounts drawn by the Trustee under the Letter of Credit pursuant to the terms of the Letter of Credit Agreement, dated as of September 19, 2008 (the "*Credit Agreement*"), between the Company, Duke Energy Indiana, Inc. and the Bank, as a participating bank and as issuer of the Letter of Credit, and certain other participating banks. The Letter of Credit will expire on September 12, 2011, subject to automatic extension, unless terminated or extended.

Upon expiration of the Letter of Credit or any Alternate Credit Facility (see "THE INDENTURE – Cancellation of Credit Facility; Delivery of Alternate Credit Facility"), the Bonds will be subject to mandatory tender for purchase. See "THE BONDS – Mandatory Tenders – Upon Delivery, Cancellation or Expiration of Credit Facility or Replacement with Alternate Credit Facility." As used in this Official Statement, "Bank" or "Credit Facility Issuer" refers to the Bank as the issuer of the Letter of Credit and the issuer of any Alternate Credit Facility delivered in accordance with the Indenture; "Letter of Credit" means the Letter of Credit delivered under the Indenture and, as applicable, any Alternate Credit Facility which may be subsequently delivered in accordance with that Indenture; and "Credit Agreement" refers to the initial Credit Agreement under which the Letter of Credit was issued and any subsequent agreement entered into between the Company and the Bank in connection with the delivery of any Alternate Credit Facility.

The Bonds are special and limited obligations of the Issuer and will be payable solely from and secured exclusively by payments, revenues and other amounts pledged thereto pursuant to the Indenture. The Bonds do not represent or constitute a debt or pledge of the faith and credit or taxing power of the Issuer or the Commonwealth of Kentucky (the "*State*") or any political subdivision thereof and the holders and owners of the Bonds will have no right to have taxes levied by the Issuer or the State or any political subdivision or other taxing authority of the State for the payment or redemption price of, and interest on, the Bonds.

Brief descriptions of the Issuer, the Bonds, the Letter of Credit, the Credit Agreement, the Loan Agreement, and the Indenture are included in this Official Statement. Certain limited information with respect to the Company is included in Appendix A hereto. Appendix B sets forth certain information with respect to the Bank. Appendix C sets forth Certain Definitions. Appendix D contains the proposed form of the opinion of Bond Counsel to be delivered in connection with the issuance and delivery of the Bonds.

All references herein to the documents are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the definitive forms thereof included in the Indenture. Copies of certain of the financing

documents will be available for inspection at the corporate trust office of the Trustee and, until the issuance of the Bonds, may be obtained from the Underwriter. Appendix A to this Official Statement and all information contained under the heading "APPLICATION OF PROCEEDS" has been furnished by the Company. The information contained under the heading "THE BONDS – Book-Entry-Only System" has been furnished by DTC, and none of the Issuer, the Company, the Underwriter or Bond Counsel assumes any responsibility for the accuracy or completeness of such information.

As indicated above, payment of the principal and purchase price of and interest on the Bonds will be supported by the Letter of Credit. An investment decision to purchase the Bonds should be made solely on the basis of the creditworthiness of the Bank. This Official Statement does not contain any financial or operating information relating to the Company or its ability to make payments sufficient to pay the principal and purchase price of or interest on the Bonds. Prospective investors should look solely to the Bank and the Letter of Credit for payments of the principal and purchase price of or interest on the Bonds.

THE ISSUER

The Issuer is a body corporate and politic duly created and existing as a de jure county and political subdivision under the constitution and laws of the State. The Issuer is authorized by Section 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act") (i) to issue Bonds, (ii) to lend proceeds thereof to the Company for the purpose of refunding the Refunded Bonds, and (iii) to enter into and perform its obligations under the Loan Agreement and the Indenture relating to the Bonds. The Issuer, through its legislative body, the Fiscal Court, has adopted an ordinance authorizing the issuance of the Bonds and the execution and delivery of related documents.

Although the Issuer has consented to the use of this Official Statement in connection with the marketing of the Bonds, the Issuer has not participated in the preparation of this Official Statement and, except for the information appearing herein under the caption "THE ISSUER," makes no representation as to its adequacy or accuracy.

APPLICATION OF PROCEEDS

The proceeds of the Bonds will be deposited with the Trustee in the Refunding Fund created under the Indenture to be used, together with investment income thereon, by the Trustee within 90 days of the date of issuance to redeem the Refunded Bonds (described below). The Refunded Bonds will be redeemed at a redemption price of 100% of the principal amount thereof plus accrued interest. The Company will pay the fees and expenses of the Underwriter and other issuance costs from other available moneys of the Company.

The Bonds are being issued to refund the \$50,000,000 County of Boone, Kentucky, Pollution Control Revenue Refunding Bonds, Series 2006A (Duke Energy Kentucky, Inc. Project).

The proceeds of the Refunded Bonds were applied to refinance the Company's portion of the costs of the Project Facilities located at the Generating Station.

The Issuer does not monitor the operation of the Project by the Company but relies upon the representations of the Company contained in the Loan Agreement.

THE BONDS

The Bonds will be issued under the Indenture. Although the Indenture permits the Bonds to be converted to the Auction Mode to bear interest at Auction Period Rates, certain provisions with respect to the Auction Mode, including the Auction Procedures, are not included in this Official Statement.

General

The Bonds will be issued under the Indenture in the aggregate principal amount and mature on the date set forth on the cover page hereof, subject to optional, extraordinary optional and mandatory redemption and optional and mandatory tender prior to maturity as described below. The Bonds will bear interest determined as described below. The Bonds will be issuable as fully registered Bonds without coupons in Authorized Denominations.

The Bonds initially will bear interest at the Weekly Rate until converted at the option of the Company to the Auction Rate or to another Variable Rate in accordance with the Indenture. The permitted Variable Rates are the "Daily Rate," the "Weekly Rate," the "Term Rate" and the "Commercial Paper Rate." Changes in the Variable Rate will be effected, and notice of such changes will be given, as described below in "THE BONDS – Conversions." Authorized Denominations for the Bonds will be (i) for Term Bonds, denominations of \$5,000 or integral multiples thereof, (ii) for Bonds at a Commercial Paper, a Daily or a Weekly Rate, denominations of \$100,000 with integral multiples of \$5,000 in excess thereof and (iii) for Auction Rate Bonds, denominations of \$25,000 or integral multiples thereof.

During a Term Rate Period, payments of principal or redemption price of the Bonds will be payable in clearinghouse funds; provided, however, that at the option of the Paying Agent, such payments may be made in immediately available funds; provided further, that the holder of at least \$1,000,000 in aggregate principal amount of Bonds may deliver a written request to the Paying Agent prior to the applicable Regular Record Date or Special Record Date, and in that case interest accrued will be paid by wire transfer to a bank within the continental United States to such holder, by direct deposit thereof to the account of the holder if such account is maintained with the Paying Agent or, for any holder who has entered into a special agreement with the Paying Agent in accordance with the Indenture, according to the directions contained therein. During any ARS, Commercial Paper, Daily or Weekly Rate Period, payments of principal or redemption price of the Bonds will be payable in immediately available funds. Each Bond will bear interest at the applicable rate determined pursuant to the Indenture for such Interest Period from the last preceding Interest Payment Date for which interest has been paid or duly provided for (or its date if no interest thereon has been paid or duly provided for). Subject to the provisions of the Indenture with respect to the establishment of a Special Record Date, the interest due on any Bond on any Interest Payment Date will be paid to the person in whose name

such Bond is registered as shown on the register on the Regular Record Date. The amount of interest so payable will be computed on the basis of a 365 or 366-day year, as applicable, for the number of days actually elapsed during Commercial Paper, Daily or Weekly Rate Periods, and on the basis of a 360-day year consisting of twelve 30-day months during a Term Rate Period, and as set forth in the Indenture for an ARS Rate Period.

The interest due on any Bond on any Interest Payment Date will be paid to the Person in whose name such Bond is registered as shown on the Register on the Regular Record Date. If and to the extent that the Issuer fails to make payment or provision for payment of interest on any Bond when payable pursuant to the Indenture, that interest will cease to be payable to the Person who was the Holder of that Bond as of the applicable Regular Record Date. When moneys become available for payment of the interest, (i) the Trustee will, pursuant to the Indenture, establish a Special Record Date for the payment of that interest which will be not more than 15 nor fewer than 10 days prior to the date of the proposed payment, and (ii) the Trustee will cause notice of the proposed payment and of the Special Record Date to be mailed by first class mail, postage prepaid, to each Holder at its address as it appears on the Register not fewer than 10 days prior to the Special Record Date and, thereafter, the interest will be payable to the Persons who are the Holders of the Bonds at the close of business on the Special Record Date.

The Bonds initially will be issued solely in book-entry-only form to DTC or its nominee, Cede & Co., to be held in DTC's book-entry-only system. So long as the Bonds are held in the book-entry-only system, DTC or its nominee will be the registered owner or holder of the Bonds for all purposes of the Indenture, the Bonds and this Official Statement. See "THE BONDS – Book-Entry-Only System" below.

Owners may tender their Bonds, and in certain circumstances will be required to tender their Bonds, to the Paying Agent for purchase at the times and in the manner described below under "THE BONDS – Optional Tenders" and "THE BONDS – Mandatory Tenders."

Remarketing Agreement. The Company will enter into a Remarketing Agreement (the "*Remarketing Agreement*") with the Underwriter with respect to the Bonds (together with any successor as remarketing agent under the Indenture, the "*Remarketing Agent*"), which sets forth the Remarketing Agent's duties and responsibilities and provides for the remarketing of Bonds bearing an interest rate other than an Auction Rate. For each Rate Period, the interest rate for the Bonds will be determined by the Remarketing Agent in accordance with the Indenture; provided that, the interest rate or rates borne by the Bonds may not exceed the least of (a) 13% per annum, (b) the maximum rate of interest permitted under State law, or (c) in the case of Bonds bearing interest at a Variable Rate, the maximum rate of interest permitted by any Credit Facility then in effect (the "*Maximum Interest Rate*"). See also "THE INDENTURE – Remarketing Agent." The maximum rate of interest permitted by the Letter of Credit is 13% per annum.

Summary of Certain Provisions of the Bonds

The following table summarizes, for each of the permitted Variable Rates: the dates on which interest will be paid (Interest Payment Dates), provided that the initial Interest Payment Date will be January 2, 2009; the dates on which each interest rate will be determined (Interest Rate Determination Dates); the period of time (Rate Periods) each interest rate will be in effect (provided that the initial Rate Period for each Variable Rate may begin on a different date from that specified, which date will be the Conversion Date); the dates on which registered owners may tender their Bonds for purchase to the Paying Agent and the notice requirements therefor (Optional Tender on Demand of Owner; Notice of Tender); the dates on which Bonds are subject to mandatory tender (Mandatory Tender for Purchase), provided that references to the Credit Facility should be disregarded if a Credit Facility is not then in effect; the purchase price applicable to the Bonds (Purchase Price); and the notice requirements for redemption and mandatory purchase (Notices of Redemption and Mandatory Purchase). All times stated are New York City time.

	<u>DAILY RATE</u>	<u>WEEKLY RATE</u>
Interest Payment Dates	The first Business Day of each calendar month to which interest at such rate has accrued.	The first Business Day of each calendar month to which interest at such rate has accrued.
Interest Rate Determination Dates	Not later than 10:30 a.m. on each Business Day	Not later than 10:00 a.m. on the first day of each Weekly Rate Period
Rate Periods	From and including each Business Day to but not including the next Business Day	From and including each Wednesday to and including the following Tuesday
Optional Tender on Demand of Owner; Notice of Tender	Any Business Day; upon telephonic (promptly confirmed in writing) or electronic notice to the Paying Agent by 11:00 a.m. on such Business Day.	Any Business Day; by written or electronic notice to the Paying Agent at or before 5:00 p.m. on a Business Day at least seven days prior to the purchase date.
Mandatory Tenders for Purchase	Any Conversion Date; the date of delivery of a Credit Facility; the Interest Payment Date preceding the cancellation or expiration of the Credit Facility; the Interest Payment Date on which the Credit Facility is replaced with an Alternate Credit Facility	Any Conversion Date; the date of delivery of a Credit Facility; the Interest Payment Date preceding the cancellation or expiration of the Credit Facility; the Interest Payment Date on which the Credit Facility is replaced with an Alternate Credit Facility.
Purchase Price	100% of principal amount thereof plus accrued interest, if any	100% of principal amount thereof plus accrued interest, if any.
Notices of Redemption and Mandatory Purchase	Not fewer than 30 days or greater than 90 days notice of redemption; not fewer than 15 days notice of mandatory purchase	Not fewer than 30 days or greater than 90 days notice of redemption; not fewer than 15 days notice of mandatory purchase

COMMERCIAL PAPER RATE

TERM RATE

Interest Payment Dates	The first Business Day following the last day of each Commercial Paper Rate Period applicable thereto.	The first day of the sixth calendar month following the month in which the Term Rate Period begins and the first day of each sixth calendar month thereafter, except that the last Interest Payment Date for any Term Rate Period which is followed by a conversion to a Daily, Weekly or Commercial Paper Rate Period (but not a conversion to Term Rate Period of a different duration) will be the first Business Day of the sixth calendar month following the month in which the immediately preceding Interest Payment Date occurs
Interest Rate Determination Dates	Not later than 1:00 p.m. on the first day of each Commercial Paper Rate Period.	Not later than 12:00 noon on the Business Day immediately preceding the commencement date of each Term Rate Period.
Rate Periods	From and including the commencement date of such Commercial Paper Rate Period to and including the last day thereof; provided that each such Period will be from one day to 270 days in length.	From and including the commencement date of such Term Rate Period through and including the last day thereof
Optional Tender on Demand of Owner; Notice of Tender	No optional tender on demand of owner.	No optional tender on demand of owner.
Mandatory Tenders for Purchase	Each Interest Payment Date applicable to such Bond; any Conversion Date; the date of delivery of a Credit Facility; the Interest Payment Date preceding the cancellation or expiration of the Credit Facility; the Interest Payment Date on which the Credit Facility is replaced with an Alternate Credit Facility.	On the Business Day immediately succeeding the last day of each Term Rate Period; any Conversion Date, including from a Term Rate Period to a Term Rate Period of a different duration; the date of delivery of a Credit Facility; the Interest Payment Date preceding the cancellation or expiration of the Credit Facility; the Interest Payment Date on which the Credit Facility is replaced with an Alternate Credit Facility.
Purchase Price	100% of principal amount thereof.	100% of the principal amount thereof (except in connection with a conversion to a Term Rate Period to the Maturity Date), provided that Bonds bearing interest at a Term Rate which are tendered on a day on which those Bonds are subject to optional redemption at a redemption price of more than 100% of the principal amount will be purchased at a price equal to that redemption price.
Notices of Redemption and Mandatory Purchase	Not fewer than 30 days or greater than 90 days notice of redemption; not fewer than 15 days notice of mandatory purchase, except that no notice will be given in connection with a mandatory purchase on the Interest Payment Date applicable to a Bond bearing interest at the Commercial Paper Rate.	Not fewer than 30 days or greater than 90 days notice of redemption; not fewer than 15 days notice of mandatory purchase, except not fewer than 30 days notice in the case of a conversion from a Term Rate Period

Interest Rate Determination Methods

Determination of Interest Rates and Rate Periods (other than Auction Rate). Each interest rate to be determined by the Remarketing Agent will be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value on the commencement date of such Rate Period equal to the principal amount thereof plus accrued and unpaid interest, if any, under prevailing market conditions as of the date of determination, except as provided below in connection with a conversion to a Term Rate Period to the Maturity Date. In no event will the Variable Rate be an interest rate in excess of the Maximum Interest Rate. All determinations of Variable Rates, including Commercial Paper Rate Periods and Term Rate Periods, pursuant to the Indenture will be conclusive and binding upon the Issuer, the Company, the Trustee, the Paying Agent, the Credit Facility Issuer and the holders of the Bonds. The Variable Rate in effect for Bonds during any Rate Period will be available to Holders on the date such Variable Rate is determined, between 1:00 p.m. and 5:00 p.m., New York City time, from the Remarketing Agent or the Trustee at their designated offices. Under the Indenture, the Bonds may be in different Rate Periods at any one time and the provisions of the Indenture will separately apply with respect to each portion of the Bonds; provided that each such portion is first assigned a CUSIP number that is different from the CUSIP number assigned to any other portion.

During any transitional period for a conversion from the Commercial Paper Rate Period to a Daily or Weekly Rate Period in which the Remarketing Agent is setting different Commercial Paper Rate Periods in order to effect an orderly transition of such conversion, Bonds bearing interest at the Commercial Paper Rate will be governed by the provisions of the Indenture applicable to Commercial Paper Rate Periods and Commercial Paper Rates, and Bonds bearing interest at the Daily Rate or Weekly Rate, as applicable, will be governed by the provisions of the Indenture applicable to such Daily Rates and Daily Rate Periods or Weekly Rates and Weekly Rate Periods, as the case may be.

In connection with a conversion to a Term Rate Period to the Maturity Date, the Company may direct the Remarketing Agent to offer the Bonds at a market premium or a market discount from par if the Company provides to the Remarketing Agent an Opinion of Bond Counsel to the effect that such action is authorized under the Indenture and under the Act and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, if the Company directs that the Bonds be offered at a market discount from par and a Credit Facility is then in effect, also provides to the Remarketing Agent the written consent of the Credit Facility Issuer to such action.

Daily Rate and Daily Rate Period. Daily Rate Periods will commence on a Business Day and will extend to, but not include, the next succeeding Business Day. The Daily Rate for each Daily Rate Period will be effective from and including the commencement date thereof and will remain in effect during that Daily Rate Period. Each such Daily Rate will be determined by the Remarketing Agent no later than 10:30 a.m., New York City time, on the Business Day which is the commencement date of the Daily Rate Period to which it relates.

Weekly Rate and Weekly Rate Period. Weekly Rate Periods will commence on Wednesday of each week and end on Tuesday of the following week, except that (i) in the case of a conversion to a Weekly Rate Period, the initial Weekly Rate Period for Bonds will commence on the Conversion Date and end on Tuesday of the following week; and (ii) in the case of a conversion from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period prior to conversion will end on the last day immediately preceding the Conversion Date. The Weekly Rate for each Weekly Rate Period will be effective from and including the commencement date of such period and will remain in effect through and including the last day thereof. Each such Weekly Rate will be determined by the Remarketing Agent no later than 10:00 a.m., New York City time, on the commencement date of the Weekly Rate Period to which it relates.

Commercial Paper Rate and Commercial Paper Rate Period. The Commercial Paper Rate Period for each Bond will be determined separately by the Remarketing Agent on or prior to the first day of such Commercial Paper Rate Period as being the Commercial Paper Rate Period which, in the judgment of the Remarketing Agent, will, with respect to each Bond, ultimately produce the lowest overall interest cost on the Bonds during the Commercial Paper Rate Period; provided that each Commercial Paper Rate Period will be from one day to 270 days in length, will begin on a Business Day and end on a day preceding a Business Day or the day preceding the Maturity Date. The Commercial Paper Rate for each Commercial Paper Rate Period will be effective from and including the commencement date of such period and remain in effect to and including the last day thereof. Each such Commercial Paper Rate will be determined by the Remarketing Agent no later than 1:00 p.m., New York City time, on the first day of the Commercial Paper Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the Remarketing Agent to sell such Bond on that day at a price equal to the principal amount thereof. If the Remarketing Agent has received notice of any conversion to a Term Rate Period, the remaining number of days prior to the Conversion Date or, if the Remarketing Agent has received notice of any conversion from a Commercial Paper Rate Period to a Daily or Weekly Rate Period, the length of each Commercial Paper Rate Period for each Bond will be determined by the Remarketing Agent to be either (i) that length of period that, as soon as possible, will enable the Commercial Paper Rate Periods for all Bonds to end on the day before the Conversion Date, or (ii) that length of period which, based on the Remarketing Agent's judgment, will best promote an orderly transition to the next Rate Period. If a Credit Facility is then in effect, no Commercial Paper Rate Period may be established which is longer than a period equal to the maximum number of days' interest coverage provided by such Credit Facility minus 15 days or which extends beyond the remaining term of such Credit Facility minus 15 days.

Term Rate and Term Rate Period. Term Rate Periods will commence either on a Conversion Date (including a conversion from a Term Rate Period to a Term Rate Period of a different duration) or, if then in a Term Rate Period, the commencement date of an immediately successive Term Rate Period of the same duration and extend to but not include either the commencement date of an immediately successive Term Rate Period (of whatever duration) or the Conversion Date on which an ARS, Daily, Weekly or Commercial Paper Rate Period becomes effective. The Term Rate for each Term Rate Period will be effective from and including the commencement date of such period and remain in effect through and including the last day thereof. Each such Term Rate will be determined by the Remarketing Agent not later than 12:00 noon, New York City time, on the Business Day immediately preceding the commencement date of such

period. The duration of each successive Term Rate Period will be the same as the then current Term Rate Period until the Company elects to convert the Term Rate Period to an ARS, Daily, Weekly or Commercial Paper Rate Period, or to a Term Rate Period of a different duration, all as provided in the Indenture.

Failure of Remarketing Agent to Set Rate. If the Remarketing Agent fails for any reason to determine the rate for a Daily, Weekly, Commercial Paper or Term Rate Period, then the Bonds will bear such interest at the last effective rate established for such Rate Period, except as otherwise set forth in the Indenture, provided, however, that if any such Rate Period is a Term Rate Period, then on the last Interest Payment Date of such Term Rate Period those Bonds will automatically be converted to a Weekly Rate Period and bear interest at the Weekly Rate determined by the Remarketing Agent as of that date, or, if in that instance the Remarketing Agent fails to determine that rate, then at a rate of interest equal to 100% of the most recently published SIFMA Municipal Swap Index, but in no event exceeding the Maximum Interest Rate.

Conversions

Conversions Between Rate Periods. At the option of the Company, the Bonds may be converted from one Rate Period to another, including a conversion from one Term Rate Period to another Term Rate Period of a different duration. The Conversion Date must be an Interest Payment Date for the Rate Period from which the conversion is to be made; provided, however, that (i) if the conversion is from a Term Rate Period to another Rate Period, including a Term Rate Period of a different duration, the Conversion Date must be limited to any Interest Payment Date upon which the Bonds are subject to optional redemption pursuant to the Indenture or the last Interest Payment Date of that Term Rate Period, as the case may be; (ii) if the conversion is from a Daily Rate Period to a Weekly Rate Period, or from a Weekly Rate Period to a Daily Rate Period, the Conversion Date may be any Wednesday, regardless of whether the Wednesday is an Interest Payment Date; (iii) if the conversion is from an ARS Rate Period, the Conversion Date must be the Interest Payment Date following the final Auction Period; and (iv) if the conversion is from a Commercial Paper Rate Period, the Conversion Date must be the last Interest Payment Date on which interest is payable for all Bonds bearing Commercial Paper Rates theretofore established; provided, however, that if the conversion is from a Commercial Paper Rate Period to a Daily or Weekly Rate Period, there may be more than one Conversion Date in accordance with the Indenture and in that case the Conversion Date with respect to each Bond must be an Interest Payment Date for such Bond.

Not fewer than 15 days prior to the Conversion Date in the case of conversions from ARS, Daily, Weekly and Commercial Paper Rate Periods, and not fewer than 30 days prior to the Conversion Date in the case of a conversion from a Term Rate Period, and not fewer than 30 days prior to the last Business Day before the commencement of a new Term Rate Period, the Trustee will mail by first class mail a written notice of the conversion or of the commencement of such new Term Rate Period to each holder stating: (i) in the case of a conversion, the type of Rate Period to which the conversion will be made and the Conversion Date, or, in the case of a conversion to the ARS Rate Period, the ARS Conversion Date; (ii) that the Bonds will be subject to mandatory tender for purchase on the Conversion Date or on the Business Day immediately succeeding the last day of a Term Rate Period, as the case may be, and the purchase price of the Bonds; (iii) in the case of a

conversion to an ARS Rate Period, the length of the Initial Period, the first Auction Date, the first Interest Payment Date following the ARS Conversion Date, the initial Auction Period, the Auction Agent and the Broker-Dealer; and (iv) if the Bonds are no longer in book-entry form and are therefore in certificated form, information with respect to required delivery of bond certificates and payment of the purchase price pursuant to the Indenture.

Conditions Precedent to Conversions. Any conversion (i) from a Daily, Weekly or Commercial Paper Rate Period to a Term Rate Period, (ii) from a Term Rate Period to a Daily, Weekly or Commercial Paper Rate Period, (iii) to or from an ARS Rate Period, or (iv) to a Term Rate Period from a Term Rate Period (on a date other than the date originally scheduled as the last Interest Payment Date of the then current Term Rate Period) will be subject to the condition that on or before the Conversion Date, the Company will have delivered to the Issuer, the Trustee, the Auction Agent, the Broker-Dealer, the Paying Agent, the Credit Facility Issuer and the Remarketing Agent an Opinion of Bond Counsel to the effect that the conversion is authorized under the Indenture and the Act and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Any Credit Facility to be held by the Trustee after the Conversion Date must be sufficient to cover the principal of and accrued interest on the outstanding Bonds for the maximum Interest Period permitted for that particular Rate Period plus 15 days, and, if a Credit Facility is to be held by the Trustee after the conversion of the Bonds to a Term Rate Period, that Credit Facility must also extend for the entire Term Rate Period plus 15 days. If a Credit Facility is in effect and the purchase price of the Bonds under the Indenture includes any premium, such conversion will be subject to the condition that the Trustee will have confirmed prior to mailing notice to the holders of such conversion that the Trustee is entitled to draw on that Credit Facility in an aggregate amount sufficient to pay the applicable purchase price (including such premium).

No Bonds may be converted to an ARS Rate Period unless, on or before the ARS Conversion Date, an Auction Agent has entered into an Auction Agreement and at least one Broker-Dealer has entered into a Broker-Dealer Agreement, in each case pursuant to the Indenture.

Failure of Conversion. If for any reason a condition precedent to a conversion of the Bonds (other than a conversion of the Bonds from an ARS Rate Period) is not met, the conversion will not be effective (although any mandatory tender pursuant to the Indenture will be made on such date if the notice required under the Indenture has been sent to holders stating that the Bonds would be subject to mandatory purchase on that date), and the Bonds, except as otherwise provided and subject to the conditions set forth in the Indenture, will automatically be converted to a Weekly Rate Period and bear interest at the Weekly Rate determined by the Remarketing Agent as of the date on which the conversion was to occur.

Optional Tenders

Purchase Price and Purchase Dates. The holders of Bonds bearing interest for a Daily or Weekly Rate Period may elect to have their Bonds (or portions thereof in an Authorized Denomination) purchased at a purchase price equal to 100% of the principal amount of such Bonds (or portions thereof), plus any interest accrued from the immediately preceding Interest Payment

Date and unpaid. There is no optional tender right while the Bonds are in a Commercial Paper Rate, Term Rate or ARS Rate Period.

Daily Rate. Bonds bearing interest at Daily Rates may be tendered for purchase at a price payable in immediately available funds on any Business Day, upon telephonic or electronic notice of tender given not later than 11:00 a.m., New York City time, on the purchase date to the Paying Agent. Any telephonic notice must be promptly confirmed by the holder to the Paying Agent in writing.

Weekly Rate. Bonds bearing interest at Weekly Rates may be tendered for purchase at a price payable in immediately available funds on any Business Day, upon delivery of written or electronic notice of tender to the Paying Agent not later than 5:00 p.m., New York City time, on a Business Day not fewer than seven days prior to the purchase date.

Notice of Tender. When a book-entry-only system is in effect, a Beneficial Owner through its Direct Participant of that book-entry-only system may tender its interest in a Bond (or portion of Bond) by delivering notice, in the manner and by the time set forth above, to the Paying Agent stating the principal amount of the Bond (or portion of Bond being tendered), payment instructions for the purchase price and the purchase date. The Beneficial Owner will effect delivery of such Bonds by causing such Direct Participant to transfer its interest in the Bonds equal to such Beneficial Owner's interest on the records of DTC to the participant account of the Paying Agent with DTC. When a book-entry-only system is not in effect, a holder of a Bond may tender the Bond (or portion of Bond) by delivering a notice, in the manner and by the time set forth above, to the Paying Agent which states (A) the principal amount of the Bond or Bonds to which the notice relates, (B) that the holder irrevocably demands purchase of such Bond or Bonds or a specified portion thereof in an amount equal to the lowest denomination then authorized or an integral multiple of such lowest denomination, (C) the date on which such Bond or portion is to be purchased, and (D) payment instructions with respect to the purchase price.

Mandatory Tenders

Commercial Paper Rate Periods. Each Bond bearing interest at a Commercial Paper Rate will be subject to mandatory tender for purchase, on the Interest Payment Date applicable to such Bond, at a purchase price equal to 100% of the principal amount thereof.

Conversion Dates. On any Conversion Date, the Bonds will be subject to mandatory tender for purchase on such Conversion Date at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the Conversion Date, or, in the case of Bonds bearing interest at a Term Rate which are tendered on a day on which those Bonds are subject to optional redemption at a redemption price of more than 100% of the principal amount redeemed, at a purchase price equal to that redemption price; provided, however, that in the event that the conditions of a conversion from an ARS Rate Period are not satisfied, including the failure to remarket all such Bonds on the Conversion Date, the Bonds will not be subject to mandatory tender for purchase on that Conversion Date, will be returned to the holders, will automatically convert to a seven-day Auction Period and will bear interest at the Maximum Rate.

Term Rate Periods. On the Business Day immediately succeeding the last day of each Term Rate Period, the Bonds will be subject to mandatory tender for purchase on such date at a purchase price equal to 100% of the principal amount thereof.

Upon Cancellation or Expiration of Credit Facility or Replacement with Alternate Credit Facility. When the Bonds are secured by a Credit Facility, the Bonds will be subject to mandatory tender for purchase at a purchase price equal to 100% of the principal amount thereof, (i) on the Interest Payment Date at least five days prior to the date of the cancellation of or the expiration of the term of the then current Credit Facility and (ii) on the Interest Payment Date on which a Credit Facility is replaced with an Alternate Credit Facility pursuant to the Indenture. If the then current Credit Facility is being cancelled or terminated prior to its stated expiration date, the provisions of the Indenture relating to termination of Credit Facilities must also be met. In any event, the purchase price will be equal to the optional redemption price for that Interest Payment Date.

Notices of Mandatory Tenders. Not fewer than 15 days prior to the Conversion Date in the case of conversions from ARS, Daily, Weekly and Commercial Paper Rate Periods or the initial delivery date of a Credit Facility, and not fewer than 30 days prior to the Conversion Date in the case of a conversion from a Term Rate Period and not fewer than 30 days prior to the last Business Day before the commencement of a new Term Rate Period, the Trustee will mail by first class mail a written notice to each holder, setting forth those matters required by the Indenture, including a statement that the Bonds will be subject to mandatory purchase on the Conversion Date or on the Business Day immediately succeeding the last day of the current Term Rate Period. No notice will be given in connection with the mandatory purchase of a Bond bearing interest at a Commercial Paper Rate on an Interest Payment Date applicable to such Bond.

Remarketing and Purchase of Tendered Bonds

The Indenture provides that, unless otherwise instructed by the Company, the Remarketing Agent will offer for sale and use its best efforts to find purchasers for all Bonds or portions thereof for which notice of tender has been received or which are subject to mandatory tender for purchase. The Remarketing Agent will not sell any Bond as to which a notice of either conversion from one type of Rate Period to another or redemption has been given by the Trustee, unless the Remarketing Agent has advised the person to whom the sale is made of the conversion or redemption. There will be no purchase of Bonds if an acceleration has been declared under the Indenture due to any Event of Default described under "THE INDENTURE – Events of Default," and there will be no remarketing of Bonds if there has occurred and is continuing an Event of Default or a Default under the Indenture, except in the sole discretion of the Remarketing Agent.

The purchase price of Bonds tendered for purchase will be paid by the Paying Agent from the following funds in the priority indicated: (i) proceeds of the remarketing of such Bonds by the Remarketing Agent to persons other than the Company, its affiliates or the Issuer, (ii) proceeds of the Credit Facility, if any, (iii) proceeds of the remarketing of such Bonds by the Remarketing Agent to the Company, if any, and (iv) proceeds of the remarketing of such Bonds by the Remarketing Agent to an Affiliate of the Company or the Issuer, if any. In the event that funds are

not received under the terms of the Credit Facility or the Credit Facility is repudiated, the Trustee may request that such funds be immediately remitted to the Trustee by the Company.

Payment of Purchase Price

When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Paying Agent.

When a book-entry-only system is not in effect, all Bonds to be purchased on any date must be delivered to the Principal Office of the Paying Agent at or before (i) 12:00 noon, New York City time, on the purchase date in the case of Bonds accruing interest at Auction or Weekly Rates; (ii) 1:00 p.m., New York City time, on the purchase date in the case of Bonds bearing interest at Daily or Commercial Paper Rates; or (iii) 3:00 p.m., New York City time, on the purchase date in the case of Bonds bearing interest at a Term Rate. If the holder of any Bond (or portion thereof) that is subject to purchase fails to deliver such Bond to the Paying Agent for purchase on the purchase date, and if the Paying Agent is in receipt of the purchase price, the Bond will be purchased on the day fixed for purchase and ownership of such Bond (or portion thereof) will be transferred to the purchaser. If on the purchase date the Paying Agent is in receipt of the purchase price for all Bonds to be purchased on that purchase date, the holder of any such Bond will have no further rights thereunder except the right to receive the purchase price thereof and, if the purchase date coincides with an Interest Payment Date and if such holder was the holder of the Bond on the Regular Record Date pertaining to the Interest Payment Date, such rights as the holder may have to interest accrued to and unpaid on such Interest Payment Date.

Redemption

Optional Redemption. The Bonds will be subject to optional redemption by the Issuer at the direction of the Company, in whole or in part, as follows:

(i) During any Daily or Weekly Rate Period, on any Interest Payment Date, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

(ii) During any Commercial Paper Rate Period for a Bond, on the Interest Payment Date for that Bond, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

(iii) During a Term Rate Period, on any date which occurs on or after the first day of the optional redemption period, and at the redemption prices, expressed as a percentage of the principal amount being redeemed, plus accrued and unpaid interest, if any, to the redemption date, as follows:

<u>Length of Term Rate Period</u>	<u>First Day of Optional Redemption Period</u>	<u>Redemption Price</u>
More than 15 years	Tenth anniversary of commencement of Term Rate Period	100%
More than 10, but not more than 15 years	Eighth anniversary of commencement of Term Rate Period	100%
More than 5, but not more than 10 years	Fifth anniversary of commencement of Term Rate Period	100%
5 years or less	Non-callable	Non-callable

If at the time of the Company's notice to the Trustee of a conversion to a Term Rate Period (including a conversion from a Term Rate Period to a Term Rate Period of a different duration), the Company satisfies certain conditions, including provision of an Opinion of Bond Counsel that a change in the redemption provisions of the Bonds will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, the redemption periods and redemption prices may be revised, effective as of the date of such conversion.

Extraordinary Optional Redemption During a Term Rate Period. During a Term Rate Period, the Bonds are subject to redemption by the Issuer at a redemption price of 100% of the principal amount redeemed, plus accrued and unpaid interest to the redemption date in whole or in part upon the occurrence of any of the following events:

(a) The Project Facilities or the Generating Station is damaged or destroyed to such an extent that (1) the Project Facilities or the Generating Station cannot reasonably be expected to be restored, within a period of six consecutive months, to the condition thereof immediately preceding such damage or destruction or (2) the Company is reasonably expected to be prevented from carrying on its normal use and operation of the Project Facilities or the Generating Station for a period of six consecutive months.

(b) Title to, or the temporary use of, all or a significant part of the Project Facilities or the Generating Station is taken under the exercise of the power of eminent domain to such extent that (1) the Project Facilities or the Generating Station cannot reasonably be expected to be restored within a period of six

consecutive months to a condition of usefulness comparable to that existing prior to the taking or (2) the Company is reasonably expected to be prevented from carrying on its normal use and operation of the Project Facilities or the Generating Station for a period of six consecutive months.

(c) As a result of any changes in the Constitution of the State, the Constitution of the United States of America or any state or federal laws or as a result of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after any contest thereof by the Issuer or the Company in good faith, the Loan Agreement becomes void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in the Loan Agreement.

(d) Unreasonable burdens or excessive liabilities are imposed upon the Issuer or the Company with respect to the Project Facilities or the Generating Station or the operation thereof, including, without limitation, the imposition of federal, state or other ad valorem, property, income or other taxes other than ad valorem taxes at the rates presently levied upon privately owned property used for the same general purpose as the Project Facilities or the Generating Station.

(e) Changes in the economic availability of raw materials, operating supplies, energy sources or supplies or facilities (including, but not limited to, facilities in connection with the disposal of industrial wastes) necessary for the operation of the Project Facilities or the Generating Station for the Project Purposes occur or technological or other changes occur which the Company cannot reasonably overcome or control and which in the Company's reasonable judgment render the Project Facilities or the Generating Station uneconomic or obsolete for the Project Purposes.

(f) Any court or administrative body enters a judgment, order or decree, or takes administrative action, requiring the Company to cease all or any substantial part of its operations served by the Project Facilities or the Generating Station to such extent that the Company is or will be prevented from carrying on its normal operations at the Project Facilities or the Generating Station for a period of six consecutive months.

(g) The termination by the Company of operations at the Generating Station.

Mandatory Redemption Upon a Determination of Taxability. The Bonds are subject to mandatory redemption by the Issuer at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, at the earliest practicable date selected by the Trustee, after consultation with the Company, but in no event later than 180 days following the receipt by the Trustee of notification of a Determination of Taxability, as defined below. Such redemption will be either in whole or, if in the Opinion of Bond Counsel the Determination of Taxability will not apply to Bonds remaining outstanding after such redemption, in part.

A “*Determination of Taxability*” means written notice from the Company of the occurrence of a final decision, ruling or technical advice by any federal judicial or administrative authority to the effect that, as a result of a failure by the Company to observe or perform any covenant, agreement or obligation on its part to be observed or performed under the Loan Agreement or the inaccuracy of any representation made by the Company in the Loan Agreement, interest on any Bond is or was includable in the gross income of the owner of that Bond for federal income tax purposes, other than an owner who is a “substantial user” of the Project or a “related person” as those terms are used in Section 147(a) of the Code; provided that, no decision by any court or decision, ruling or technical advice by any administrative authority will be considered final (a) unless the beneficial owner involved in the proceeding or action giving rise to such decision, ruling or technical advice (i) gives the Company and the Trustee prompt notice of the commencement thereof, together with evidence satisfactory to the Company and the Trustee that such party is the beneficial owner and (ii) offers the Company the opportunity to control the contest thereof, provided that the Company has agreed to bear all expenses in connection therewith and to indemnify the beneficial owner against all liabilities in connection therewith, and (b) until the expiration of all periods for judicial review or appeal. A Determination of Taxability will not result from the inclusion of interest on any Bond in the computation of the alternative minimum tax imposed by Section 55 of the Code, the branch profits tax on foreign corporations imposed by Section 884 of the Code or the tax imposed on net excess passive income of certain S corporations under Section 1375 of the Code.

If the Indenture has been released in accordance with its terms prior to the occurrence of a Determination of Taxability, the Bonds will not be subject to mandatory redemption.

Partial Redemption. If fewer than all of the Bonds are to be redeemed, the selection of Bonds to be redeemed, or portions thereof in amounts equal to the lowest Authorized Denomination, will be made by lot by the Trustee in any manner which the Trustee may determine; provided, however, that in connection with any such redemption, the Trustee will first select for redemption any Pledged Bonds. In the case of a partial redemption of Bonds by lot when Bonds of denominations greater than the lowest Authorized Denomination are then outstanding, each unit of face value of principal thereof equal to the lowest Authorized Denomination will be treated as though it were a separate Bond of such lowest Authorized Denomination. If it is determined that one or more, but not all of the units of face value represented by a Bond are to be called for redemption, then upon notice of redemption of a unit or units, the holder of that Bond will surrender the Bond to the Trustee (a) for payment of the redemption price of the unit or units of face value called for redemption (including without limitation, the interest accrued to the date fixed for redemption and any premium), and (b) for issuance, without charge to the holder thereof, of a new Bond or Bonds of any Authorized

Denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of the Bond surrendered.

Notice of Redemption. The Trustee will give notice of the redemption on behalf of the Issuer by mailing a copy of the redemption notice by first class mail, postage prepaid, at least 30 days but not more than 90 days prior to the redemption date, to the owner of each Bond subject to redemption in whole or in part and to the Auction Agent. Failure to receive any such notice, or any defect therein in respect of any Bond, will not affect the validity of the redemption of any Bond. If at the time of mailing of the notice of redemption there has not been deposited with the Trustee moneys sufficient to redeem all Bonds called for redemption, if the Company so directs, such notice may state that it is conditional, subject to the deposit of moneys sufficient for the redemption with the Trustee not later than the redemption date and such notice will be of no effect unless such moneys are so deposited. If either (A) unconditional notice of redemption was mailed or (B) conditional notice was mailed and the moneys sufficient to redeem all Bonds on the redemption date have been deposited with the Trustee, then in either event, the Bonds and portions thereof called for redemption will become due and payable on the redemption date, and upon presentation and surrender thereof at the place or places specified in that notice, will be paid at the redemption price, plus interest accrued to the redemption date.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, all notices of redemption will be sent only to Cede & Co., and delivery of notice of redemption to the Direct Participants, if any, will be solely the responsibility of DTC.

Special Considerations Relating to the Remarketing of the Bonds

The Remarketing Agent is Paid by the Company. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing the Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Indenture and the Remarketing Agreement), as further described in this Official Statement. The Remarketing Agent is appointed by the Company and is paid by the Company for its services. As a result, the interests of the Remarketing Agent may differ from those of existing Bondholders and potential purchasers of the Bonds.

The Remarketing Agent Routinely Purchases Bonds for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Bonds in order to achieve a successful remarketing of the Bonds (i.e., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the

Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including the Date that the Interest Rate is Determined. Pursuant to the Indenture and the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. The Remarketing Agent, in its sole discretion, may offer Bonds on any date, including the interest rate determination date, at a discount to par to some investors.

The Ability to Sell the Bonds other than through the Tender Process May Be Limited. The Remarketing Agent may buy and sell Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require Holders that wish to tender their Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May be Removed, Resign or Cease Remarketing the Bonds, Without a Successor Being Named. Under certain circumstances, the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event that there is no Remarketing Agent, the Trustee may assume such duties as described in the Indenture.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The Issuer, the Company, Bond Counsel and the Underwriter make no representation as to the accuracy of such information.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to

Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, the Issuer or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement or such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner may give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and will effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds on DTC's records to the Paying Agent. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

So long as Cede & Co., as nominee of DTC, is the registered owner of any of the Bonds, the Beneficial Owners of such Bonds will not receive or have the right to receive physical delivery of the Bonds, and references herein to the registered owners of such Bonds will mean Cede & Co. and will not mean the Beneficial Owners of such Bonds.

THE ISSUER, THE COMPANY, THE PAYING AGENT, THE REGISTRAR, THE UNDERWRITER, THE REMARKETING AGENT AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE BONDS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, OR (3) NOTICES OF REDEMPTION OR OTHER NOTICES SENT TO DTC OR ITS NOMINEE, CEDE & CO., AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH PARTICIPANTS MAY BE OBTAINED FROM DTC.

THE ISSUER, THE COMPANY, THE PAYING AGENT, THE REGISTRAR, THE UNDERWRITER, THE REMARKETING AGENT AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY ANY PARTICIPANT OF ANY AMOUNT DUE TO THE BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The book-entry-only system for registration of the ownership of the Bonds may be discontinued at any time if: (i) DTC determines to resign as securities depository for the Bonds; or (ii) the Company determines (and notifies the Issuer in writing of its determination and the Issuer provides 30 days' notice of such discontinuation to the Trustee and DTC) to discontinue

the system of book-entry transfers through DTC (or through a successor securities depository). Upon occurrence of either such event, the Issuer may, at the request of the Company, attempt to establish a securities depository book-entry relationship with another securities depository. If the Issuer does not do so, or is unable to do so, and after the Issuer has notified DTC and upon surrender to the Trustee of the Bonds held by DTC, the Issuer will issue and the Trustee will authenticate and deliver the Bonds in registered certificate form in authorized denominations, at the expense of the Company, to such Persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer, the Company or the Trustee for the accuracy of such designation. In any such event (unless the Issuer appoints a successor securities depository), the Bonds will be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Trustee for the accuracy of such designation. Whenever DTC requests the Issuer or the Trustee to do so, the Issuer or the Trustee will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

Revision of Book-Entry-Only System; Replacement Bonds

The Issuer, pursuant to a request by the Company and the Remarketing Agent, if any, for the removal or replacement of the Depository or the discontinuance of the book-entry-only system for the Bonds, and upon 30 days' notice to the Depository and the Trustee, will agree to remove or replace the Depository or discontinue the book-entry-only system for the Bonds.

In the event that the book-entry-only system is discontinued, the following provisions will apply. The Bonds may be issued in Authorized Denominations. Bonds may be transferred or exchanged in Authorized Denominations upon surrender of such Bonds at the principal office of the Trustee, accompanied by an assignment satisfactory to the Trustee, duly executed by the Owner or the Owner's duly authorized attorney-in-fact. Neither the Issuer nor the Trustee will be required to make any such transfer or exchange of any Bond during the period beginning at the opening of business 15 days immediately preceding the mailing of a notice of Bonds selected for redemption and ending at the close of business on the day of such mailing, or, with respect to a Bond, after such Bond or any portion thereof has been selected for redemption. The Issuer or the Trustee may make a charge to the Owner for every transfer or exchange of a Bond sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and may demand that such charge be paid before any new Bond is delivered.

THE LETTER OF CREDIT

The following summarizes certain provisions of the Letter of Credit and the Credit Agreement, to which reference is made for the detailed provisions thereof. Unless otherwise defined in this Official Statement, capitalized terms in the following summary are used as defined in the Letter of Credit and the Credit Agreement

General

The initial Letter of Credit will be an irrevocable obligation of the Bank, issued in an amount equal to the aggregate principal amount of the Bonds, plus at least 48 days' interest thereon at the rate of 13% per annum (the "*Cap Interest Rate*"). Unless extended, the Letter of Credit will expire or terminate on the earliest to occur of the following dates (which earliest date is the "*Termination Date*"): (i) on the close of business on September 12, 2011, (ii) the date specified in a written notice from the Trustee provided in accordance with the Letter of Credit stating that the principal and interest on the Bonds have been paid in full or that all drawings required to be made under the Indenture and available under the Letter of Credit have been made and honored, (iii) the date specified in a written notice from the Trustee provided in accordance with the Letter of Credit stating that the interest rate on the Bonds has been adjusted to (a) an Auction Rate, or (b) a Term Rate or (c) a Commercial Paper Rate (all as defined in the Indenture), (iv) the date on which the Bank honors a drawing made to pay the principal and interest of the Bonds, other than the Pledged Bonds, at stated maturity, upon acceleration following an Event of Default (as defined in the Credit Agreement) that has resulted in the acceleration of obligations, and/or a termination of the Commitment, or upon redemption as a whole, or upon the mandatory tender as a whole, of the total unpaid principal of all of the Bonds which are presently outstanding, (v) the date specified in a written notice from the Bank to the Trustee provided in accordance with the Letter of Credit (which notice to be effective must be received by the Trustee at least fifteen calendar days before the date so specified) directing the Trustee to accelerate the Bonds as a result of the occurrence of an Event of Default (as defined in the Credit Agreement) that has resulted in the acceleration of obligations, and/or a termination of the Commitment under the Credit Agreement, and (vi) the date specified in a written notice from the Trustee provided in accordance with the Letter of Credit stating that the Letter of Credit is being surrendered for cancellation following acceptance by the Trustee of an Alternate Credit Facility (as defined in the Indenture).

Under the Indenture, an Event of Default will occur if the Trustee receives written notice from the Bank, on or before the close of business on the fourth Business Day following a drawing under the Letter of Credit to pay interest on the Bonds on an Interest Payment Date, that the interest component of the Letter of Credit will not be reinstated. See "THE INDENTURE – Events of Default."

Credit Agreement

The Bank will issue the Letter of Credit and certain other letters of credit in accordance with the terms of the Credit Agreement. Certain affiliates (each an "*Affiliate*") of the Company also are parties to the Credit Agreement. Additional letters of credit also may be issued by the Bank under the Credit Agreement for the benefit of the Company and/or an Affiliate. The Company has no obligation or liability with respect to any letter of credit issued for the benefit of an Affiliate and the Affiliates have no obligation or liability with respect to the Letter of Credit or any other letter of credit issued for the benefit of the Company. Under the Credit Agreement, the Company has agreed to certain affirmative and restrictive covenants and to pay certain fees and expenses to the Bank.

The following will be Events of Default as to the Company under the Credit Agreement (defined terms below are used as defined in the Credit Agreement):

(a) the Company fails to pay when due any principal of any Reimbursement Obligation owed by it or fails to pay, within five days of the due date thereof, any interest, fees or any other amount payable by it under the Credit Agreement;

(b) the Company fails to observe or perform certain covenants in the Credit Agreement relating to maintenance of existence; negative pledge; consolidations, mergers and sale of assets; use of proceeds; or indebtedness/capitalization ratio;

(c) the Company fails to observe or perform any covenant of agreement contained in the Credit Agreement (other than those covered by clauses (a) or (b) above) for 30 days after notice thereof has been given to the Company by the Administrative Agent at the request of any Bank;

(d) any representation, warranty, certification or statement made by the Company in the Credit Agreement or in any certificate, financial statement or other document delivered pursuant to the Credit Agreement proves to have been incorrect in any material respect when made (or deemed made);

(e) the Company or any of its Material Subsidiaries fails to make any payment in respect of Material Debt (other than Reimbursement Obligations of the Company under the Credit Agreement) when due or within any applicable grace period;

(f) any event or condition occurs and continues beyond the applicable grace or cure period, if any, provided with respect thereto so as to result in the acceleration of the maturity of Material Debt;

(g) Certain voluntary or involuntary events of bankruptcy, insolvency or reorganization with respect to the Company or any of its Material Subsidiaries occur;

(h) Certain events with respect to the Company's ERISA Group occur under ERISA;

(i) A judgment or other order for the payment of money in excess of \$50,000,000 is rendered against the Company or any of its Material Subsidiaries and such judgment or order continues without being vacated, discharged, satisfied or stayed or bonded pending appeal for a period of 45 days; or

(j) Any person or group of persons (with certain exceptions for trustees or participants in employee benefit plans) acquires beneficial ownership (within the meaning of the rules of the Securities and Exchange Commission) of 50% or more of the outstanding shares of common stock of Duke Energy Corporation ("*Duke Energy*"), the Company's ultimate parent; during any period of twelve consecutive months, individuals who were directors of Duke Energy on the first day of such period (together with any successors nominated or appointed by such

directors in the ordinary course) cease to constitute a majority of the board of directors of Duke Energy; or in the case of the Company, the Company ceases to be a Subsidiary of Duke Energy;

If an Event of Default on the part of the Company under the Credit Agreement occurs and is continuing, the Administrative Agent may, among other remedial actions, upon request of the requisite number of participating lenders, (i) direct the Company to deposit with the Administrative Agent an amount equal to the aggregate amount then available for drawing under all letters of credit for the account of the Company then outstanding at such time, (ii) terminate all Commitments to the Company and (iii) declare all Reimbursement Obligations of the Company under the Credit Agreement immediately due and payable. Under the Indenture, the Bank may (i) give written notice to the Trustee that the interest component of the Credit Facility will not be reinstated, and/or (ii) give notice of an acceleration or termination arising from an Event of Default under the Credit Agreement and instruct the Trustee to accelerate the Bonds. The Indenture directs the Trustee, upon receipt of the notice from the Bank described in clause (ii) of the preceding sentence, to immediately accelerate the Bonds and to make the required drawing under the Letter of Credit prior to the third business day following receipt of such notice.

A Default or Event of Default by another Affiliate of the Company under any of its obligations under the Credit Agreement will not be a Default or Event of Default as to the Company. However, if the Bank issues an additional letter of credit for the benefit of the Company under the Credit Agreement, an Event of Default with respect to such other letter of credit could result in an Event of Default with respect to the Letter of Credit.

THE LOAN AGREEMENT

The following is a brief summary of certain provisions of the Loan Agreement and does not purport to be comprehensive or definitive. Reference is made to the Loan Agreement for the detailed provisions thereof.

Loan of Proceeds

The Issuer will loan the proceeds of the sale of the Bonds to the Company, in accordance with the Loan Agreement and the Indenture, to pay a portion of the costs of redeeming the Refunded Bonds.

Application of Proceeds

Net proceeds of the Bonds will be deposited into the Refunding Fund and, together with all investment earnings thereon, will be transferred to the trustee for the Refunded Bonds to redeem the Refunded Bonds on a date not later than 90 days after the date of issuance of the Bonds.

Loan Payments

The Company is obligated to make Loan Payments under the Loan Agreement which correspond, as to time, and are equal in amount, to the amount then payable as principal of and premium, if any, and interest on the Bonds. All payments under the Loan Agreement related to the

Loan will be assigned to the Trustee, and the Company will make such payments directly to the Trustee for the account of the Issuer and for deposit in the Bond Fund created under the Indenture.

Obligation to Purchase Bonds

The Company will agree to pay or cause to be paid to the Trustee or the Paying Agent, on or before each day on which Bonds may be or are required to be tendered for purchase, amounts equal to the amounts to be paid by the Trustee or the Paying Agent with respect to the Bonds tendered for purchase on such dates pursuant to the Indenture; provided, however, that the obligation of the Company to make any such payment will be reduced by the amount of (A) moneys paid by the Remarketing Agent as proceeds of the remarketing of such Bonds by the Remarketing Agent, (B) moneys drawn under a Credit Facility, if any, for the purpose of paying such purchase price and (C) other moneys made available by the Company.

Term of Loan Agreement

The Loan Agreement will remain in full force and effect until such time as (i) all of the Bonds are fully paid (or provision has been made for such payment) pursuant to the Indenture and the Indenture has been released pursuant to the terms thereof and (ii) all other sums payable by the Company under the Loan Agreement have been paid.

Maintenance and Modification

During the term of the Loan Agreement, the Company will use its best efforts to keep and maintain the Project Facilities in good repair and good operating condition so that the Project Facilities will continue to constitute Pollution Control Facilities (as defined in the Loan Agreement) for the purposes of the operation thereof.

Subject to certain conditions, the Company has the right, from time to time, to remodel the Project Facilities or make additions, modifications and improvements thereto, the cost of which must be paid by the Company. The Company also has the right, subject to certain conditions, to substitute or remove any portion of the Project Facilities.

Maintenance of Corporate Existence

The Company agrees that during the term of the Loan Agreement, it will maintain its existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or other entity or permit one or more other corporations or other entities to consolidate with or merge into it; provided that the Company may, without violating its agreement contained in the Loan Agreement, consolidate with or merge into another corporation or other entity, or permit one or more other entities to consolidate with or merge into it, or sell or otherwise transfer to another entity all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee entity, as the case may be (if other than the Company), is a corporation or other entity organized and existing under the laws of one of the states of the United States, and assumes in writing all of the obligations of the Company in the Loan Agreement, and, if not organized under the laws of Kentucky, is qualified to do business in the State.

Tax Covenant

The Company will covenant and represent in the Loan Agreement that it has taken and caused to be taken and will take and cause to be taken all actions that may be required of it for the interest on the Bonds to be and remain excluded from the gross income of the owners thereof for federal income tax purposes, and that it has not taken or permitted to be taken on its behalf, and it will not take or permit to be taken on its behalf, any action which, if taken, would adversely affect that exclusion under the provisions of the Code.

Assignment by Company

Notwithstanding any other provisions of the Loan Agreement, the Loan Agreement may be assigned in whole or in part by the Company and the Project may be sold or conveyed by the Company without the necessity of obtaining the consent of either the Issuer or the Trustee and after providing written notice to the Issuer but, subject, however, to each of the following conditions:

(a) the Company must provide the Trustee and the Remarketing Agent with an Opinion of Bond Counsel that such action will not affect the exclusion of interest on the Bonds for federal income tax purposes;

(b) the Company must, within 30 days after the execution thereof, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of each such assignment together with any instrument of assumption; and

(c) Any assignment from the Company may not materially impair fulfillment of the Project Purposes to be accomplished by operation of the Project as provided in the Loan Agreement.

Events of Default and Remedies

The Loan Agreement provides that the occurrence of each of the following events will constitute an “event of default”:

(a) The occurrence of an event of default described in paragraphs (a), (b), (c) or (d) under “THE INDENTURE – Events of Default”;

(b) Failure by the Company to observe and perform any other agreement, term or condition contained in the Loan Agreement, other than a failure as has resulted in an event of default described in (a) above, which failure continues for a period of 90 days after notice by the Issuer or the Trustee, or for such longer period as the Issuer and the Trustee agree to in writing; provided, that such failure will not constitute an event of default so long as the Company institutes curative action within the applicable period and diligently pursues that action to completion within 150 days after the expiration of the initial 90 day cure period or within such longer period as the Issuer and the Trustee may agree to in writing; and

(c) The occurrence of certain voluntary or involuntary events of bankruptcy, reorganization or receivership with respect to the Company.

A failure by the Company described in paragraph (b) above will not be a default if it occurs by reason of certain events of "force majeure" specified in the Loan Agreement not reasonably within the control of the Company.

Whenever any event of default under the Loan Agreement has happened and is subsisting, either or both of the following remedial steps may be taken by the Issuer or the Trustee:

(a) Have access to, inspect, examine and make copies of the books, records, accounts, and financial data of the Company, only, however, insofar as they pertain to the Project; or

(b) Pursue all remedies existing at law or in equity to recover all amounts then due and thereafter to become due under the Loan Agreement or to enforce performance and observance of any other obligation or agreement of the Company under the Loan Agreement.

Any amounts collected pursuant to action taken upon the happening of an event of default will be paid into the Bond Fund and applied pursuant to the Indenture.

Amendment to the Loan Agreement

The Indenture provides that the Loan Agreement may be amended without the consent of or notice to the holders of the Bonds only as may be required (i) by the provisions of the Loan Agreement or the Indenture, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission therein, (iii) in connection with an amendment or to effect any purpose for which there could be an amendment of the Indenture not requiring the consent of holders, or (iv) in connection with any other change therein which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the holders of the Bonds. The Loan Agreement may be amended, but only with the consent of the holders of all of the outstanding Bonds, to change the amounts or times as of which Loan Payments under the Loan Agreement are required to be made. Any other amendments to the Loan Agreement may be made only with the written approval or consent of the holders of not less than a majority in aggregate principal amount of the Bonds outstanding. Any such amendment, change or modification which affects any rights of any Credit Facility Issuer will not become effective unless and until such Credit Facility Issuer has consented in writing to such amendment, change or modification.

Before the Issuer and the Trustee may consent to any amendment to the Loan Agreement, there must be delivered to the Trustee an Opinion of Bond Counsel stating that such amendment is authorized or permitted by the Act and is authorized under the Indenture, that such amendment will, upon the execution and delivery thereof, be valid and binding in accordance with its terms, and that such amendment will not adversely affect the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

THE INDENTURE

In addition to the description of certain provisions of the Indenture contained elsewhere herein, the following is a brief summary of certain provisions of the Indenture and does not purport to be comprehensive or definitive. Reference is made to the Indenture for the detailed provisions thereof.

Pledge of Revenues

Pursuant to the Indenture, all right, title and interest of the Issuer in and to the “Revenues” (as defined below) and under the Loan Agreement (except for certain rights of the Issuer), will be pledged or assigned to the Trustee to secure the payment of the principal or redemption price of and interest on the Bonds.

“Revenues” are defined to mean: (a) the Loan Payments, (b) all other moneys received or to be received by the Issuer (excluding any fees paid to the Issuer) or the Trustee in respect of repayment of the Loan including, without limitation, all moneys and investments in the Bond Fund, (c) any moneys and investments in the Refunding Fund, and (d) all income and profit from the investment of the foregoing moneys. The term “Revenues” does not include any moneys or investments in the Rebate Fund or the Bond Purchase Fund as those terms are defined in the Indenture.

Refunding Fund

The net proceeds of the sale of the Bonds, other than any accrued interest, will be deposited in and credited to the Refunding Fund created under the Indenture and will be used by the Trustee to pay a portion of the redemption price of the Refunded Bonds on the redemption date therefor.

Bond Fund

A Bond Fund will be established with the Issuer and maintained by the Trustee as a trust fund under the Indenture. The amounts with respect to the payment of principal of and premium, if any, and interest on the Bonds derived under the Loan Agreement and certain other amounts specified in the Indenture will be deposited in the Bond Fund. While the Bonds are outstanding, moneys in the Bond Fund will be used solely for the payment of the principal or redemption price of and interest on the Bonds as they become due on any Interest Payment Date or at stated maturity, by redemption or upon acceleration. Moneys for such purpose will be derived first from proceeds of a draw under the Credit Facility. If for any reason such funds are not timely received in response to such draw or the Credit Facility is repudiated, the Trustee may request that such funds be immediately remitted to the Trustee by the Company.

Bond Purchase Fund

A Bond Purchase Fund will be established and maintained by the Paying Agent for the benefit of the owners of the Bonds for the deposit of amounts to be used to pay the purchase price of Bonds. Moneys in the Bond Purchase Fund will be used solely for the payment of the purchase

price of Bonds. Moneys in the Bond Purchase Fund will not be pledged to the payment of the principal of or interest or any premium on the Bonds and will not be invested.

Investments

Any moneys held as a part of the Refunding Fund, the Bond Fund and the Rebate Fund will be invested and reinvested by the Trustee as provided in the Indenture. Any such investments will be held by or under the control of the Trustee and will be deemed at all times a part of the respective Fund.

Events of Default

The Indenture provides that each of the following events will constitute an “Event of Default” thereunder:

- (a) Payment of any interest on any Bond is not made when it becomes due and payable;
- (b) Payment of the principal or redemption price of any Bond is not made when it becomes due and payable, whether at stated maturity, by redemption, by acceleration or otherwise;
- (c) Payment of the purchase price of any Bond tendered for purchase pursuant to the provisions of the Indenture is not made when due and payable;
- (d) Receipt by the Trustee of written notice from the Credit Facility Issuer of an acceleration or termination arising from an “event of default” under and as defined in the Reimbursement Agreement, by reason of which the Trustee has been directed by the Credit Facility Issuer to accelerate the Bonds;
- (e) Failure by the Issuer to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Bonds or the Indenture (other than a failure described in paragraphs (a), (b) or (c) above), which failure has continued for a period of 90 days after written notice (or for such longer period as the Trustee may agree to in writing), by registered or certified mail, to the Issuer and the Company given by the Trustee, either in its discretion or at the written request of the holders of not less than 35% in aggregate principal amount of Bonds then outstanding; provided, that failure will not constitute an Event of Default so long as the Issuer institutes curative action within the applicable period and diligently pursues that action to completion within 150 days after the expiration of the initial cure period as determined above, or within such longer period as the Trustee may agree to in writing;
- (f) If no Credit Facility is then held by the Trustee, the occurrence and continuance of an event of default as described in paragraph (c) under “THE LOAN AGREEMENT – Events of Default and Remedies”; or

(g) If a Credit Facility is then held by the Trustee, receipt by the Trustee, on or before the close of business on the fourth Business Day following a drawing under such Credit Facility to pay interest on the Bonds on an Interest Payment Date, of written notice from the Credit Facility Issuer that the interest component of the Credit Facility will not be reinstated.

Remedies

Upon (i) the occurrence and continuance of any Event of Default (i) described in subsections (a), (b), (c), (e) or (f) under “Events of Default” above, the Trustee may, and upon the written request of the Holders of not less than 35% in aggregate principal amount of Bonds then outstanding, must, or (ii) upon the occurrence of any Event of Default described in subsections (d) or (g) under “Events of Default” above, the Trustee must, by written notice to the Issuer, the Company and any Credit Facility Issuer, declare the principal of all Bonds then outstanding (if not then due and payable), and the accrued and unpaid interest thereon, to be due and payable immediately.

Interest on the Bonds will accrue at the rates per annum borne by the Bonds to the date determined by the Trustee for the tender of payment to the Holders pursuant to that declaration, which date, if the Bonds are then secured by a Credit Facility, will be not more than three Business Days from the date of such declaration; provided, that interest on any unpaid principal of Bonds outstanding will continue to accrue from the date determined by the Trustee for the tender of payment to the Holders of those Bonds until that principal amount has been paid or made available to the Trustee for the benefit of the Holders. The Trustee will immediately give written notice of such declaration by mail to the Holders of all Bonds then outstanding as shown by the Register at the close of business on the day prior to the mailing of that notice, and the Trustee will, if the Bonds are then secured by a Credit Facility, immediately draw moneys under the Credit Facility in accordance with the terms of the Credit Facility, to the extent available thereunder, in an amount sufficient to pay the principal of and accrued and unpaid interest to the tender date on the Bonds. The Trustee will also request immediate payment from the Company of such amount in the event such amount is not timely received in response to a draw under the Credit Facility or the Credit Facility is repudiated.

If no Credit Facility is in effect, then the provisions above are subject to the condition that if at any time after declaration of acceleration and prior to the entry of a judgment in a court for enforcement (after an opportunity for hearing by the Issuer and the Company), all sums payable (except the principal of and interest on Bonds which have not reached their stated maturity dates but which are due and payable solely by reason of that declaration of acceleration), plus interest to the extent permitted by law on any overdue installments of interest at the rate then borne by the Bonds, have been duly paid or provision therefor having been made by deposit with the Trustee or Paying Agent and all existing Events of Default have been cured, then such payment or provision for payment will constitute an automatic waiver of the Event of Default and its consequences and will constitute an automatic rescission and annulment of that declaration.

The provisions in the first two paragraphs above are further subject to the condition that a written notice from the Credit Facility Issuer to the Trustee stating that the interest component of the Credit Facility has been reinstated in full following the declaration of an Event of Default described under subsections (d) or (g) under “Events of Default” above and which

constitutes a rescission and annulment of any of the consequences thereof, or a written notice of any waiver by the Credit Facility Issuer of any other Event of Default under the Reimbursement Agreement and a rescission and annulment of its consequences following the giving of notice to the Trustee of any other Event of Default as described under "Events of Default" above together with a written indication from the Credit Facility Issuer that the Credit Facility has been reinstated in full and a written request from the Credit Facility Issuer that the Trustee waive such corresponding Event of Default under the Indenture will constitute a waiver of the corresponding Event of Default, and a rescission and annulment of the consequences thereof. In such event, the Trustee will promptly give written notice of such waiver, and of the waiver, rescission and annulment of the corresponding Events of Default under the Indenture, to the Issuer, the Company and the Remarketing Agent, and will mail such notice to the Holders of all Bonds then outstanding as shown by the Register at the close of business 15 days prior to the mailing of that notice and the Issuer, the Trustee and the Holders will be restored to their former positions and rights, respectively; but no such waiver, and waiver, rescission and annulment, will extend to or affect any subsequent Event of Default under the Indenture or impair any rights consequent thereon; provided, that if the Credit Facility has been drawn upon following any Event of Default, no such Event of Default will be considered to be rescinded or annulled unless the Credit Facility Issuer provides written notice to the Trustee that the Credit Facility has been reinstated in full.

With or without taking action to accelerate the Bonds as described above (other than the required actions under the Credit Facility), upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy to enforce the payment of Bond Service Charges or the observance and performance of any other covenant, agreement or obligation under the Indenture, the Agreement or any other instrument providing security, directly or indirectly, for the Bonds. If, upon the occurrence and continuance of an Event of Default, the Trustee is requested so to do by (i) the Credit Facility Issuer, if the Event of Default is under subsections (d) or (g) under "Events of Default" above, or (ii) the Holders of at least 35% in aggregate principal amount of Bonds outstanding, the Trustee (subject to the provisions of the Indenture), will exercise any rights and powers conferred by the Indenture.

Anything to the contrary in the Indenture notwithstanding, the Credit Facility Issuer, if the Event of Default is under subsections (d) or (g) under "Events of Default" above, or the Holders of a majority in aggregate principal amount of Bonds then outstanding, if the Event of Default is under any other subsection under "Events of Default" above, will have the right at any time to direct, by an instrument or document or instruments or documents in writing executed and delivered to the Trustee, the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings thereunder; provided, that (i) any direction may not be other than in accordance with the provisions of law and of the Indenture, (ii) the Trustee is indemnified as provided in the Indenture, (iii) the Trustee may take any other action which it deems to be proper and which is not inconsistent with the direction and (iv) the Credit Facility Issuer will have no rights to direct the Trustee or otherwise direct the exercise of remedies against the Credit Facility Issuer.

All moneys received under the Indenture by the Trustee upon the occurrence of an Event of Default (provided that moneys received under any Credit Facility will be used only for payment

of the purchase price of or principal of and interest then due on the Bonds, other than Bonds held by or on behalf of the Company or a Credit Facility Issuer, and that moneys received from the proceeds of remarketing of Bonds will be used only for the purchase price of the Bonds as set forth in the Indenture) will be applied first to the payment of the costs and expenses of the proceedings resulting in the collection of such money and of the fees and expenses incurred by the Trustee, and the balance of such money will be deposited in the Bond Fund and applied to the payment of the principal of and premium, if any, and interest on the Bonds in the manner and in the priorities set forth in the Indenture. The Trustee will have a first lien against the trust estate, payable prior to debt service on the Bonds, excluding, however, any moneys received under the Credit Facility.

No holder of any Bond will have any right to institute any suit, action or proceeding for the enforcement of the Indenture or for the exercise of any other remedy under the Indenture, unless (i) an Event of Default has occurred and is continuing and the Trustee has or is deemed to have notice of the same, (ii) the holders of not less than 35% in aggregate principal amount of the then outstanding Bonds have made written request to the Trustee and have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted by the Indenture or to institute a suit, action or proceeding in its own name and have offered to the Trustee satisfactory indemnity as provided in the Indenture, and (iii) the Trustee thereafter has failed or refused to exercise the remedies, rights and powers granted under the Indenture or to institute such action, suit or proceeding in its own name. Notwithstanding the foregoing, each holder of a Bond will have a right to enforce the payment of the principal of and premium, if any, and interest on any Bond held or owned by that holder at and after the maturity thereof at the place, from the sources and in the manner expressed in said Bond.

Supplemental Indentures

The Issuer and the Trustee may, without the consent of, or notice to, any holder of a Bond, enter into supplemental indentures which will not, in the opinion of the Issuer and the Trustee, be inconsistent with the Indenture for any one or more of the following purposes:

- (a) To cure any ambiguity, inconsistency or formal defect or omission in the Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the holders of the Bonds any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the holders or the Trustee;
- (c) To assign additional revenues under the Indenture;
- (d) To accept additional security and instruments and documents of further assurance with respect to the Project, including without limitation, first mortgage bonds of the Company;
- (e) To add to the covenants, agreements and obligations of the Issuer under the Indenture, other covenants, agreements and obligations to be observed for the protection of the holders of the Bonds, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in the Indenture;

- (f) To evidence any succession to the Issuer and the assumption by its successor of the covenants, agreements and obligations of the Issuer under the Indenture, the Loan Agreement and the Bonds;
- (g) To permit the exchange of Bonds, at the option of the holder or holders thereof, for coupon Bonds payable to bearer, if the Trustee has received an Opinion of Bond Counsel to the effect that the exchange would not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds outstanding;
- (h) To permit the transfer of Bonds from one Depository to another, and the succession of Depositories, or the withdrawal of Bonds issued to a Depository for use in a book entry system and the issuance of replacement Bonds in fully registered form to others than a Depository;
- (i) To permit the Trustee to comply with any obligations imposed upon it by law;
- (j) To specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar, the Credit Facility Issuer, the Auction Agent, the Remarketing Agent and any authenticating agents or Paying Agents;
- (k) To achieve compliance of the Indenture with any applicable federal securities or tax law;
- (l) To make amendments to the provisions of the Indenture relating to arbitrage matters under Section 148(f) of the Code, if, in the opinion of Bond Counsel, those amendments would not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds outstanding;
- (m) To make any amendments appropriate or necessary to provide for or facilitate the delivery of any Credit Facility or Alternate Credit Facility, any liquidity facility, any municipal bond insurance policy or any other type of credit enhancement or support facility;
- (n) Prior to, or concurrently with, the conversion of the Bonds from a Daily, Weekly, Commercial Paper, or Term Rate Period to an ARS Rate Period, to make any amendments appropriate or necessary with respect to the Auction Rate Procedures and any definitions or provisions in the Indenture or exhibits thereto in order to provide for or facilitate the marketability of Auction Rate Bonds; and
- (o) To permit any other amendment which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the holders of the Bonds.

Exclusive of such supplemental indentures, the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding, and, if required by the Indenture, of the Company, the Auction Agent, the Broker-Dealer and the Credit Facility Issuer, will have the right to consent to and approve any supplemental indenture, except that no supplemental indenture will permit:

(a) An extension of the maturity of the principal of or the date for payment of interest on any Bond, a reduction in the principal amount of any Bond or the rate of interest or premium thereon, a reduction in the purchase price of any Bond or an extension of the date for payment of the purchase price of any Bond without the consent of the holder of each Bond so affected; or

(b) The creation of a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or a reduction in the aggregate principal amount of the Bonds required for consent to a supplemental indenture, without the consent of the holders of all of the Bonds then outstanding.

Any supplemental indenture which affects the rights or obligations of the Company requires the written consent of the Company. Any supplemental indenture which adversely affects any rights, duties, privileges or immunities of the Auction Agent, the Broker-Dealer or Credit Facility Issuer requires the written consent of the party adversely affected. Before the Issuer and the Trustee may enter into any supplemental indenture, there must be delivered to the Trustee an Opinion of Bond Counsel stating that such supplemental indenture is authorized or permitted by the Act and is authorized under the Indenture, that such supplemental indenture will, upon the execution and delivery thereof, be valid and binding in accordance with its terms, and that such supplemental indenture will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Discharge of Indenture

The lien created by the Indenture will be discharged when the Issuer pays or causes to be paid, or if there otherwise is paid, to or for the holders of the Bonds the principal, premium, if any, and interest due or to become due thereon and provision is also made for the payment of all other sums payable pursuant to the provisions of the Indenture and the Loan Agreement.

All of the Bonds will be deemed to have been paid and discharged within the meaning of the Indenture if:

(a) The Trustee as paying agent and any Paying Agents have received, in trust for and irrevocably committed thereto, sufficient moneys, or

(b) The Trustee has received, in trust for and irrevocably committed thereto, non-callable and non-prepayable Government Obligations which are certified by an independent public accounting firm of national reputation (with a copy of the certification being delivered to the Rating Agencies) to be of such maturities or redemption dates and interest payment dates, and to bear such interest as will be sufficient together with moneys referred to in (a) above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, for the payment of all principal of and premium, if any, and interest on such Bonds (interest will be calculated at the Maximum Interest Rate unless the Bonds are in a Term Rate Period and the Bonds will mature or be redeemed on or prior to the last day of such Term Rate Period) at their maturity or redemption dates, as the case may be; provided, that if any of such Bonds are to be redeemed prior to maturity, notice of such

redemption must have been duly given or irrevocable provision satisfactory to the Trustee must have been duly made for the giving of such notice; and provided, further, that if a Credit Facility is then held by the Trustee, (i) such payment and any payment of the purchase price of Bonds pursuant to the Indenture will be made only from proceeds of the Credit Facility deposited directly into the Credit Facility Account or the Credit Facility Proceeds Account, as applicable, or the Company has caused to be delivered to the Trustee an opinion of Bankruptcy Counsel, which opinion, if the Bonds are then rated by Moody's, must be satisfactory to Moody's, and if the Bonds are then rated by S&P, must be satisfactory to S&P, that any such payment and the payment of the purchase price of any Bonds pursuant to the Indenture will not be considered an avoidable transfer by the Company or the Issuer under Section 547 of the United States Bankruptcy Code or any other applicable federal bankruptcy law in the event of the occurrence of an Event of Bankruptcy and (ii) the Trustee has received written evidence from S&P, if the Bonds are then rated by S&P, and from Moody's, if the Bonds are then rated by Moody's, that the defeasance of the Indenture will not result in a reduction or withdrawal of the then current rating on the Bonds.

Cancellation of Credit Facility; Delivery of Alternate Credit Facility

The Trustee will, at the direction of the Company but subject to the conditions described in this paragraph and the receipt of an Opinion of Bond Counsel stating that the cancellation of such Credit Facility will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, cancel any Credit Facility in accordance with the terms thereof which cancellation may be without substitution therefor or replacement thereof; provided, that any such cancellation will not become effective, surrender of such Credit Facility will not take place and that Credit Facility will not terminate, in any event, until (i) payment by the Credit Facility Issuer has been made for any and all drawings by the Trustee effected on or before such cancellation date (including, if applicable, any drawings for payment of the purchase price of Bonds to be purchased pursuant to the Indenture in connection with such cancellation) and (ii) if the Bonds are in a Term Rate Period, only if the then current Term Rate Period for the Bonds is ending on, or the Bonds are subject to optional redemption on, the Interest Payment Date immediately preceding the date of such cancellation. Upon written notice given by the Company to the Trustee at least 20 days (35 days if the Bonds are bearing interest at the Term Rate) prior to the date of cancellation of any Credit Facility of such cancellation and the effective date of such cancellation, the Trustee will surrender such Credit Facility to the Credit Facility Issuer by which it was issued on the effective date of such cancellation in accordance with its terms; provided, that such notice will not be given in any event, if the purchase price of any Bonds to be purchased pursuant to the Indenture in connection with such cancellation includes any premium unless the Trustee has confirmed that it can draw under a Credit Facility (other than any Alternate Credit Facility being delivered in connection with such cancellation) on the purchase date related to such purchase of Bonds in an aggregate amount sufficient to pay the premium due upon such purchase of Bonds on such purchase date.

The Company may, at its option, provide for the delivery to the Trustee of an Alternate Credit Facility in replacement of any Credit Facility then in effect. At least 20 days (35 days if the Interest Rate on the Bonds is a Term Rate) prior to the date of delivery of an Alternate Credit Facility to the Trustee, the Company must give notice, which notice, during any

Commercial Paper Rate Period, will also be given to the Remarketing Agent and will contain a certification with respect to the maximum length of each Commercial Paper Rate Period permitted under the Indenture after delivery of such Alternate Credit Facility, of such replacement to the Trustee, together with an Opinion of Bond Counsel stating that the delivery of such Alternate Credit Facility to the Trustee is authorized under the Indenture and complies with the terms thereof and that the delivery of such Alternate Credit Facility will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Trustee will then accept such Alternate Credit Facility and surrender the previously held Credit Facility, if any, to the previous Credit Facility Issuer for cancellation promptly on or after the 5th day after the Alternate Credit Facility becomes effective; provided, however, that such Alternate Credit Facility must become effective on an Interest Payment Date and, if the Bonds are in a Term Rate Period, such Alternate Credit Facility may only become effective on either the last Interest Payment Date for such Term Rate Period or an Interest Payment Date on which the Bonds are subject to optional redemption. If the purchase price of any Bonds to be purchased pursuant to the Indenture in connection with such cancellation includes any premium, the Trustee must confirm that it can draw under a Credit Facility then in effect on the purchase date related to such purchase of Bonds in an aggregate amount sufficient to pay the premium due upon such purchase of Bonds on such purchase date. Any Alternate Credit Facility delivered to the Trustee must be accompanied by an opinion of counsel to the issuer or provider of such Credit Facility stating that such Credit Facility is a legal, valid, binding and enforceable obligation of such issuer or obligor in accordance with its terms.

The Bonds will be subject to mandatory tender for purchase on the date of cancellation of a Credit Facility and on the date of the delivery of an Alternate Credit Facility. See “THE BONDS – Mandatory Tenders.”

No Personal Liability of Issuer’s Officials

No covenant, stipulation, obligation or agreement of the Issuer contained in the Indenture will be or be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Issuer in other than his or her official capacity. No official of the Issuer executing the Bonds, the Indenture, the Loan Agreement (or amendments or supplements to either) will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or the execution of the Indenture or the Loan Agreement (or amendments or supplements to either).

The Trustee

Except for any period during which an Event of Default, of which the Trustee has been notified or is deemed to have knowledge, has occurred and is continuing, the Trustee (i) will undertake to perform only the duties specifically set forth in the Indenture and (ii) in the absence of bad faith on its part, may rely conclusively upon the truth of the statements and the correctness of the opinions furnished to it pursuant to the Indenture. In case an Event of Default has occurred and is continuing (of which the Trustee has been notified or is deemed to have notice), the Trustee will exercise the rights and powers vested in it by the Indenture and will use the same degree of care and skill as a prudent person would use under the circumstances in the conduct of his or her own affairs.

The Trustee will not be required to expend or risk its own funds in performing its duties under the Indenture and will be entitled to compensation and the reimbursement of its expenses.

The Trustee may resign at any time from the trusts created by the Indenture by giving written notice of the resignation to the Issuer, the Company, the Registrar, any Paying Agents, the Remarketing Agent, the Auction Agent, the Credit Facility Issuer and authenticating agents and by mailing written notice thereof to the holders of the Bonds. The resignation will take effect only upon the appointment of a successor Trustee and the successor's acceptance of the appointment.

The Trustee may be removed at any time by the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding. The removal will take effect only upon the appointment of a successor Trustee and such successor's acceptance of the appointment, all pursuant to the provisions of the Indenture. The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Issuer, upon its own volition or at the written request of the Company, the Credit Facility Issuer or the holders of not less than 35% in aggregate principal amount of the Bonds then outstanding under the Indenture. The removal will take effect only upon the appointment of a successor Trustee and such successor's acceptance of the appointment, all pursuant to the provisions of the Indenture.

Every successor Trustee appointed pursuant to the Indenture (i) must be a trust company or a bank having the powers of a trust company, (ii) must be willing to accept the trusteeship on the terms and conditions of the Indenture, (iii) must have a reported capital and surplus of not less than \$75,000,000, (iv) so long as the Bonds are rated by Moody's, must be acceptable to Moody's, (v) so long as the Bonds are rated by S&P, must be acceptable to S&P, and (vi) must be reasonably acceptable to the Credit Facility Issuer.

Remarketing Agent

The principal office of the Remarketing Agent is as follows:

Wachovia Bank, National Association
301 South College Street
Mail Code NC0600
Charlotte, NC 28202
Attention: Rick White
Telephone: 704-383-6452
Fax: 704-383-0065
Rick.white@wachovia.com

The Remarketing Agent will determine the Variable Rates and the Commercial Paper Rate Periods for the Bonds and will remarket Bonds subject to optional or mandatory tender. The Remarketing Agent must have a capitalization of at least \$50,000,000 and be authorized by law to perform all the duties imposed upon it by the Indenture. Any successor Remarketing Agent must be rated at least Baa3 or P-3 or otherwise be acceptable to Moody's.

If at any time the Remarketing Agent is unable or unwilling to act as a Remarketing Agent, the Remarketing Agent may resign upon the earlier to occur of (i) the twentieth day following receipt by the Company, the Issuer, the Trustee, the Auction Agent and the Paying Agent of written notice of resignation and (ii) the day of appointment by the Company of a successor Remarketing Agent pursuant to the Indenture and acceptance of such appointment by such successor Remarketing Agent. The Remarketing Agent may be removed at any time by the Company upon five days' written notice signed by the Company and delivered to the Remarketing Agent, the Issuer, the Trustee, the Credit Facility Issuer, the Auction Agent and the Paying Agent.

On October 3, 2008 Wachovia Corporation announced that Wells Fargo & Company and Wachovia Corporation signed a definitive agreement to merge in a transaction in which Wells Fargo & Company will acquire Wachovia Corporation in its entirety. On October 9, 2008 Wachovia Corporation issued a joint press release with Wells Fargo & Company confirming that the definitive agreement first announced on October 3, 2008 will proceed as planned. The proposed merger is anticipated to be consummated by year-end, subject to receipt of regulatory and shareholder approval.

TAX MATTERS

In the opinion of Frost Brown Todd LLC, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is excludable from gross income under section 103 of the Code for federal income tax purposes, except for interest on any Bond for any period during which such Bond is owned by a person who is a "substantial user" of the facilities financed by the Bonds or a "related person" as defined in Section 147(a) of the Code. This opinion relates only to the exclusion from gross income of interest on the Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Issuer and the Company with the Tax Covenants (hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. In the opinion of Frost Brown Todd LLC, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is exempt from income taxation in the State. This opinion relates only to the exemption of interest on the Bonds for State income tax purposes. See Appendix D for the form of opinion of Bond Counsel.

The Code imposes certain requirements which must be met subsequent to the issuance of the Bonds as a condition to the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the Indenture and the Loan Agreement, the Issuer has made certain covenants, and in the Loan Agreement the Company has made certain covenants (collectively, the "Tax Covenants") concerning actions to be or not to be taken to preserve the tax status of the Bonds. The Indenture, Loan Agreement and certain certificates and agreements to be delivered on the date of delivery of the Bonds establish procedures under which compliance with the requirements of the Code can be met.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to

exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel’s attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market prices of the Bonds.

Interest on each issue of the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

The Code also subjects taxpayers to an alternate minimum tax on a taxpayer’s “alternative minimum taxable income,” which, in general terms, consists of a taxpayer’s regular taxable income plus its preferences and special adjustments with respect to certain deductions used by a corporation to compute taxable income. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for the purpose of the corporate alternative minimum tax.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of Bonds is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the excludability of such interest from gross income for federal income tax purposes. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Prospective purchasers of the Bonds should consult their own tax advisers regarding pending or proposed federal and Kentucky tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance at the price indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer, the Company or the beneficial owners regarding the tax status of interest on the Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax exempt obligations to

determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Issuer as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the Bonds.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinions of Frost Brown Todd LLC, Bond Counsel. The form of such opinion is included as Appendix D hereto. Certain legal matters in connection with the issuance of the Bonds will be passed upon for the Issuer by Robert D. Neace, Esq., County Attorney of the Issuer. Certain legal matters will be passed upon for the Company by Robert T. Lucas III, Esq., Associate General Counsel of Duke Energy Corporation, and Richard G. Beach, Esq., Assistant General Counsel of Duke Energy Corporation, as counsel to the Company. Certain legal matters will be passed upon for the Bank by Bradford Bemis, Esq., Senior Counsel for the Bank. Certain legal matters will be passed upon for the Underwriter by Squire, Sanders & Dempsey L.L.P. From time to time, Squire, Sanders & Dempsey L.L.P. has represented affiliates of the Company or its predecessors in various matters.

UNDERWRITING

Under the terms of a Bond Purchase Agreement with the Issuer, Wachovia Bank, National Association will agree, subject to the approval of certain legal matters by counsel and to certain other conditions, to purchase the Bonds from the Issuer at a price of \$50,000,000 (representing 100% of the aggregate principal amount of the Bonds). In consideration of the purchase of the Bonds, the Company will agree to pay Wachovia Bank, National Association an underwriting fee of \$175,000 and to reimburse certain expenses.

The Underwriter will agree to purchase all of the Bonds, if any of the Bonds are purchased. After the Bonds are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Underwriter, and such Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment accounts) and others at prices lower than the public offering price set forth on the cover page hereof.

The Company will agree to indemnify the Underwriter and the Issuer against certain liabilities, including certain liabilities under federal securities laws.

The Underwriter has been appointed to serve as Remarketing Agent and will be separately compensated by the Company.

In the ordinary course of its business, the Underwriter and certain of its affiliates have engaged, and may in the future engage, in investment banking, commercial banking or other transactions with the Company and its affiliates.

Wachovia Securities is the trade name under which Wachovia Corporation conducts its investment banking, capital markets and institutional securities business through Wachovia Capital Markets, LLC, member of the New York Stock Exchange, Inc., National Association of Securities Dealers, Inc. and Securities Investor Protection Corporation, and through other bank, non-bank and broker-dealer subsidiaries of Wachovia Corporation, including Wachovia Bank, National Association.

On October 3, 2008 Wachovia Corporation announced that Wells Fargo & Company and Wachovia Corporation signed a definitive agreement to merge in a transaction in which Wells Fargo & Company will acquire Wachovia Corporation in its entirety. On October 9, 2008 Wachovia Corporation issued a joint press release with Wells Fargo & Company confirming that the definitive agreement first announced on October 3, 2008 will proceed as planned. The proposed merger is anticipated to be consummated by year-end, subject to receipt of regulatory and shareholder approval.

This Official Statement has been duly authorized, executed and delivered by the Company.

DUKE ENERGY KENTUCKY, INC.

By: /s/ Stephen De May
Vice President and Treasurer

[This page left intentionally blank]

APPENDIX A

DUKE ENERGY KENTUCKY, INC.

The information contained herein as Appendix A to the Official Statement relates to and has been supplied by the Company. The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of the Company since the date hereof, or that the information contained in this Appendix A is correct as of any time subsequent to its date. The Issuer makes no representation or warranty as to the accuracy or completeness of the information contained in this Appendix A.

THE COMPANY

The following information is furnished solely to provide limited introductory information about the Company and does not purport to be comprehensive. As indicated in this Official Statement, payment of the principal and purchase price of and interest on the Bonds will be supported by the Letter of Credit. An investment decision to purchase the Bonds should be made solely on the basis of the creditworthiness of the Bank. This Official Statement does not contain any financial or operating information relating to the Company or its ability to make payments sufficient to pay the principal and purchase price of or interest on the Bonds. Prospective investors should look solely to the Bank and the Letter of Credit for payments of the principal and purchase price of or interest on the Bonds.

The Company, a Kentucky corporation, is an electric and gas utility. The Company is primarily engaged in the generation of electric energy and in the transmission, distribution, and sale of electric energy and the sale and transportation of natural gas in Northern Kentucky. The Company serves approximately 135,000 electric customers and approximately 95,000 gas customers in its service territory, which covers approximately 500 square miles and includes the cities of Covington, Florence and Newport in Kentucky.

The Company is a wholly-owned subsidiary of Duke Energy Ohio, Inc., which is a wholly-owned subsidiary of Cinergy Corp. Cinergy Corp. in turn is a wholly-owned subsidiary of Duke Energy Corporation.

The Company's principal executive offices are located at 139 East Fourth Street, Cincinnati, Ohio 45202. The Company's telephone number is (513) 421-9500.

[This page left intentionally blank]

WELLS FARGO BANK, NATIONAL ASSOCIATION

The information contained herein as Appendix B to the Official Statement has been obtained from Wells Fargo Bank, National Association (the "Bank"). None of the Issuer, the Company or the Underwriter makes any representations as to the accuracy or completeness of such information.

Wells Fargo Bank, National Association

The Bank is a national banking association organized under the laws of the United States of America with its main office at 101 North Phillips Avenue, Sioux Falls, South Dakota 57104, and engages in retail, commercial and corporate banking, real estate lending and trust and investment services. The Bank is an indirect, wholly owned subsidiary of Wells Fargo & Company, a diversified financial services company, a financial holding company and a bank holding company registered under the Bank Holding Company Act of 1956, as amended, with its principal executive offices located in San Francisco, California ("Wells Fargo").

As of September 30, 2008, the Bank had total consolidated assets of approximately \$514.9 billion, total domestic and foreign deposits of approximately \$356.2 billion and total equity capital of approximately \$44.2 billion.

On October 3, 2008, Wells Fargo announced that it had entered into a merger agreement with Wachovia Corporation providing for the acquisition of Wachovia and its subsidiaries by Wells Fargo in a stock-for-stock transaction. This press release and other materials filed with the Securities and Exchange Commission ("SEC") by Wells Fargo relating to the proposed merger are available free of charge on the SEC's website at www.sec.gov. Copies of these filings are also available free of charge by writing to Wells Fargo's Corporate Secretary at the address given below.

Each quarter, the Bank files with the FDIC financial reports entitled "Consolidated Reports of Condition and Income for Insured Commercial Banks with Domestic and Foreign Offices," commonly referred to as the "Call Reports." The Bank's Call Reports are prepared in accordance with regulatory accounting principles, which may differ from generally accepted accounting principles. The publicly available portions of the Call Reports for the period ending September 30, 2008, and for Call Reports filed by the Bank with the FDIC after the date of this Official Statement may be obtained from the FDIC, Disclosure Group, Room F518, 550 17th Street, N.W., Washington, D.C. 20429 at prescribed rates, or from the FDIC on its Internet site at <http://www.fdic.gov>, or by writing to the Wells Fargo Corporate Secretary's Office, Wells Fargo Center, Sixth and Marquette, MAC N9305-173, Minneapolis, MN 55479.

The Letter of Credit will be solely an obligation of the Bank and will not be an obligation of, or otherwise guaranteed by, Wells Fargo & Company, and no assets of Wells Fargo & Company or any affiliate of the Bank or Wells Fargo & Company will be pledged to the payment thereof. Payment of the Letter of Credit will not be insured by the FDIC.

The information contained in this section, including financial information, relates to and has been obtained from the Bank, and is furnished solely to provide limited introductory information regarding the Bank and does not purport to be comprehensive. Any financial information provided in this section is qualified in its entirety by the detailed information appearing in the Call Reports referenced above. The delivery hereof shall not create any implication that there has been no change in the affairs of the Bank since the date hereof.

CERTAIN DEFINITIONS

Unless the context otherwise requires, as used herein the following terms will, have the following meanings. The defined terms should be read as referring separately to each issue of the Bonds.

“*Auction Mode*” means the period during which the Bonds are in an Initial Period or an ARS Rate Period (each as defined in the Auction Procedures).

“*Auction Rate Bonds*” means any Bonds which are in an Auction Mode.

“*Authorized Denominations*” means (i) with Term Bonds, denominations of \$5,000 and integral multiples thereof, (ii) with Bonds at a Commercial Paper, a Daily or Weekly Rate, denominations of \$100,000 with integral multiples of \$5,000 in excess thereof, and (iii) with Auction Rate Bonds, denominations of \$25,000 and integral multiples thereof.

“*Book-Entry System*” means the system maintained by the Depository and described herein under “THE BONDS – Book-Entry-Only System.”

“*Business Day*” means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, or the city or cities in which are located the corporate trust office or payment office of the Trustee, the Company, any Credit Facility Issuer, the Auction Agent, the Remarketing Agent, the Registrar or the Paying Agent are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time. References to the Code and Sections of the Code include relevant applicable regulations and proposed regulations thereunder and under the Internal Revenue Code of 1954, as amended, and any successor provisions to those Sections, regulations or proposed regulations and, in addition, all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Bonds.

“*Commercial Paper Rate*” means, when used with respect to any particular Bond, the interest rate determined for each Commercial Paper Rate Period applicable thereto pursuant to the Indenture.

“*Commercial Paper Rate Period*” means a period during which a Bond bears interest at a Commercial Paper Rate.

“*Conversion Date*” means a day on which the Bonds are converted to bear interest (i) from one Variable Rate Period to another Variable Rate Period in accordance with the terms of the Indenture, including any change from a Term Rate Period to a Term Rate Period of a different duration, or (ii) from an ARS Rate Period to a Variable Rate Period or (iii) from a Variable Rate Period to an ARS Rate Period.

“Credit Facility” means an irrevocable direct-pay letter of credit or other credit enhancement or liquidity support facility, or any combination thereof, delivered to and in favor of the Trustee for the benefit of the owners of the Bonds pursuant to the Indenture, and includes the Letter of Credit or any Alternate Credit Facility delivered to the Trustee pursuant to the Indenture.

“Credit Facility Issuer” means the Bank and the issuer of any Credit Facility subsequently in effect.

“Daily Rate” means the interest rate to be determined for the Bonds on each Business Day pursuant to the Indenture and described under the caption “THE BONDS–Interest Rate Determination Methods–*Daily Rate and Daily Rate Period.*”

“Daily Rate Period” means a period during which the Bonds bear interest at a Daily Rate is in effect

“Depository” means The Depository Trust Company (a limited purpose trust company), New York, New York, until a successor Depository will have become such pursuant to the applicable provisions of the Indenture and thereafter, “Depository” will mean the successor Depository. Any Depository will be a 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 beneficial interests in Bonds or bond service charges thereon, and to effect transfers of beneficial interests in the Bonds, in a Book Entry Form.

“Government Obligations” means 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:

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

“Interest Payment Date” means initially January 2, 2009 and thereafter (a) when used with respect to Bonds bearing interest at the Daily or Weekly Rate, the first Business Day of each calendar month to which interest at such rate has accrued; (b) when used with respect to Bonds bearing interest at a Term Rate, the first day of the sixth calendar month following the month in which the Term Rate Period begins and the first day of each sixth calendar month thereafter to which interest at such rate has accrued, except that the last Interest Payment Date for any Term Rate Period which is followed by a conversion to a Daily, Weekly or Commercial Paper Rate Period (but not a conversion to a Term Rate Period of a different duration) will be the first Business Day of the sixth calendar month following the month in which the immediately preceding Interest Payment Date occurs; (c) when used with respect to any particular Bond bearing interest at a Commercial Paper Rate, the first Business Day following the last day of

each Commercial Paper Rate Period applicable thereto; and (d) when used with respect to any particular Auction Rate Bond, will have the meaning set forth in the Indenture. In any case, the final Interest Payment Date will be the Maturity Date.

"Interest Period" means, for Auction Rate Bonds, the Initial Period for the Auction Rate Bonds and each successive Auction Period thereafter. *"Interest Period"* for Bonds bearing interest at a Variable Rate means the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date, as applicable, provided, however, that the first Interest Period for any Bond will begin on (and include) the date of original issuance of the Bonds and the final Interest Period will end on (and include) the day immediately preceding the Maturity Date.

"Maturity Date" means August 1, 2027.

"Maximum Interest Rate" means the least of (a) 13% per annum, (b) the maximum rate of interest permitted under State law, or (c) in the case of Bonds bearing interest at a Variable Rate, the maximum rate of interest permitted by any Credit Facility then in effect. The maximum rate of interest permitted by the Letter of Credit is 13% per annum.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the approval of the Company, by notice to the Trustee and the Company.

"Opinion of Bond Counsel" means a written opinion of nationally-recognized bond counsel selected by the Company and acceptable to the Trustee and who is experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions. Bond Counsel may be counsel to the Trustee or the Company.

"Outstanding Bonds," "Bonds outstanding" or "outstanding" as applied to Bonds, means, as of the applicable date, all Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under the Indenture, except:

- (a) Bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment or redemption on or prior to that date;
- (b) On or after any purchase date for Bonds pursuant to the Indenture, all Bonds (or portions of Bonds) which are tendered or deemed to have been tendered for purchase on such date, but which have not been delivered to the Paying Agent, provided that funds sufficient for such purchase are on deposit with the Paying Agent in the appropriate accounts in accordance with the provisions hereof;

(c) Bonds, or the portion thereof, for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited and credited with the Trustee or Paying Agent to the appropriate accounts on or prior to that date for the purpose (whether upon or prior to the maturity or redemption date of those Bonds); provided, that if any of those Bonds are to be redeemed prior to their maturity, notice of that redemption has been given or arrangements satisfactory to the Trustee have been made for giving notice of that redemption, or waiver by the affected Holders of that notice satisfactory in form to the Trustee has been filed with the Trustee;

(d) Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Indenture; and

(e) Bonds in lieu of which others have been authenticated under the Indenture; provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Bonds owned by the Company or an affiliate thereof will be disregarded and deemed not to be Outstanding, except that in determining whether the Trustee will be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned will be disregarded unless all Bonds are owned by the Company or any affiliate thereof and/or held by the Trustee for the account of the Company and/or an affiliate thereof, in which case such Bonds will be considered outstanding for the purpose of such determination.

"Paying Agent" means (i) Deutsche Bank National Trust Company, with a corporate trust office in Chicago, Illinois, or (ii) any bank or trust company designated as Paying Agent by or in accordance with the Indenture.

"Rate Period" means a period during which a particular rate of interest determined for the Bonds is to remain in effect until a subsequently determined rate of interest becomes effective pursuant to the Indenture. In any case, the final Rate Period will end on (and include) the day immediately preceding the Maturity Date.

"Refunded Bonds" means those bonds identified under "APPLICATION OF PROCEEDS"

"Registrar" means Deutsche Bank National Trust Company, until a successor Registrar has become such pursuant to the Indenture.

"Regular Record Date" means the close of business on (a) the fifteenth day of the month preceding each Interest Payment Date in the case of Bonds bearing interest at a Term Rate; (b) the last Business Day of the Interest Period in the case of Bonds bearing interest at the Daily or Weekly Rates; (c) the last day of the Commercial Paper Rate Period applicable to such Bond; and (d) the Business Day immediately preceding each Interest Payment Date for Auction Rate Bonds.

“Reimbursement Agreement” means a reimbursement agreement between the Company and a Credit Facility Issuer setting forth the obligations of the Company to such Credit Facility Issuer arising out of any payments under a Credit Facility.

“S&P” means Standard & Poor’s Ratings Services, and its successors and assigns, except that if such Division is dissolved or liquidated or no longer performs the functions of a securities rating agency, *“S&P”* will be deemed to refer to any other nationally recognized securities rating organization designated by the Issuer, with the approval of the Company, by notice to the Trustee and the Company.

“State” means the Commonwealth of Kentucky.

“Term Rate” means the interest rate to be determined pursuant to the Indenture for the Bonds for a term of one or more whole years or for a term to the Maturity Date.

“Term Rate Period” means a period during which the Bonds bear interest at a particular Term Rate.

“Term Rate Period of a different duration” means a conversion to a Term Rate Period of a different duration than the then current Term Rate Period and, if the conversion is occurring on a date other than that originally scheduled as the last Interest Payment Date of the then current Term Rate Period, a conversion to a Term Rate Period of the same duration as the then current Term Rate Period.

“Variable Rate” means, as the context requires, the Commercial Paper, Daily, Weekly or Term Rate applicable from time to time to the Bonds.

“Weekly Rate” means the interest to be determined for the Bonds on a weekly basis pursuant to the Indenture and described under the caption *“THE BONDS–Interest Rate Determination Methods–Weekly Rate and Weekly Rate Period.”*

“Weekly Rate Period” means a period during which the Bonds bear interest at a Weekly Rate.

[This page left intentionally blank]

PROPOSED FORM OF BOND COUNSEL OPINION

December __, 2008

County of Boone, Kentucky
Burlington, Kentucky

Duke Energy Kentucky, Inc.
Charlotte, North Carolina

Deutsche Bank National Trust Company
Chicago, Illinois

Wachovia Bank, National Association
Charlotte, North Carolina

Re: \$50,000,000 principal amount of County of Boone, Kentucky Pollution Control Revenue Refunding Bonds, Series 2008A (Duke Energy Kentucky, Inc. Project)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the County of Boone, Kentucky (the "Issuer") of its Pollution Control Revenue Refunding Bonds, Series 2008A (Duke Energy Kentucky, Inc. Project), in an aggregate principal amount of \$50,000,000 (the "Bonds"). The Bonds are being issued pursuant to Sections 103.200 to 103.286, inclusive, of the Kentucky Revised Statutes (the "Act"), an ordinance adopted by the Issuer on April 8, 2008 (the "Ordinance"), and under and pursuant to a Trust Indenture (the "Indenture") dated as of December 1, 2008, between the Issuer and Deutsche Bank National Trust Company, as trustee (the "Trustee"). In such capacity we have examined (a) a certified transcript containing the proceedings of the Issuer relating to the authorization, issuance and sale of the Bonds, the Loan Agreement (the "Agreement") dated as of December 1, 2008, between the Issuer and Duke Energy Kentucky, Inc., a Kentucky corporation (the "Company"), the Bond Purchase Agreement dated December __, 2008 (the "Bond Purchase Agreement") between the Issuer and Wachovia Bank, National Association (the "Underwriter"); and the Official Statement relating to the Bonds dated December 3, 2008; (b) the Tax Certificate of the Issuer dated the date hereof; (c) the Tax Certificate of the Company dated the date hereof; (d) executed counterparts of the Indenture and the Agreement; (e) the executed and authenticated Bonds; (f) the opinions of Robert T. Lucas III, Associate General Counsel, and Richard G. Beach, Esq., Assistant General Counsel, as counsel for the Company; and (g) an opinion of Robert D. Neace, the Boone County Attorney, as counsel for the Issuer.

As to questions of fact material to our opinion, we have relied, without undertaking to verify the same by independent investigation, upon representations, covenants and certifications of public officials, the Company and others contained in the documents, instruments and certified proceedings described in the first paragraph of this opinion, including without limitation, the covenants and representations of the Issuer and the Company regarding compliance and continuing compliance with certain requirements and conditions imposed by the Internal Revenue Code of 1986, as amended (the "Code") with respect to the exclusion of interest on the Bonds pursuant to Section 103 of the Code from gross income for purposes of Federal income taxation (the "Tax Covenants").

Based upon the foregoing and our review of such other information, papers and documents as we believed necessary or advisable, we are of the opinion that:

1. The Issuer has full legal right, power and authority under the Constitution and laws of the Commonwealth of Kentucky, including the Act, to adopt the Ordinance, to issue, sell and deliver the Bonds and to enter into and perform its obligations under the Indenture and the Agreement.

2. The Indenture and Agreement have each been duly authorized, executed and delivered by the Issuer and constitute the legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms.

3. The Bonds have been duly authorized, executed, authenticated, issued and delivered and are legal, valid and binding in accordance with the terms thereof. The Bonds constitute special and limited obligations of the Issuer, and the principal of and interest on the Bonds (collectively, "Debt Service") are payable solely from the revenues and other moneys assigned by the Indenture to secure such payment. Those revenues and other moneys include the payments required to be made by the Company under the Agreement. The Bonds do not constitute a debt or pledge of the faith and credit or taxing power of the Issuer, or the Commonwealth of Kentucky or any political subdivision thereof, and the holders or owners thereof have no right to have taxes levied by the Commonwealth of Kentucky or the Issuer for the payment of Debt Service on the Bonds.

4. Under existing federal statutes, decisions, regulations and rulings, the interest on the Bonds is excludable from gross income of the owners for federal income tax purposes pursuant to Section 103 of the Code, except for interest on any Bond for any period during which such Bond is held by a person who is a substantial user of the Project or a related person thereto within the meaning of Section 147(a) of the Code and the regulations promulgated pursuant thereto, and subject to continued compliance with the Tax Covenants. The interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, but the interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. We express no opinion herein as to any other federal tax consequences of acquiring carrying, owning or disposing of the Bonds.

5. Under statutes, decisions, regulations and rulings existing on this date, the interest on the Bonds is exempt from income taxation in the Commonwealth of Kentucky. This opinion relates only to the tax exemption of interest from Kentucky income taxes.

We do not express any opinion herein as to the adequacy or accuracy of the Official Statement of the Issuer, dated December 3, 2008, pertaining to the offering of the Bonds.

It is to be understood that the rights of the owners of the Bonds, as well as the rights of the Issuer, the Trustee and the Underwriter, and the enforceability of the Bonds, the Agreement, the Indenture and the Bond Purchase Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that the enforcement of the Bonds, the Agreement, the Indenture and the Bond Purchase Agreement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is to be further understood that the rights of the owners of the Bonds, as well as the rights of the Issuer, the Trustee and the Underwriter, and the enforceability of the Bonds, the Agreement, the Indenture and the Bond Purchase Agreement may be subject to the valid exercise of the constitutional powers of the Commonwealth of Kentucky and the United States of America.

Sincerely,

FROST BROWN TODD LLC

[This page left intentionally blank]



Honest Leadership and Open Government Act

* Required Field

Name

First Name *

Julie

Last Name *

Thompson

Email Business *

julie.thompson@duke-energy.com

Employee ID *

t74545

Part 1: Reportable Political Contributions

During the period from July 1, 2008 through December 31, 2008, have you, on behalf of Duke Energy, made any political contribution:

1. equal to or exceeding \$200 to any Federal candidate of officeholder, leadership PAC, or political party committee? *

- Yes
- No

2. for an event to honor or recognize Member of Congress or an Executive Branch Official? *

- Yes
- No

3. to an entity or charity named for a Member of Congress or an Executive Branch Official? *

- Yes
- No

4. to an entity maintained, designated, or controlled by, a Member of Congress or an Executive Branch Official? *

- Yes
- No

5. for a meeting, retreat, conference or similar event held by, or in the name of a Member of Congress or an Executive Branch Official? *

- Yes
- No

6. equal to or exceeding \$200 to a Presidential library foundation or a Presidential inaugural committee? *

- Yes
- No

Resubmit



Honest Leadership and Open Government Act

* Required Field

Part 2: HLOGA Certification

Except as noted in my response to this survey, I am not aware, whether within or outside of my business area, that any employee has provided, requested or directed a gift, including travel, to a Member of Congress or an officer or employee of either House of Congress with knowledge that receipt of a gift would violate rule XXXV of the Standing Rules of the Senate or rule XXV of the Rules of the House of Representatives during the period from July 1, 2008 through December 31, 2008.

*

- I agree with the HLOGA Certification Statement
- I do not agree with the HLOGA Certification Statement

TRUST INDENTURE

between

COUNTY OF BOONE, KENTUCKY

and

DEUTSCHE BANK NATIONAL TRUST COMPANY

Trustee

\$50,000,000
County of Boone, Kentucky
Pollution Control Revenue Refunding Bonds,
Series 2008A
(Duke Energy Kentucky, Inc. Project)

Dated

as of

December 1, 2008

TABLE OF CONTENTS

(This Table of Contents is not a part of the 2008A Indenture
but rather is for convenience of reference only)

	<u>Page</u>
ARTICLE I. DEFINITIONS	
SECTION 1.01. Definitions	5
SECTION 1.02. Interpretation	18
SECTION 1.03. Captions and Headings	18
ARTICLE II. AUTHORIZATION AND TERMS OF 2008A BONDS	
SECTION 2.01. Authorized Amount of 2008A Bonds.....	19
SECTION 2.02. Issuance of 2008A Bonds Generally; Book Entry System	19
SECTION 2.03. Auction Rate and Variable Rates	20
SECTION 2.04. Conversions.....	24
SECTION 2.05. Failure of Conversion; Failure to Set Rate.....	26
SECTION 2.06. Delivery of 2008A Bonds.....	27
ARTICLE III. FORM, EXECUTION, AUTHENTICATION AND DELIVERY OF 2008A BONDS GENERALLY	
SECTION 3.01. Form of 2008A Bonds	29
SECTION 3.02. Execution and Authentication of 2008A Bonds	29
SECTION 3.03. Source of Payment of 2008A Bonds	29
SECTION 3.04. Payment and Ownership of 2008A Bonds.....	30
SECTION 3.05. Transfer and Exchange of 2008A Bonds.....	31
SECTION 3.06. Mutilated, Lost, Wrongfully Taken or Destroyed 2008A Bonds.....	33
SECTION 3.07. Safekeeping and Cancellation of 2008A Bonds	33
SECTION 3.08. Special Agreement with Holders	34
ARTICLE IV. REDEMPTION OF 2008A BONDS	
SECTION 4.01. Terms of Redemption of 2008A Bonds.....	35
SECTION 4.02. Partial Redemption	36
SECTION 4.03. Issuer's Election to Redeem	37
SECTION 4.04. Notice of Redemption.....	37
SECTION 4.05. Payment of Redeemed 2008A Bonds.....	38
SECTION 4.06. Optional Tenders During Rate Periods.....	39
SECTION 4.07. Mandatory Tenders for Purchase.....	41
SECTION 4.08. Remarketing and Purchase of Tendered 2008A Bonds.....	42
SECTION 4.09. 2008A Bond Purchase Fund; Purchase of 2008A Bonds Delivered to Paying Agent.....	46
SECTION 4.10. Inadequate Funds for Tenders	48

ARTICLE V. PROVISIONS AS TO FUNDS, PAYMENTS, REFUNDED 2006A BONDS AND AGREEMENT

SECTION 5.01.	Creation of 2008A Refunding Fund and Application of Proceeds.....	49
SECTION 5.02.	Disbursements from and Records of 2008A Refunding Fund	49
SECTION 5.03.	Redemption of Refunded 2006A Bonds.....	49
SECTION 5.04.	Creation of 2008A Bond Fund.....	50
SECTION 5.05.	Investment of 2008A Bond Fund, 2008A Refunding Fund and 2008A Rebate Fund.....	51
SECTION 5.06.	Moneys to be Held in Trust.....	52
SECTION 5.07.	Nonpresentment of 2008A Bonds; Unclaimed Moneys.....	52
SECTION 5.08.	Repayment to the Company from the 2008A Bond Fund	53
SECTION 5.09.	Creation of 2008A Rebate Fund.....	53

ARTICLE VI. THE TRUSTEE, REGISTRAR, PAYING AGENTS AND AUTHENTICATING AGENTS

SECTION 6.01.	Trustee's Acceptance and Responsibilities	55
SECTION 6.02.	Certain Rights and Obligations of the Trustee	56
SECTION 6.03.	Fees, Charges and Expenses of Trustee, Registrar, Paying Agents and Authenticating Agents	59
SECTION 6.04.	Intervention by Trustee.....	60
SECTION 6.05.	Successor Trustee	60
SECTION 6.06.	Appointment of Co-Trustee.....	60
SECTION 6.07.	Resignation by the Trustee	61
SECTION 6.08.	Removal of the Trustee.....	61
SECTION 6.09.	Appointment of Successor Trustee	62
SECTION 6.10.	Adoption of Authentication	63
SECTION 6.11.	Registrars.....	63
SECTION 6.12.	Designation and Succession of Paying Agents.....	64
SECTION 6.13.	Designation and Succession of Authenticating Agents.....	65
SECTION 6.14.	Dealing in 2008A Bonds	66
SECTION 6.15.	Representations, Agreements and Covenants of Trustee	66
SECTION 6.16.	Interpleader.....	66
SECTION 6.17.	Survival of Certain Provisions.....	67

ARTICLE VII. DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND HOLDERS

SECTION 7.01.	Defaults; Events of Default	68
SECTION 7.02.	Notice of Default	69
SECTION 7.03.	Acceleration.....	69
SECTION 7.04.	Other Remedies; Rights of Holders.....	71
SECTION 7.05.	Right of Holders or Credit Facility Issuer to Direct Proceedings.....	71
SECTION 7.06.	Application of Moneys	72
SECTION 7.07.	Remedies Vested in Trustee	73
SECTION 7.08.	Rights and Remedies of Holders	73

SECTION 7.09.	Termination of Proceedings.....	74
SECTION 7.10.	Waivers of Events of Default	74
SECTION 7.11.	Expenses and Services After an Event of Default.....	75
ARTICLE VIII. SUPPLEMENTAL INDENTURES		
SECTION 8.01.	Supplemental Indentures Generally.....	76
SECTION 8.02.	Supplemental Indentures Not Requiring Consent of Holders	76
SECTION 8.03.	Supplemental Indentures Requiring Consent of Holders	77
SECTION 8.04.	Consent of Company, Auction Agent, Broker-Dealer and Credit Facility Issuer	79
SECTION 8.05.	Authorization to Trustee; Effect of Supplement.....	79
SECTION 8.06.	Opinion of Bond Counsel	80
SECTION 8.07.	Modification by Unanimous Consent.....	80
ARTICLE IX. DEFEASANCE		
SECTION 9.01.	Release of 2008A Indenture	81
SECTION 9.02.	Payment and Discharge of 2008A Bonds.....	82
SECTION 9.03.	Survival of Certain Provisions.....	83
ARTICLE X. COVENANTS AND AGREEMENTS OF THE ISSUER		
SECTION 10.01.	Covenants and Agreements of the Issuer	84
SECTION 10.02.	Observance and Performance of Covenants, Agreements, Issuer and Actions	84
SECTION 10.03.	Enforcement of Issuer's Obligations	85
ARTICLE XI. AMENDMENTS TO 2008A AGREEMENT		
SECTION 11.01.	Amendments Not Requiring Consent of Holders.....	86
SECTION 11.02.	Amendments Requiring Consent of Holders.....	86
SECTION 11.03.	Opinion of Bond Counsel	87
ARTICLE XII. MEETINGS OF HOLDERS		
SECTION 12.01.	Purposes of Meetings.....	88
SECTION 12.02.	Call of Meetings	88
SECTION 12.03.	Voting	88
SECTION 12.04.	Meetings	88
SECTION 12.05.	Miscellaneous	89
ARTICLE XIII. THE REMARKETING AGENT, THE DEPOSITORY, THE AUCTION AGENT AND BROKER-DEALERS		
SECTION 13.01.	The Remarketing Agent.....	90
SECTION 13.02.	Qualification of Remarketing Agent	90
SECTION 13.03.	The Depository	91
SECTION 13.04.	Auction Agent	93
SECTION 13.05.	Broker-Dealers.....	93

ARTICLE XIV. CREDIT FACILITIES

SECTION 14.01.	Initial Credit Facility	95
SECTION 14.02.	Termination	95
SECTION 14.03.	Alternate Credit Facilities.....	96
SECTION 14.04.	Amendments to the Credit Facility.....	97

ARTICLE XV. MISCELLANEOUS

SECTION 15.01.	Limitation of Rights.....	98
SECTION 15.02.	Severability.....	98
SECTION 15.03.	Notices	98
SECTION 15.04.	Suspension of Mail	100
SECTION 15.05.	Payments Due on Non-Business Days	101
SECTION 15.06.	Instruments of Holders	101
SECTION 15.07.	References to Credit Facility Issuer.....	101
SECTION 15.08.	Priority of this 2008A Indenture.....	102
SECTION 15.09.	Extent of Covenants; No Personal Liability.....	102
SECTION 15.10.	No Recourse	102
SECTION 15.11.	Binding Effect.....	102
SECTION 15.12.	Counterparts.....	102
SECTION 15.13.	Governing Law	102

EXHIBIT A	Form of 2008A Bond	A-1
-----------	--------------------------	-----

EXHIBIT B	Auction Procedures, including Schedule I thereto	B-1
-----------	--	-----

TRUST INDENTURE

THIS TRUST INDENTURE dated as of December 1, 2008 (the "2008A Indenture"), is made by and between the County of Boone, Kentucky, a de jure county and political subdivision of the Commonwealth of Kentucky (the "Issuer"), and Deutsche Bank National Trust Company, a national banking association duly organized and validly existing under the laws of the United States, with a corporate trust office located in Chicago, Illinois, as trustee (the "Trustee"). Capitalized terms used, but not otherwise defined, in the following recitals and granting clauses are used as defined in Section 1.01 of this 2008A Indenture.

WHEREAS, the Issuer, at the request of The Cincinnati Gas & Electric Company ("CG&E"), previously issued its Floating Rate Monthly Demand Pollution Control Revenue Refunding Bonds, Series 1985 A (The Cincinnati Gas & Electric Company Project) in the aggregate principal amount of \$16,000,000 (the "1985 Bonds"), the proceeds of which were used to refund the Issuer's Pollution Control Revenue Bonds, 1982 Series A (The Cincinnati Gas & Electric Company Project), which bonds were issued to finance CG&E's share of the cost of acquisition, construction, improvement and equipping of certain air and water pollution control facilities and solid waste disposal facilities located within the corporate boundaries of the Issuer (the "1985 A Project") at the East Bend Generating Station (the "Generating Station"); and

WHEREAS, the Issuer, at the request of The Dayton Power and Light Company ("DP&L"), previously issued its 6.5% Collateralized Pollution Control Revenue Refunding Bonds, 1992 Series A (The Dayton Power and Light Company Project) in the aggregate principal amount of \$48,000,000 (the "1992 Bonds"), the proceeds of which were used to refund the Issuer's Pollution Control Revenue Bonds (The Dayton Power and Light Company Project), 1979 Series A, which bonds were issued to finance DP&L's share of the cost of acquisition, construction, improvement and equipping of certain air and water pollution control facilities and solid waste disposal facilities located within the corporate boundaries of the Issuer at the Generating Station (the "1992/1994 Project"); and

WHEREAS, the Issuer, at the request of CG&E, previously issued its 5-1/2% Collateralized Pollution Control Revenue Refunding Bonds, 1994 Series A (The Cincinnati Gas & Electric Company Project) in the aggregate principal amount of \$48,000,000 (the "1994 Bonds"), the proceeds of which were used to refund the Issuer's Pollution Control Revenue Bonds (The Cincinnati Gas & Electric Company Project), 1979 Series A, which bonds were issued to finance CG&E's share of the cost of acquisition, construction, improvement and equipping of the 1992/1994 Project at the Generating Station; and

WHEREAS, pursuant to an Assignment and Assumption Agreement dated as of September 30, 2005, CG&E assumed DP&L's duties and obligations with respect to the \$12,720,000 principal amount of Series 1992 Bonds that remained outstanding on such date; and

WHEREAS, pursuant to a Debt Assumption Agreement dated as of January 1, 2006, Duke Energy Kentucky, Inc., a public utility and corporation duly organized and validly existing under the laws of the State and successor to The Union Light, Heat and Power Company (the

“Company”) assumed CG&E's duties and obligations with respect to the 1985 Bonds, the 1992 Bonds and the 1994 Bonds; and

WHEREAS, the Issuer, at the request of the Company, previously issued its Pollution Control Revenue Refunding Bonds, Series 2006A (Duke Energy Kentucky, Inc. Project) in the aggregate principal amount of \$50,000,000 (the “Refunded 2006A Bonds”), and its Pollution Control Revenue Refunding Bonds, Series 2006B (Duke Energy Kentucky, Inc. Project) in the aggregate principal amount of \$26,720,000 (the “Refunded 2006B Bonds”), which proceeds of the Refunded 2006A Bonds and the Refunded 2006B Bonds were used to refund the 1985 Bonds, the 1992 Bonds and the 1994 Bonds; and

WHEREAS, pursuant to the Act, the Issuer has determined to issue, sell and deliver its Pollution Control Revenue Refunding Bonds, Series 2008A (Duke Energy Kentucky, Inc. Project) in the aggregate principal amount of \$50,000,000 (the “2008A Bonds”), pursuant to this 2008A Indenture, and to lend the proceeds derived from the sale thereof to the Company in order to permit the refunding of the entire outstanding principal amount of the Refunded 2006A Bonds; and

WHEREAS, the 2008A Bonds will be secured by this 2008A Indenture, and the Issuer is authorized to execute and deliver this 2008A Indenture and to do or cause to be done all acts provided or required herein to be performed on its part; and

WHEREAS, the Trustee has agreed to accept the trusts created by this 2008A Indenture upon and subject to the terms and conditions herein contained, and in evidence thereof has joined in the execution hereof; and

WHEREAS, upon execution and delivery of this 2008A Indenture, all things necessary to make the 2008A Bonds, when issued as provided in this 2008A Indenture and authenticated by the Trustee as provided herein, the legal, valid and binding special limited obligations of the Issuer in accordance with the terms thereof, and to constitute this 2008A Indenture a valid pledge and assignment of the trust estate will have been done and performed, and the creation, execution and delivery of this 2008 Indenture and the execution and issuance of the 2008A Bonds, subject to the terms hereof, in all respects have been duly authorized.

NOW, THEREFORE, THIS 2008A INDENTURE WITNESSETH, that to secure the payment of Bond Service Charges on the 2008A Bonds according to their true intent and meaning, to secure the performance and observance of all of the covenants, agreements, obligations and conditions contained therein and herein, and to declare the terms and conditions upon and subject to which the 2008A Bonds are and are intended to be issued, held, secured and enforced, and in consideration of the premises and the acceptance by the Trustee of the trusts created herein and of the purchase and acceptance of the 2008A Bonds by the Holders, and for other good and valuable consideration, the receipt of which is acknowledged, the Issuer has executed and delivered this 2008A Indenture and (a) absolutely and irrevocably assigns hereby to the Trustee, and to its successors in trust, and its and their assigns, all of the Issuer's rights and remedies under the 2008A Agreement (except for the Unassigned Issuer Rights), and (b) grants a

security interest to the Trustee, its successors in trust and its and their assigns, in all of the right, title and interest of the Issuer in and to the Revenues,

TO HAVE AND TO HOLD unto the Trustee and its successors in that trust and its and their assigns forever;

BUT IN TRUST, NEVERTHELESS, and subject to the provisions hereof,

(i) except as provided otherwise herein, for the equal and proportionate benefit, security and protection of all present and future Holders of the 2008A Bonds issued or to be issued under and secured by this 2008A Indenture,

(ii) for the enforcement of the payment of the principal of and interest and any premium on the 2008A Bonds, when payable, according to the true intent and meaning thereof and of this 2008A Indenture, and

(iii) to secure the performance and observance of and compliance with the covenants, agreements, obligations, terms and conditions of this 2008A Indenture,

in each case, without preference, priority or distinction, as to lien or otherwise, of any one 2008A Bond over any other by reason of designation, number, date of the 2008A Bonds or of authorization, issuance, sale, execution, authentication, delivery or maturity thereof, or otherwise, so that each 2008A Bond and all 2008A Bonds shall have the same right, lien and privilege under this 2008A Indenture and shall be secured equally and ratably hereby, it being intended that the lien and security of this 2008A Indenture shall take effect from the date hereof, without regard to the date of the actual issue, sale or disposition of the 2008A Bonds, as though upon that date all of the 2008A Bonds were actually issued, sold and delivered to purchasers for value; and

provided further, however, that

(i) if the principal of the 2008A Bonds and the interest due or to become due thereon together with any premium required by redemption of any of the 2008A Bonds prior to maturity shall be well and truly paid, at the times and in the manner to which reference is made in the 2008A Bonds, according to the true intent and meaning thereof, or the outstanding 2008A Bonds shall have been paid and discharged in accordance with Article IX hereof, and

(ii) if all of the covenants, agreements, obligations, terms and conditions of the Issuer under this 2008A Indenture shall have been kept, performed and observed and there shall have been paid to the Trustee, the Registrar, the Auction Agent, the Paying Agents and the Authenticating Agents all sums of money due or to become due to them in accordance with the terms and provisions hereof,

this 2008A Indenture and the rights assigned hereby shall cease, determine and be void, except as provided in Sections 6.17 and 9.03 hereof with respect to the survival of certain provisions hereof; otherwise, this 2008A Indenture shall be and remain in full force and effect.

It is declared that all 2008A Bonds issued hereunder and secured hereby are to be issued, authenticated and delivered, and that all Revenues assigned hereby are to be dealt with and disposed of under, upon and subject to, the terms, conditions, stipulations, covenants, agreements, obligations, trusts, uses and purposes provided in this 2008A Indenture. The Issuer has agreed and covenanted, and agrees and covenants with the Trustee and each and all of the Holders as follows:

(Balance of page intentionally left blank)

ARTICLE I.

DEFINITIONS

SECTION 1.01. Definitions. In addition to the words and terms defined elsewhere in this 2008A Indenture or by reference to the 2008A Agreement, unless the context or use clearly indicates another meaning or intent:

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

“Additional Payments” means the Additional Payments as defined in the 2008A Agreement.

“Affiliate” means a Person that directly, or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with the Company.

“Alternate Credit Facility” means any Alternate Credit Facility delivered to the Trustee pursuant to Section 14.03.

“ARS Conversion Date” has the meaning set forth in Exhibit B.

“ARS Rate Period” has the meaning set forth in Exhibit B.

“Auction” has the meaning set forth in Exhibit B.

“Auction Agent” has the meaning set forth in Exhibit B.

“Auction Agreement” has the meaning set forth in Exhibit B.

“Auction Date” has the meaning set forth in Exhibit B.

“Auction Mode” means the period during which the 2008A Bonds are in an Initial Period or an ARS Rate Period.

“Auction Period” has the meaning set forth in Exhibit B.

“Auction Period Rate” has the meaning set forth in Exhibit B.

“Auction Procedures” means the procedures attached hereto as Exhibit B.

“Auction Rate” has the meaning set forth in Exhibit B.

“Auction Rate Bonds” means any 2008A Bonds which are in an Auction Mode.

“Authenticating Agent” means the Trustee and the Registrar for the 2008A Bonds and any bank, trust company or other Person designated as an Authenticating Agent for the 2008A Bonds by or in accordance with Section 6.13 of this 2008A Indenture, 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 Company Representative” means the Vice President of Finance or Treasurer of the Company, the Assistant Treasurer of the Company and every other officer or employee of the Company so designated for purposes hereof in a written communication to the Trustee and, when the 2008A Bonds are in an ARS Rate Period, the Auction Agent.

“Authorized Denominations” means (i) with 2008A Bonds at a Term Rate, denominations of \$5,000 and integral multiples thereof, (ii) with 2008A Bonds at a Commercial Paper, Daily or Weekly Rate, denominations of \$100,000 with integral multiples of \$5,000 in excess thereof, and (iii) with Auction Rate Bonds, denominations of \$25,000 and integral multiples thereof.

“Bankruptcy Counsel” means nationally-recognized counsel experienced in bankruptcy matters selected by the Company and acceptable to the Trustee. Bankruptcy counsel may be counsel to the Trustee or the Company.

“Bond Ordinance” means the ordinance of the Issuer providing for the issuance of the 2008A Bonds and approving the 2008A Agreement, this 2008A Indenture and related matters, as amended or supplemented from time to time.

“Bond Service Charges” means, for any period or time, the principal of, premium, if any, and interest on the 2008A Bonds for that period or payable at that time whether due on an Interest Payment Date, at maturity, upon redemption, or upon acceleration.

“Bond Year” means, during the period while 2008A Bonds remain outstanding, the annual period provided for the computation of Excess Earnings under Section 148(f) of the Code.

“Bonds” means the 2008A Bonds.

“Book Entry Form” or “Book Entry System” means, with respect to the 2008A Bonds, a form or system, as applicable, under which (i) physical 2008A Bond certificates in fully registered form are registered only in the name of the Depository or its nominee as Holder, with the physical 2008A Bond certificates “immobilized” in the custody of the Depository and (ii) the ownership of beneficial interests in 2008A Bonds and Bond Service Charges thereon may be transferred only through a book entry made by others than the Trustee or the Registrar. The records maintained by others than the Trustee or the Registrar constitute the written record that identifies the owners, and records the transfer, of beneficial interests in those 2008A Bonds and Bond Service Charges thereon.

“Broker-Dealer” has the meaning set forth in Exhibit B.

“Broker-Dealer Agreement” has the meaning set forth in Exhibit B.

“Business Day” means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks located in New York, New York or the city or cities in which are located the corporate trust office or payment office of the Trustee, the Company, the Credit Facility Issuer, the Auction Agent, the Remarketing Agent, the Registrar or the Paying Agent are authorized by law to close and (iii) a day on which the New York Stock Exchange is closed.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. References to the Code and Sections of the Code include relevant applicable regulations and proposed regulations thereunder and under the Internal Revenue Code of 1954, as amended, and any successor provisions to those Sections, regulations or proposed regulations and, in addition, all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the 2008A Bonds.

“Commercial Paper Rate” means, when used with respect to any particular 2008A Bond, the interest rate determined for each Commercial Paper Rate Period applicable thereto pursuant to Section 2.03(b) hereof.

“Commercial Paper Rate Period” means a period during which a 2008A Bond bears interest at a Commercial Paper Rate.

“Company” means Duke Energy Kentucky, Inc., a public utility and corporation duly organized and validly existing under the laws of the State and successor to The Union Light, Heat and Power Company, and its lawful successors and assigns, to the extent permitted by the 2008A Agreement.

“Company Account” means the account of that name established in the 2008A Bond Fund pursuant to Section 5.04 hereof.

“Conversion Date” means a day on which the 2008A Bonds are converted (i) from one Variable Rate Period to another Variable Rate Period in accordance with the terms of this 2008A Indenture, including any change from a Term Rate Period to a Term Rate Period of a different duration, or (ii) from an ARS Rate Period to a Variable Rate Period or (iii) from a Variable Rate Period to an ARS Rate Period.

“Credit Facility” means an irrevocable direct-pay letter of credit or other credit enhancement or liquidity support facility, or any combination thereof, delivered to and in favor of the Trustee for the benefit of the owners of the 2008A Bonds, and includes the Initial Credit Facility or any Alternate Credit Facility delivered to the Trustee pursuant to Section 14.03 hereof.

“Credit Facility Account” means the account of that name established in the 2008A Bond Fund pursuant to Section 5.04 hereof.

“Credit Facility Issuer” means the Initial Credit Facility Issuer and the issuer of any Credit Facility subsequently in effect. “Drawing Office” of the Credit Facility Issuer means the office specified in the Credit Facility as the office at which certificates for drawings on the Credit Facility are to be presented. “Principal Office” of the Credit Facility Issuer means the office designated as such by the Credit Facility Issuer in writing to the Trustee, the Issuer, the Registrar, the Company and the Remarketing Agent.

“Credit Facility Proceeds Account” means the account of that name established in the 2008A Bond Purchase Fund pursuant to Section 4.09 hereof.

“Custodian” means the Person designated as Custodian pursuant to any Custodian Agreement then in effect, and its successors.

“Custodian Agreement” means any agreement among the Company, the Custodian and the Credit Facility Issuer which provides that it shall be deemed to be a Custodian Agreement for the purposes of this 2008A Indenture.

“Daily Rate” means the interest rate to be determined for the 2008A Bonds on each Business Day pursuant to Section 2.03(c) hereof.

“Daily Rate Period” means a period during which the 2008A Bonds bear interest at a Daily Rate.

“Depository” means The Depository Trust Company (a limited purpose trust company), New York, New York until a successor Depository shall have become such pursuant to the applicable provisions of this 2008A Indenture and, thereafter, “Depository” shall mean the successor Depository. Any Depository shall be a 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 beneficial interests in 2008A Bonds or Bond Service Charges thereon, and to effect transfers of beneficial interests in the 2008A Bonds, in a Book Entry Form.

“Determination of Taxability” means, with respect to the 2008A Bonds, a final decision, ruling or technical advice by any federal judicial or administrative authority to the effect that, as a result of a failure by the Company to observe or perform any covenant, agreement or obligation on its part to be observed or performed under the 2008A Agreement or the inaccuracy of any representation made by the Company in the 2008A Agreement, interest on any 2008A Bond is or was includable in the gross income of the owner of that 2008A Bond for federal income tax purposes (other than an owner who is a “substantial user” of the Project or a “related person” as those terms are used in Section 147(a) of the Code); provided that no decision by any court or decision, ruling or technical advice by any administrative authority shall be considered final (a) unless the beneficial owner involved in the proceeding or action giving rise to such decision, ruling or technical advice (i) gives the Company and the Trustee prompt notice of the commencement thereof, together with evidence satisfactory to the Company and the Trustee that such party is the beneficial owner and (ii) offers the Company the opportunity to control the contest thereof, provided the Company shall have agreed to bear all expenses in connection therewith and to indemnify that beneficial owner against all liabilities in connection therewith, and (b) until the expiration of all periods for judicial review or appeal. A Determination of Taxability will not result from the inclusion of interest on any 2008A Bond in the computation of the alternative minimum tax imposed by Section 55 of the Code, the branch profits tax on foreign corporations imposed by Section 884 of the Code or the tax imposed on net excess passive income of certain S corporations under Section 1375 of the Code.

“Electronically” or “Electronic” notice means notice transmitted through a facsimile machine, if operative as between any two parties, or if not operative, by telephone (promptly confirmed in writing).

“Electronic Means” has the meaning set forth in Exhibit B.

“Eligible Account” means an account that is either (a) maintained with a federal or state-chartered depository institution or trust company and, so long as the 2008A Bonds are rated by S&P, such institution or trust company has an S&P short-term debt rating of at least ‘A-2’ (or, if no short-term debt rating, a long-term debt rating of at least ‘BBB+’); or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit, which, in either case, has corporate trust powers and is acting in its fiduciary capacity.

“Eligible Investments” means Government Obligations and also:

- (1) 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; and
 - (G) Federal Financing Bank.
- (2) 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); and
 - (C) Senior debt obligations of the Federal Home Loan Bank System.
- (3) 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).
- (4) 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.
- (5) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P.
- (6) 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.
- (7) 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.
 - (8) Investment Agreements approved in writing by the Credit Facility Issuer (supported by appropriate opinions of counsel); and
 - (9) other forms of investments (including repurchase agreements) approved in writing by the Credit Facility Issuer.

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

- a) 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 Global Markets Inc., Bear Stearns, or Lehman Brothers.
- b) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon.
- c) As to any investment not specified above: the value thereof established by prior agreement among the Company, the Trustee, and the Credit Facility Issuer.

“Event of Bankruptcy” means the filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against the Company or the Issuer as debtor, other than any involuntary proceeding which has been finally dismissed without entry of any order for relief or similar order and without effect on any amounts held in the 2008A Bond Fund and as to which all appeal periods have expired.

“Event of Default” means any of the events described as an Event of Default in Section 7.01 hereof.

“Excess Earnings” means, as of the date of any computation or for any period, an amount equal to the sum of (i) plus (ii) where:

(i) is the excess of

(a) the aggregate amount earned from the date of issuance of the 2008A Bonds on all nonpurpose investments in which gross proceeds of the 2008A Bonds are invested (other than investments attributable to an excess described in this clause (i)), including any gain or deducting any loss from disposition of nonpurpose investments, over

(b) the amount that would have been earned if those nonpurpose investments (other than amounts attributable to an excess described in this clause (i)) had been invested at a rate equal to the yield on the 2008A Bonds; and

(ii) is any income attributable to the excess described in clause (i) of this definition.

The sum of (i) plus (ii) shall be determined in accordance with Section 148(f) of the Code. As used herein, the terms “gross proceeds,” “nonpurpose investments” and “yield” have the meanings assigned to them for purposes of Section 148 of the Code.

“Extraordinary Services” and “Extraordinary Expenses” mean all services rendered and all reasonable expenses, including legal fees and expenses, properly incurred by the Trustee, the Registrar and any Paying Agent or Authenticating Agent under this 2008A Indenture, other than Ordinary Services and Ordinary Expenses. Extraordinary Services and Extraordinary Expenses shall specifically include services rendered or expenses incurred by the Trustee in connection with, or in contemplation of, an Event of Default.

“Government Obligations” means 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:

- (1) U.S. treasury obligations;
- (2) All direct or fully guaranteed obligations;
- (3) Farmers Home Administration;
- (4) General Services Administration;
- (5) Guaranteed Title XI financing;
- (6) Government National Mortgage Association (GNMA); and
- (7) State and Local Government Series.

“Holder” or “Holder of a 2008A Bond” means the Person in whose name a bond is registered on the Register.

“Initial Credit Facility” means the irrevocable letter of credit issued by the Initial Credit Facility Issuer to the Trustee to secure the payment of the principal of and interest on, and any purchase price of, the 2008A Bonds and which shall be a “Credit Facility” hereunder.

“Initial Credit Facility Issuer” means Wells Fargo Bank, N.A., as issuer of the Initial Credit Facility, and which shall be a “Credit Facility Issuer” hereunder.

“Initial Period” has the meaning set forth in Schedule I to Exhibit B.

“Initial Period Rate” has the meaning set forth in Schedule I to Exhibit B.

“Interest Payment Date” means (a) when used with respect to 2008A Bonds bearing interest at the Daily or Weekly Rate, the first Business Day of each calendar month to which interest at such rate has accrued; (b) when used with respect to 2008A Bonds bearing interest at a Term Rate, the first day of the sixth calendar month following the month in which the Term Rate Period begins and the first day of each sixth calendar month thereafter to which interest at such rate has accrued, except that the last Interest Payment Date for any Term Rate Period which is followed by a conversion to a Daily, Weekly or Commercial Paper Rate Period (but not a conversion to a Term Rate Period of a different duration) shall be the first Business Day of the sixth calendar month following the month in which the immediately preceding Interest Payment Date occurs; (c) when used with respect to any particular 2008A Bond bearing interest at a Commercial Paper Rate, the first Business Day following the last day of each Commercial Paper Rate Period applicable thereto and (d) when used with respect to any particular Auction Rate Bond, has the meaning set forth in Exhibit B and Schedule I. In any case, the final Interest Payment Date will be the Maturity Date.

“Interest Period” means for Auction Rate Bonds, the Initial Period for the Auction Rate Bonds and each successive Auction Period thereafter. “Interest Period” for 2008A Bonds bearing interest at a Variable Rate means the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date, as applicable, provided, however, that the first Interest Period for any 2008A Bonds shall begin on (and include) the date of original issuance of the 2008A Bonds and the final Interest Period shall end on (and include) the day immediately preceding the Maturity Date.

“Issuer” means the County of Boone, Kentucky, a de jure county and political subdivision of the State.

“Loan” means the loan by the Issuer to the Company of the proceeds received from the sale of the 2008A Bonds.

“Loan Payments” means the amounts required to be paid by the Company in repayment of the Loan pursuant to Section 4.1 of the 2008A Agreement.

“Maturity Date” means August 1, 2027.

“Maximum Interest Rate” means the least of (a) 13% per annum, (b) the maximum rate of interest permitted under State law or (c) in the case of 2008A Bonds bearing interest at a Variable Rate, the maximum rate of interest permitted by any Credit Facility then in effect. The maximum rate of interest permitted by the Initial Credit Facility is thirteen percent (13%) per annum.

“Maximum Rate” has the meaning set forth in Exhibit B.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, 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 Issuer, with the approval of the Company, by notice to the Trustee and the Company.

“Opinion of Bond Counsel” means a written opinion of nationally-recognized bond counsel selected by the Company and acceptable to the Trustee and who is experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions. Bond Counsel may be counsel to the Trustee or the Company.

“Ordinary Services” and “Ordinary Expenses” mean those services normally rendered, and those expenses normally incurred, by a trustee, registrar, authenticating agent or paying agent under instruments similar to this 2008A Indenture.

“Outstanding Bonds,” “Bonds outstanding” or “outstanding” as applied to 2008A Bonds, means, as of the applicable date, all 2008A Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under this 2008A Indenture, except:

(b) 2008A Bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment or redemption on or prior to that date;

(c) On or after any purchase date for 2008A Bonds pursuant to Article IV hereof, all 2008A Bonds (or portions of 2008A Bonds) which are tendered or deemed to have been tendered for purchase on such date, but which have not been delivered to the Paying Agent, provided that funds sufficient for such purchase are on deposit with the Paying Agent in the appropriate accounts in accordance with the provisions hereof;

(d) 2008A Bonds, or the portion thereof, for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited and credited with the Trustee or Paying Agent to the appropriate accounts on or prior to that date for that purpose (whether upon or prior to the maturity or redemption date of those 2008A Bonds); provided, that if any of those 2008A Bonds are to be redeemed prior to their maturity, notice of that redemption shall have been given or arrangements satisfactory to the Trustee shall have been made for giving notice of that redemption, or waiver by the affected Holders of that notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(e) 2008A Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of this 2008A Indenture; and

(f) 2008A Bonds in lieu of which others have been authenticated under Section 3.06 of this 2008A Indenture; provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, 2008A Bonds owned by the Company or an

affiliate thereof shall be disregarded and deemed not to be Outstanding, except that in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only 2008A Bonds which the Trustee knows to be so owned shall be disregarded unless all 2008A Bonds are owned by the Company or any affiliate thereof and/or held by the Trustee for the account of the Company and/or an affiliate thereof, in which case such 2008A Bonds shall be considered outstanding for the purpose of such determination.

“Paying Agent” means Deutsche Bank National Trust Company, with a corporate trust office in Chicago, Illinois, or any bank or trust company designated as a Paying Agent by or in accordance with Section 6.12 of this 2008A Indenture. “Principal Office” of the Paying Agent means the office designated as such by the Paying Agent in writing to the Issuer, the Company, the Trustee, the Auction Agent, the Registrar, the Remarketing Agent and any Credit Facility Issuer.

“Person” or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), limited liability entities, joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

“Pledged Bonds” means 2008A Bonds tendered for purchase by the Holders thereof pursuant to Article IV hereof that are purchased with moneys received by the Trustee from a demand for payment under a Credit Facility then in effect and held by the Custodian pursuant to Section 4.08(b)(iv) hereof.

“Pledged Bonds Rate” means the interest rate for Pledged Bonds established in the Reimbursement Agreement.

“Project” means, collectively, the 1985 Project and the 1992/1994 Project, each as defined in the 2008A Agreement.

“Rate Period” means a period during which a particular rate of interest determined for the 2008A Bonds is to remain in effect until a subsequently determined rate of interest becomes effective pursuant to Article II hereof. In any case, the final Rate Period shall end on (and include) the day immediately preceding the Maturity Date.

“Refunded 2006A Bonds” means the \$50,000,000 County of Boone, Kentucky Pollution Control Revenue Refunding Bonds, Series 2006A (Duke Energy Kentucky, Inc. Project).

“Refunded Bonds Indenture” means the Trust Indenture dated as of August 1, 2006 between the Issuer and the Refunded Bonds Trustee, pursuant to which the Refunded 2006A Bonds were issued.

“Refunded Bonds Trustee” means Deutsche Bank National Trust Company, as trustee under the Refunded Bonds Indenture.

“Register” means the books kept and maintained by the Registrar for registration and transfer of 2008A Bonds pursuant to Section 3.05 hereof.

“Registrar” means Deutsche Bank National Trust Company, Chicago, Illinois, until a successor Registrar shall have become such pursuant to applicable provisions of this 2008A Indenture.

“Regular Record Date” means the close of business on (a) the fifteenth day of the month preceding each Interest Payment Date in the case of 2008A Bonds bearing interest at a Term Rate; (b) the last Business Day of the Interest Period in the case of 2008A Bonds bearing interest at Daily or Weekly Rates; (c) the last day of the Commercial Paper Rate Period applicable to such 2008A Bond; and (d) the Business Day immediately preceding each Interest Payment Date for Auction Rate Bonds.

“Reimbursement Agreement” means, initially, the Letter of Credit Agreement, dated as of September 19, 2008, among the Company and Duke Energy Indiana, Inc., as borrowers, the Initial Credit Facility Issuer, as issuer of the Initial Credit Facility, and the other banks and agents parties thereto, and any other reimbursement agreement between the Company and a Credit Facility Issuer setting forth the obligations of the Company to such Credit Facility Issuer arising out of any payments under a Credit Facility.

“Remarketing Agent” means the Remarketing Agent appointed pursuant to Section 13.01 hereof and its successors. “Principal Office” of the Remarketing Agent means the office or offices designated in writing to the Issuer, the Trustee, the Paying Agent, the Auction Agent, the Company and the Credit Facility Issuer.

“Remarketing Agreement” means any Remarketing Agreement executed by the Company and the Remarketing Agent pursuant to Article XIII hereof, as amended from time to time.

“Remarketing Proceeds Account” means the account of that name established in the 2008A Bond Purchase Fund pursuant to Section 4.09 hereof.

“Revenues” means (a) the Loan Payments, (b) all other moneys received or to be received by the Issuer (excluding the Issuer Fee as defined in the 2008A Agreement) or the Trustee in respect of repayment of the Loan including, without limitation, all moneys and investments in the 2008A Bond Fund, (c) any moneys and investments in the 2008A Refunding Fund, and (d) all income and profit from the investment of the foregoing moneys. The term “Revenues” does not include any moneys or investments in the 2008A Rebate Fund or the 2008A Bond Purchase Fund.

“S&P” means Standard & Poor’s Ratings Services, and its successors and assigns, except that 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 organization designated by the Issuer, with the approval of the Company, by notice to the Trustee and the Company.

“SEC” means the Securities and Exchange Commission.

“Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

“SIFMA Municipal Swap Index” means, as of any date, the “Securities Industry and Financial Markets Association Municipal Swap Index” (such index previously known as the “Bond Market Association Municipal Swap Index” and the “PSA Municipal Swap Index”) as produced by Municipal Market Data or any successor thereto, which is based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days notice, the interest on which is tax-exempt and not subject to any personal “alternative minimum tax” or similar tax under the Code unless all tax-exempt securities are subject to such tax, and published or made available by the Securities Industry and Financial Markets Association, or any successor thereto (“SIFMA”) or any person acting in cooperation with or under the sponsorship of SIFMA, or, if such index is unavailable, then such other publicly available index or measurement of seven-day yields on high-grade tax-exempt variable-rate demand obligations selected by the Company and agreed to by the Remarketing Agent.

“Special Record Date” means, with respect to any 2008A Bond, the date established by the Trustee in connection with the payment of overdue interest on that 2008A Bond pursuant to Section 3.04 hereof.

“State” means the Commonwealth of Kentucky.

“Supplemental Indenture” means any indenture supplemental to this 2008A Indenture entered into between the Issuer and the Trustee in accordance with Article VIII hereof.

“Term Rate” means the interest rate to be determined pursuant to Section 2.03(e) hereof for the 2008A Bonds for a term of one or more whole years or for a term to the Maturity Date.

“Term Rate Period” means a period during which the 2008A Bonds bear interest at a particular Term Rate.

“Term Rate Period of a different duration” means a conversion to a Term Rate Period of a different duration than the then current Term Rate Period and, if the conversion is occurring on a date other than that originally scheduled as the last Interest Payment Date of the then current Term Rate Period, a conversion to a Term Rate Period of the same duration as the then current Term Rate Period.

“Trustee” means Deutsche Bank National Trust Company, with a corporate trust office located in Chicago, Illinois, a national banking association duly organized and validly existing under the laws of the United States of America and duly authorized to exercise corporate trust powers, until a successor Trustee shall have become such pursuant to the applicable provisions of this 2008A Indenture, and thereafter “Trustee” shall mean the successor Trustee. “Corporate Trust Office” of the Trustee shall mean the corporate trust office of the Trustee so designated by the Trustee, which office at the date of the issuance of the 2008A Bonds is located at the address stated in Section 15.03 hereof.

“Unassigned Issuer Rights” means all of the rights of the Issuer to receive Additional Payments under Section 4.2 of the 2008A Agreement, to perform inspections pursuant to Section 5.1 of the 2008A Agreement, to be held harmless and indemnified under Section 5.9 thereof, to be reimbursed for attorney’s fees and expenses under Section 7.4 thereof and to give or withhold

consent to amendments, changes, modifications, alterations and termination of the 2008A Agreement under Section 8.6 thereof and its right to enforce such rights.

“Underwriter” means Wachovia Bank, National Association as the original purchaser of the 2008A Bonds.

“Variable Rate” means, as the context requires, the Commercial Paper, Daily, Weekly or Term Rate applicable from time to time to 2008A Bonds.

“Variable Rate Period” means, as the context requires, the Commercial Paper Rate Period, Daily Rate Period, Weekly Rate Period or Term Rate Period.

“Weekly Rate” means the interest rate to be determined for the 2008A Bonds on a weekly basis pursuant to Section 2.03(d) hereof.

“Weekly Rate Period” means a period during which the 2008A Bonds bear interest at a Weekly Rate.

“1985 Bonds” means the \$16,000,000 County of Boone, Kentucky Floating Rate Monthly Demand Pollution Control Revenue Refunding Bonds, Series 1985A (The Cincinnati Gas & Electric Company Project).

“1992 Bonds” means the \$48,000,000 County of Boone, Kentucky 6.5% Collateralized Pollution Control Revenue Refunding Bonds, 1992 Series A (The Dayton Power and Light Company Project), the duties and obligations with respect to \$12,720,000 principal amount of which were assumed by the Company.

“1994 Bonds” means the \$48,000,000 County of Boone, Kentucky 5-1/2% Collateralized Pollution Control Revenue Refunding Bonds, 1994 Series A (The Cincinnati Gas & Electric Company Project).

“2008A Agreement” means the Loan Agreement related to the 2008A Bonds, dated as of even date with this 2008A Indenture, between the Issuer and the Company, as amended or supplemented from time to time.

“2008A Bond Fund” means the 2008A Bond Fund created in Section 5.04 hereof.

“2008A Bond Purchase Fund” means the 2008A Bond Purchase Fund established pursuant to Section 4.09 hereof.

“2008A Bonds” means the Pollution Control Revenue Refunding Bonds, Series 2008A (Duke Energy Kentucky, Inc. Project) issued by the Issuer hereunder.

“2008A Indenture” means this Trust Indenture, dated as of December 1, 2008, between the Issuer and the Trustee, as amended or supplemented from time to time.

“2008A Rebate Fund” means the 2008A Rebate Fund created in Section 5.09 hereof.

“2008A Refunding Fund” means the 2008A Refunding Fund created in Section 5.01 hereof.

SECTION 1.02. Interpretation. Any reference herein to the Issuer, or to any member or officer of the Issuer, includes entities or officials succeeding to their respective functions, duties or responsibilities pursuant to or by operation of law or lawfully performing their functions.

Any reference to a Section or provision of the Constitution of the State or the Act, or to a section, provision or chapter of the Kentucky Revised Statutes, or to any statute of the United States of America, includes that section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time; provided, that no amendment, modification, revision, supplement or superseding section, provision or chapter shall be applicable solely by reason of this provision if it constitutes in any way an impairment of the rights or obligations of the Issuer, the State, the Holders, the Trustee, the Registrar, the Auction Agent, a Paying Agent, an Authenticating Agent, the Remarketing Agent, the Company or any Credit Facility Issuer under this 2008A Indenture, the Bond Ordinance, the 2008A Bonds, the 2008A Agreement, or any other instrument or document entered into in connection with any of the foregoing, including without limitation, any alteration of the obligation to pay Bond Service Charges in the amount and manner, at the times, and from the sources provided in the Bond Ordinance and this 2008A Indenture, except as permitted herein. Any references to Exhibit B or to Schedule I to Exhibit B are to Exhibit B and Schedule I thereto which are attached to this Indenture

Unless the context indicates otherwise, words importing the singular number include the plural number, and vice versa; the terms “hereof”, “hereby”, “herein”, “hereto”, “hereinafter”, “hereunder” and similar terms refer to this 2008A Indenture; and the term “hereafter” means after, and the term “heretofore” means before, the date of this 2008A Indenture. Words of any gender include the correlative words of the other genders, unless the sense indicates otherwise.

SECTION 1.03. Captions and Headings. The captions and headings in this 2008A Indenture are used solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections, paragraphs, subparagraphs or clauses hereof.

(End of Article I)

ARTICLE II.

AUTHORIZATION AND TERMS OF 2008A BONDS

SECTION 2.01. Authorized Amount of 2008A Bonds. No 2008A Bonds may be issued under the provisions of this 2008A Indenture except in accordance with this Article. The total authorized principal amount of 2008A Bonds which shall be issued under the provisions of this 2008A Indenture is \$50,000,000.

SECTION 2.02. Issuance of 2008A Bonds Generally; Book Entry System. The 2008A Bonds shall be designated "Pollution Control Revenue Refunding Bonds, Series 2008A (Duke Energy Kentucky, Inc. Project)" and shall be issued in one or more series in the aggregate principal amount of up to \$50,000,000. The 2008A Bonds shall be numbered in such manner and may carry such other designations as determined by the Trustee in order to distinguish each 2008A Bond from any other 2008A Bond and identify the interest payment provisions and tender option provisions applicable thereto; shall be dated as of their date of original issuance; and shall bear interest from the most recent Interest Payment Date for which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their date. The 2008A Bonds shall mature on the Maturity Date and shall bear interest at the rates provided for herein, payable on each Interest Payment Date.

All 2008A Bonds shall be delivered in Authorized Denominations.

The 2008A Bonds shall bear interest initially at a Weekly Rate for an initial Weekly Rate Period through December 16, 2008 and shall continue to bear interest at the Weekly Rate until converted as described below or until maturity, which interest is payable on the Interest Payment Dates.

The interest rate on the 2008A Bonds may be converted at the option of the Company to a different interest rate determination method in accordance with Section 2.04 hereof. If the Company does not exercise its option to convert the interest rate on the 2008A Bonds to a different interest rate determination method in accordance with Section 2.04 hereof, then the 2008A Bonds shall remain in that same interest rate determination method and, while bearing interest at a Daily Rate or Weekly Rate, shall be subject to optional tender pursuant to Section 4.06 hereof. In no event shall the Remarketing Agent set the interest rate on any 2008A Bond bearing interest at a Variable Rate at a rate in excess of the Maximum Interest Rate. In no event shall the Auction Agent set the interest rate on any Auction Rate Bond at a rate in excess of the Maximum Rate. Notwithstanding anything else in this 2008A Indenture or the 2008A Agreement to the contrary, at any one time, portions of the 2008A Bonds in Authorized Denominations may be in different Rate Periods (including different Term Rate Periods and different Auction Periods) and the provisions of this 2008A Indenture shall apply with respect to each such portion independently of any other portion, provided that each such portion shall first be assigned a CUSIP number that is different from the CUSIP number assigned to any other portion and, thereupon, each such portion shall be deemed to be a "Series" for purposes of the next paragraph hereof, and for purposes of, and as provided for in, the Auction Procedures.

The 2008A Bonds shall only be originally issued to the Depository for use in a Book Entry System. Such 2008A Bonds shall be registered in the name of the Depository or its nominee, as Holder, and immobilized in the custody of the Depository, and there shall be a single 2008A Bond representing an entire Series. 2008A Bonds in Book Entry Form shall not be transferable or exchangeable except as provided in this Section 2.02 and Section 13.03(e) hereof. The owners of beneficial interests in the 2008A Bonds shall not have any right to receive 2008A Bonds in the form of physical certificates.

2008A Bond certificates are required to be issued in exchange for a global certificate and registered in such names of the beneficial owner and in Authorized Denominations as the Depository, pursuant to instructions from the participants in the Book Entry System or otherwise, shall instruct the Trustee under the following circumstances:

(a) The Depository determines to discontinue providing its service with respect to the 2008A Bonds and no successor has been appointed within 90 days after the Company receives notice thereof. Such a determination may be made by a Depository at any time by giving notice to the Company, the Issuer, the Trustee, the Auction Agent, the Remarketing Agent and the Paying Agent and discharging its responsibilities with respect thereto under applicable law.

(b) The Company determines that continuation of the system of book-entry transfers through the Depository is not in the best interests of the beneficial owners.

(c) The Remarketing Agent has notified the Issuer, the Company, the Auction Agent, the Registrar, the Paying Agent and the Trustee that the 2008A Bonds should not be maintained in the Book-Entry System.

(d) The Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and no successor has been appointed within 90 days after the Company receives notice thereof.

The Issuer, the Company, the Registrar, the Trustee, the Auction Agent, the Paying Agent and the Remarketing Agent will recognize the Depository or its nominee as the sole and exclusive Bondowner for all purposes, including payments of principal of, premium, if any, and interest on the 2008A Bonds, notices and voting.

SECTION 2.03. Auction Rate and Variable Rates.

(a) Determination by Remarketing Agent. Subject to the further provisions of this Article II with respect to particular Variable Rates or conversions between Rate Periods, the Variable Rate to be applicable to the 2008A Bonds during any Rate Period shall be determined by the Remarketing Agent, as follows:

(i) In each case, the Variable Rate for the Rate Period in question shall be determined by the Remarketing Agent on the date or dates and at the time or times required pursuant to subsections (b), (c), (d) or (e) of this Section, whichever is applicable. In no event shall the Variable Rate be an interest rate in excess of the Maximum Interest Rate.

(ii) Except as otherwise provided in Section 4.08(a) hereof, the Variable Rate to be determined by the Remarketing Agent for any Daily, Weekly or Term Rate Period shall be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the 2008A Bonds to have a market value on the commencement date of such Rate Period equal to the principal amount thereof plus accrued and unpaid interest, if any, under prevailing market conditions as of the date of determination.

(iii) All determinations of Variable Rates, including Commercial Paper Rate Periods and Term Rate Periods, pursuant to this Section shall be conclusive and binding upon the Issuer, the Company, the Trustee, the Paying Agent, the Holders and any Credit Facility Issuer.

(iv) The Variable Rate in effect for 2008A Bonds during any Rate Period shall be available to Holders on the date such Variable Rate is determined, between 1:00 p.m. and 5:00 p.m., New York City time, from the Remarketing Agent or the Trustee at their designated offices and shall also be communicated by the Remarketing Agent promptly to the Company by telephonic or Electronic notice.

(v) During any transitional period for a conversion from the Commercial Paper Rate Period to a Daily or Weekly Rate Period in which the Remarketing Agent is setting different Commercial Paper Rate Periods in order to effect an orderly transition of such conversion, 2008A Bonds bearing interest at the Commercial Paper Rate shall be governed by the provisions of this 2008A Indenture applicable to Commercial Paper Rate Periods and Commercial Paper Rates, and 2008A Bonds bearing interest at the Daily Rate or Weekly Rate, as applicable, shall be governed by the provisions of this 2008A Indenture applicable to such Daily Rates and Daily Rate Periods or Weekly Rates and Weekly Rate Periods, as the case may be.

(b) Determination of Commercial Paper Rates. A Commercial Paper Rate for each Commercial Paper Rate Period shall be determined as follows:

(i) The Commercial Paper Rate Period for each 2008A Bond shall be determined separately by the Remarketing Agent on or prior to the first day of such Commercial Paper Rate Period as being the Commercial Paper Rate Period permitted hereunder which, in the judgment of the Remarketing Agent, will, with respect to each 2008A Bond, ultimately produce the lowest overall interest cost on the 2008A Bonds during the Commercial Paper Rate Period; provided that each Commercial Paper Rate Period shall be from one day to 270 days in length, shall begin on a Business Day and end on a day preceding a Business Day or the day preceding the Maturity Date.

(ii) The Commercial Paper Rate for each Commercial Paper Rate Period shall be effective from and including the commencement date of such period and remain in effect to and including the last day thereof. Each such Commercial Paper Rate shall be determined by the Remarketing Agent no later than 1:00 p.m., New York City time, on the first day of the Commercial Paper Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the Remarketing Agent to sell such 2008A Bond on that day at a price equal to the principal amount thereof.

(iii) If the Remarketing Agent has received notice of any conversion to a Term Rate Period, the remaining number of days prior to the Conversion Date or, if the Remarketing Agent has received notice of any conversion from a Commercial Paper Rate Period to a Daily or Weekly Rate Period, the length of each Commercial Paper Rate Period for each 2008A Bond shall be determined by the Remarketing Agent to be either (A) that length of period that, as soon as possible, shall enable the Commercial Paper Rate Periods for all 2008A Bonds to end on the day before the Conversion Date, or (B) that length of period which, based on the Remarketing Agent's judgment, will best promote an orderly transition to the next Rate Period.

(iv) If a Credit Facility is then in effect, no Commercial Paper Rate Period may be established (A) which is longer than a period equal to the maximum number of days' interest coverage provided by such Credit Facility minus 15 days or (B) which extends beyond the remaining term of such Credit Facility minus 15 days.

(c) Daily Rates. A Daily Rate shall be established for each Daily Rate Period as follows:

(i) Daily Rate Periods shall commence on a Business Day and shall extend to, but not include, the next succeeding Business Day.

(ii) The Daily Rate for each Daily Rate Period shall be effective from and including the commencement date thereof and shall remain in effect to, but not including, the next succeeding Business Day. Each such Daily Rate shall be determined by the Remarketing Agent no later than 10:30 a.m., New York City time, on the Business Day which is the commencement date of the Daily Rate Period to which it relates; the Remarketing Agent shall advise the Trustee and Paying Agent of any change in the Daily Rate by the close of business on the day such rate is determined by telephone and shall confirm in writing to the Trustee and Paying Agent each month the Daily Rates in effect during that month. If the Remarketing Agent determines that the Daily Rate for a Daily Rate Period is the same as the Daily Rate in effect on the Business Day immediately preceding the commencement of that Daily Rate Period, the Remarketing Agent shall not be required to notify the Trustee or Paying Agent of that determination.

(d) Weekly Rates. A Weekly Rate shall be determined for each Weekly Rate Period as follows:

(i) Weekly Rate Periods shall commence on Wednesday of each week and end on Tuesday of the following week; except that (A) in the case of a conversion to a Weekly Rate Period, the initial Weekly Rate Period for 2008A Bonds shall commence on the Conversion Date and end on Tuesday of the following week; and (B) in the case of a conversion from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period prior to conversion shall end on the last day immediately preceding the Conversion Date.

(ii) The Weekly Rate for each Weekly Rate Period shall be effective from and including the commencement date of such period and shall remain in effect through and

including the last day thereof. Each such Weekly Rate shall be determined by the Remarketing Agent no later than 10:00 a.m., New York City time, on the commencement date of the Weekly Rate Period to which it relates and made available to the Trustee and Paying Agent by the Remarketing Agent by telephone by the close of business on the day such rate is determined and confirmed in writing each month.

(e) Term Rates. A Term Rate shall be determined for each Term Rate Period as follows:

(i) Term Rate Periods shall (A) commence either on a Conversion Date (including a conversion from a Term Rate Period to a Term Rate Period of a different duration) or, if then in a Term Rate Period, the commencement date of an immediately successive Term Rate Period of the same duration and (B) extend to but not include either the commencement date of an immediately successive Term Rate Period (of whatever duration) or the Conversion Date on which an ARS, Daily, Weekly or Commercial Paper Rate Period shall become effective.

(ii) The Term Rate for each Term Rate Period shall be effective from and including the commencement date of such period and remain in effect through and including the last day thereof. Each such Term Rate shall be determined by the Remarketing Agent not later than 12:00 noon, New York City time, on the Business Day immediately preceding the commencement date of such period and made available to the Trustee and Paying Agent by telephone by the Remarketing Agent by the close of business on the day such rate is determined and confirmed in writing by the close of business on the next Business Day.

(iii) The duration of each successive Term Rate Period shall be the same as the then current Term Rate Period until the Company elects to convert the Term Rate Period to an ARS, Daily, Weekly or Commercial Paper Rate Period, or to a Term Rate Period of a different duration, all as provided in Section 2.04 hereof. If the Company so elects to convert the Term Rate Period then the 2008A Bonds shall be subject to mandatory tender for purchase pursuant to Section 4.07 hereof.

(f) Auction Rate. Interest on Auction Rate Bonds shall accrue for each Interest Period and shall be payable in arrears, on each Interest Payment Date. The Auction Rate for Auction Rate Bonds, and the Initial Period and Initial Period Rate for 2008A Bonds converted from a Rate Period for a Variable Rate to an ARS Rate Period, shall all be determined in accordance with the Auction Procedures. Notwithstanding anything else herein to the contrary, in the case of a conversion under Section 2.04 to an ARS Rate Period, the Broker-Dealer shall establish the Initial Period Rate and give notice thereof as provided in the Broker-Dealer Agreement.

(g) Pledged Bonds. Pledged Bonds shall bear interest at the Pledged Bonds Rate.

SECTION 2.04. Conversions.

(a) Conversions between Rate Periods. At the option of the Company, the 2008A Bonds may be converted from one Rate Period to another, including a conversion from one Term Rate Period to another Term Rate Period of a different duration, as follows:

(i) The Conversion Date shall be an Interest Payment Date for the Rate Period from which the conversion is to be made; provided, however, that

(A) if the conversion is from a Term Rate Period to another Rate Period, including a Term Rate Period of a different duration, the Conversion Date shall be limited to any Interest Payment Date upon which the 2008A Bonds are subject to optional redemption pursuant to Section 4.01(c) or the last Interest Payment Date of that Term Rate Period, as the case may be;

(B) if the conversion is from a Daily Rate Period to a Weekly Rate Period, or from a Weekly Rate Period to a Daily Rate Period, the Conversion Date may be any Wednesday, regardless of whether the Wednesday is an Interest Payment Date;

(C) if the conversion is from an ARS Rate Period, the Conversion Date shall be the Interest Payment Date following the final Auction Period; and

(D) if the conversion is from a Commercial Paper Rate Period, the Conversion Date shall be the last Interest Payment Date on which interest is payable for all 2008A Bonds bearing Commercial Paper Rates theretofore established pursuant to Section 2.03(b) hereof; provided, however, that if the conversion is from a Commercial Paper Rate Period to a Daily or Weekly Rate Period, there may be more than one Conversion Date in accordance with Section 2.03(b)(iii) hereof and in that case the Conversion Date with respect to each 2008A Bond must be an Interest Payment Date for such 2008A Bond.

(ii) The Company shall give written notice of any such conversion to the Issuer, the Remarketing Agent, the Trustee, the Auction Agent, the Broker-Dealer, the Paying Agent and the Credit Facility Issuer not less than seven Business Days prior to the date on which the Trustee is required to notify Holders as provided in Section 2.04(a)(iii). Such notice shall specify (A) the proposed Conversion Date or, in the case of conversions to the ARS Rate Period, the ARS Conversion Date, (B) the type of Rate Period to which the conversion will be made, (C) if there will be a Credit Facility in effect during the Rate Period commencing on the Conversion Date, information relating thereto, (D) in the case of conversion to an ARS Rate Period, the length of the Initial Period, the first Auction Date, the first Interest Payment Date following the ARS Conversion Date, the initial Auction Period, and the name and address of the Auction Agent and the Broker-Dealer, and (E) in the case of conversion to a Term Rate Period, the length of such Term Rate Period.

(iii) Not fewer than fifteen (15) days prior to the Conversion Date in the case of conversions from ARS, Daily, Weekly and Commercial Paper Rate Periods, and not fewer than thirty (30) days prior to the Conversion Date in the case of a conversion from a Term Rate Period, and not fewer than thirty (30) days prior to the last Business Day before the commencement of a new Term Rate Period, the Trustee shall mail by first class mail a written notice of the conversion or the commencement of such new Term Rate Period to each Holder at the Holder's address as it appears on the Register. Such notice shall state:

(A) in the case of a conversion, the type of Rate Period to which the conversion will be made and the Conversion Date, or, in the case of a conversion to the ARS Rate Period, the ARS Conversion Date;

(B) that the 2008A Bonds will be subject to mandatory tender for purchase on the Conversion Date or on the Business Day immediately succeeding the last day of a Term Rate Period, as the case may be, and the purchase price of the 2008A Bonds;

(C) in the case of a conversion to an ARS Rate Period, the length of the Initial Period, the first Auction Date, the first Interest Payment Date following the ARS Conversion Date, the initial Auction Period, the Auction Agent and the Broker-Dealer; and

(D) if the 2008A Bonds are no longer in Book Entry Form and are therefore in certificated form, information with respect to required delivery of bond certificates and payment of the purchase price under Section 4.08 hereof.

(b) Conditions Precedent to Conversions. The following conditions precedent shall be applicable to conversions under this Section:

(i) Any conversion (A) from a Daily, Weekly or Commercial Paper Rate Period to a Term Rate Period, (B) from a Term Rate Period to a Daily, Weekly or Commercial Paper Rate Period, (C) to or from an ARS Rate Period, or (D) any conversion to a Term Rate Period from a Term Rate Period (on a date other than the date originally scheduled as the last Interest Payment Date of the then current Term Rate Period) shall be subject to the condition that on or before the Conversion Date, the Company shall have delivered to the Issuer, the Trustee, the Credit Facility Issuer, the Auction Agent, the Broker-Dealer, the Paying Agent and the Remarketing Agent an Opinion of Bond Counsel to the effect that the conversion is authorized hereunder and under the Act and will not adversely affect the exclusion from gross income of interest on the 2008A Bonds for federal income tax purposes.

(ii) Any Credit Facility to be held by the Trustee after the Conversion Date must be sufficient to cover the principal of and accrued interest on the outstanding 2008A Bonds for the maximum Interest Period permitted for that particular Rate Period plus 15 days, and, if a Credit Facility is to be held by the Trustee after the conversion of the

2008A Bonds to a Term Rate Period, that Credit Facility must also extend for the entire Term Rate Period plus 15 days.

(iii) If a Credit Facility is then in effect and the purchase price of the 2008A Bonds under Section 4.07 hereof includes any premium, such conversion shall be subject to the condition that the Trustee shall have confirmed prior to mailing notice to the Holders of such conversion pursuant to Section 2.04(a)(iii) hereof that the Trustee is entitled to draw on that Credit Facility in an aggregate amount sufficient to pay the applicable purchase price (including such premium).

(iv) No 2008A Bonds may be converted to an ARS Rate Period unless, on or before the ARS Conversion Date, an Auction Agent has entered into an Auction Agreement pursuant to Section 13.04 hereof, and at least one Broker-Dealer has entered into a Broker-Dealer Agreement pursuant to Section 13.05 hereof. Until any such conversion is made any references herein to the Auction Agent and the Broker-Dealer shall be ineffective.

(v) No 2008A Bonds may be converted to an ARS Rate Period when the 2008A Bonds are not held by a Depository in Book Entry Form.

(vi) The following additional conditions must be satisfied before a Conversion to a Commercial Paper Rate shall become effective:

(A) The Company must engage, at its expense, a commercial paper issuing and paying agent (the "Issuing Agent"), reasonably acceptable to the Trustee and the Paying Agent, having access to DTC's electronic money market issuing and payment system and otherwise eligible to serve as an issuing and paying agent under DTC's policies and procedures for the issuance and payment of commercial paper;

(B) The Remarketing Agent must arrange for the execution and delivery to DTC of the required DTC letter of representation for the eligibility of the 2008A Bonds in the Commercial Paper Rate in DTC's book entry system and the provision of any needed CUSIP numbers;

(C) The Issuer and the Company shall take all other action needed to comply with DTC requirements applicable to the issuance and payment of the 2008A Bonds while in the Commercial Paper Rate; and

(D) The Issuer and the Company shall enter into any amendment of this Indenture and the Agreement, as applicable, that is needed to comply with DTC's or any rating agency's requirements concerning the issuance and payment of the 2008A Bonds in the Commercial Paper Rate.

SECTION 2.05. Failure of Conversion; Failure to Set Rate.

(a) If for any reason a condition precedent to a conversion of the 2008A Bonds (other than a conversion of the 2008A Bonds from an ARS Rate Period) is not met, the conversion shall

not be effective (although any mandatory tender pursuant to Section 4.07 hereof shall be made on such date if the notice required under Section 2.04(a)(iii) hereof has been sent to Holders stating that such 2008A Bonds would be subject to mandatory purchase on that date), and the 2008A Bonds shall automatically be converted to a Weekly Rate Period and bear interest at the Weekly Rate determined by the Remarketing Agent as of the date on which the conversion was to occur. The Trustee shall promptly notify the Company, any Credit Facility Issuer and each Holder of such fact and shall give all additional notices and take all further actions required pursuant to Section 4.10 hereof.

(b) If the conversion is from an ARS Rate Period, the Company may withdraw, at any time prior to 10:00 a.m. New York City time on the Business Day immediately preceding the Conversion Date, its notice of conversion and the Auction for such 2008A Bonds shall be held on such Auction Date as if no conversion notice had ever been given. If on a Conversion Date the conversion notice has not been withdrawn as set forth in the preceding sentence and any condition precedent to such conversion has not been satisfied, the Trustee shall give notice by Electronic Means as soon as practicable and in any event not later than the next succeeding Business Day to the Holders of the 2008A Bonds to have been converted, the Issuer, the Auction Agent, the Remarketing Agent, the Broker-Dealer and the Credit Facility Issuer that such conversion has not occurred, that the 2008A Bonds shall not be purchased on the failed Conversion Date, that the Auction Agent shall continue to implement the Auction Procedures on the Auction Dates with respect to such 2008A Bonds which otherwise would have been converted excluding however, the Auction Date falling on the Business Day next preceding the failed Conversion Date, and that the interest rate shall continue to be the Auction Period Rate; provided, however, that the interest rate borne by the 2008A Bonds which otherwise would have been converted during the Auction Period commencing on such failed Conversion Date shall be the Maximum Rate, and the Auction Period shall be the seven-day Auction Period.

(c) If the Remarketing Agent fails for any reason to determine the rate for a Daily, Weekly, Commercial Paper or Term Rate Period, then the 2008A Bonds shall bear such interest at the last effective rate established for such Rate Period as set forth in Section 2.05(a), provided, however, that if any such Rate Period is a Term Rate Period, then on the last Interest Payment Date of such Term Rate Period those 2008A Bonds shall automatically be converted to a Weekly Rate Period and bear interest at the Weekly Rate determined by the Remarketing Agent as of that date, or, if in that instance the Remarketing Agent fails to determine that rate, then at a rate of interest equal to 100% of the most recently published SIFMA Municipal Swap Index, but in no event exceeding the Maximum Interest Rate. The Trustee shall promptly notify the Company and each Holder of such fact and shall give all additional notices and take all further actions required pursuant to Section 4.10 hereof.

(d) The Issuer, the Company, the Trustee, the Credit Facility Issuer, the Auction Agent, the Paying Agent and the Remarketing Agent shall not be liable to any Holder for failure to give any notice required under the provisions of this Article II or for failure of any Holders to receive any such notice.

SECTION 2.06. Delivery of 2008A Bonds. Upon the execution and delivery of this 2008A Indenture, the Issuer shall execute the 2008A Bonds and deliver them to the Trustee.

Thereupon, the Trustee shall authenticate the 2008A Bonds and deliver them to, or on the order of, the Underwriter, as directed by the Issuer in accordance with this Section 2.06.

Prior to delivery by the Trustee of any 2008A Bonds, there shall have been received by the Trustee the Initial Credit Facility and a request and authorization in form reasonably satisfactory to the Trustee on behalf of the Issuer, signed by the County Judge/Executive of the Issuer or other officer, official or employee authorized by the Issuer, to authenticate and deliver the 2008A Bonds to, or on the order of, the Underwriter upon payment to the Trustee of the amount specified therein (including, without limitation, any accrued interest), which amount shall be deposited as provided in Sections 5.01 and 5.04 hereof.

(End of Article II)

ARTICLE III.

FORM, EXECUTION, AUTHENTICATION AND DELIVERY OF 2008A BONDS GENERALLY

SECTION 3.01. Form of 2008A Bonds. The 2008A Bonds, the certificate of authentication and the form of assignment shall be substantially in the respective forms thereof set forth in Exhibit A to this 2008A Indenture, with such changes as may be necessary or appropriate to indicate the then current Rate Period.

All 2008A Bonds, unless a Supplemental Indenture shall have been executed and delivered pursuant to Section 8.02(g) hereof, shall be in fully registered form, and the Holder of a 2008A Bond shall be regarded as the absolute owner thereof for all purposes of this 2008A Indenture.

The 2008A Bonds shall be negotiable instruments in accordance with the Act, and shall express the purpose for which they are issued and any other statements or legends which may be required by law.

SECTION 3.02. Execution and Authentication of 2008A Bonds. Each 2008A Bond shall be signed by the County Judge/Executive of the Issuer and attested by the Fiscal Court Clerk of the Issuer in their official capacities (provided that any or all of those signatures may be facsimiles) and shall bear the seal or a facsimile of the seal of the Issuer. In case any officer whose signature or a facsimile of whose signature appears on any 2008A Bond shall cease to be that officer before the issuance of the 2008A Bond, his signature or the facsimile thereof nevertheless shall be valid and sufficient for all purposes, the same as if he had remained in office until that time. Any 2008A Bond may be executed on behalf of the Issuer by an officer who, on the date of execution is the proper officer, although on the date of the 2008A Bond that person was not the proper officer.

No 2008A Bond shall be valid or become obligatory for any purpose or shall be entitled to any security or benefit under this 2008A Indenture unless and until a certificate of authentication, substantially in the form set forth in Exhibit A to this 2008A Indenture, shall have been signed by the Trustee or by any Authenticating Agent on behalf of the Trustee. The authentication by the Trustee or by an Authenticating Agent upon any 2008A Bond shall be conclusive evidence that the 2008A Bond so authenticated has been duly authenticated and delivered hereunder and is entitled to the security and benefit of this 2008A Indenture. The certificate of the Trustee or an Authenticating Agent may be executed by any person authorized by the Trustee or Authenticating Agent, but it shall not be necessary that the same authorized person sign the certificates of authentication on all of the 2008A Bonds. In authenticating the 2008A Bonds, the Trustee or Authenticating Agent shall add the actual date of its authentication of 2008A Bonds.

SECTION 3.03. Source of Payment of 2008A Bonds. To the extent provided in and except as otherwise permitted by this 2008A Indenture, (i) the 2008A Bonds shall be a special limited obligation of the Issuer and the Bond Service Charges thereon shall be payable equally and ratably solely from the Revenues and (ii) the payment of Bond Service Charges on the

2008A Bonds shall be secured by the assignment of the Credit Facility Account in the 2008A Bond Fund and all the Issuer's rights and remedies under the 2008A Agreement, except for the Unassigned Issuer Rights and subject to the limitations set forth in the granting clauses hereof, and by the grant of a security interest in the other Revenues hereunder and by this 2008A Indenture. Notwithstanding anything to the contrary in the Bond Ordinance, the 2008A Bonds or this 2008A Indenture, the 2008A Bonds do not and shall not represent or constitute an indebtedness or pledge of the faith and credit or taxing powers of the Issuer, the State or any political subdivision thereof and shall be payable solely and only from the special funds pledged to the payment thereof, being the Revenues.

SECTION 3.04. Payment and Ownership of 2008A Bonds.

(a) Bond Service Charges shall be payable without deduction for the services of the Paying Agent. Subject to the provisions of Section 3.08 of this 2008A Indenture, the principal of and any premium on any 2008A Bond shall be payable when due to a Holder upon presentation and surrender of such 2008A Bond at the Principal Office of any Paying Agent.

(b) During a Term Rate Period, payments of principal or redemption price of the 2008A Bonds shall be payable in clearinghouse funds; provided, however, that at the option of the Paying Agent, such payments may be made in immediately available funds. During any ARS, Commercial Paper, Daily or Weekly Rate Period, payments of principal or redemption price of the 2008A Bonds shall be payable in immediately available funds. Subject to the provisions of Article II hereof, each 2008A Bond shall bear interest and be payable as to interest as follows:

(i) Each 2008A Bond shall bear interest at the applicable rate determined pursuant to Article II hereof for such Interest Period from the last preceding Interest Payment Date for which interest has been paid or duly provided for (or its date if no interest thereon has been paid or duly provided for).

(ii) Subject to the provisions of subparagraph (iii) below, the interest due on any 2008A Bond on any Interest Payment Date shall be paid to the Person in whose name such 2008A Bond is registered as shown on the Register on the Regular Record Date. The amount of interest so payable shall be computed (A) on the basis of a 365 or 366-day year, as applicable, for the number of days actually elapsed during Commercial Paper, Daily or Weekly Rate Periods, (B) on the basis of a 360-day year consisting of twelve 30-day months during a Term Rate Period, (C) on the basis of a 360-day year for the number of days actually elapsed if Auction Rate Bonds are in an Auction Period of 180 days or less, and (D) on the basis of a 360-day year consisting of twelve 30-day months if Auction Rate Bonds are in an Auction Period greater than 180 days.

(iii) If and to the extent, however, that the Issuer shall fail to make payment or provision for payment of interest on any 2008A Bond when payable pursuant to Section 2.02 hereof, that interest shall cease to be payable to the Person who was the Holder of that 2008A Bond as of the applicable Regular Record Date. When moneys become available for payment of the interest, (x) the Trustee shall, pursuant to Section 7.06(d), establish a Special Record Date for the payment of that interest which shall be not more

than 15 nor fewer than 10 days prior to the date of the proposed payment, and (y) the Trustee shall cause notice of the proposed payment and of the Special Record Date to be mailed by first class mail, postage prepaid, to each Holder at its address as it appears on the Register not fewer than 10 days prior to the Special Record Date and, thereafter, the interest shall be payable to the Persons who are the Holders of the 2008A Bonds at the close of business on the Special Record Date.

(c) Subject to the next succeeding sentence of this paragraph, all payments of interest on the 2008A Bonds shall be paid to the Persons entitled thereto pursuant to Section 3.04(b)(ii) or (iii) hereof by clearinghouse funds check or draft mailed on the date when interest is payable pursuant to Section 2.02 hereof, provided that interest on any 2008A Bonds (A) during an ARS, Daily or Weekly Rate Period shall be paid in immediately available funds and (B) during any Commercial Paper Rate Period will be paid in immediately available funds, provided that, if such 2008A Bonds are not in Book Entry Form, such interest shall be paid only upon presentation and surrender of those 2008A Bonds to the Paying Agent. During a Term Rate Period, the Holder of at least \$1,000,000 in aggregate principal amount of 2008A Bonds may deliver a written request to the Paying Agent prior to the applicable Regular Record Date or Special Record Date, and in that case interest accrued shall be paid by wire transfer to a bank within the continental United States to such Holder, by direct deposit thereof to the account of the Holder if such account is maintained with the Paying Agent or, for any Holder who has, pursuant to Section 3.08 hereof, entered into a special agreement, according to the directions contained therein. All payments of interest on Pledged Bonds shall be paid to the Credit Facility Issuer in immediately available funds, which payments shall not be paid from draws on or payment under the Credit Facility. All payments of interest and any redemption price, whether by check, draft, wire or direct deposit shall be accompanied by CUSIP number identification with appropriate dollar amounts indicated for each CUSIP number.

(d) Subject to the foregoing, each 2008A Bond delivered under this 2008A Indenture upon transfer thereof, or in exchange for or in replacement of any other 2008A Bond, shall carry the rights to interest accrued and unpaid, and to accrue on that 2008A Bond, or which were carried by that 2008A Bond.

(e) Except as provided in this Section 3.04, (i) the Holder of any 2008A Bond shall be deemed and regarded as the absolute owner thereof for all purposes of this 2008A Indenture, (ii) payment of or on account of the Bond Service Charges on any 2008A Bond shall be made only to or upon the order of that Holder or its duly authorized attorney in the manner permitted by this 2008A Indenture, and (iii) neither the Issuer, the Trustee, the Auction Agent, the Registrar nor any Paying Agent or Authenticating Agent shall, to the extent permitted by law, be affected by notice to the contrary. All of those payments shall be valid and effective to satisfy and discharge the liability upon that 2008A Bond, including without limitation, the interest thereon, to the extent of the amount or amounts so paid.

SECTION 3.05. Transfer and Exchange of 2008A Bonds. So long as any of the 2008A Bonds remain outstanding, the Issuer will cause books for the registration and transfer of 2008A Bonds, as provided in this 2008A Indenture, to be maintained and kept at the corporate trust office of the Registrar.

2008A Bonds may be exchanged, at the option of their Holder, for 2008A Bonds of any Authorized Denominations in an aggregate principal amount equal to the unmatured and unredeemed principal amount of the 2008A Bonds being exchanged. The exchange shall be made upon presentation and surrender of the 2008A Bonds being exchanged at the corporate trust office of the Registrar or at the principal corporate trust office of any Authenticating Agent, together with an assignment duly executed by the Holder or its duly authorized attorney in any form which shall be satisfactory to the Registrar or the Authenticating Agent, as the case may be.

Any 2008A Bond may be transferred upon the Register, upon presentation and surrender thereof at the corporate trust office of the Registrar or the corporate trust office of any Authenticating Agent, together with an assignment duly executed by the Holder or its duly authorized attorney in any form which shall be satisfactory to the Registrar or the Authenticating Agent, as the case may be. Upon transfer of any 2008A Bond and on request of the Registrar or the Authenticating Agent, the Issuer shall execute in the name of the transferee, and the Registrar or the Authenticating Agent, as the case may be, shall authenticate and deliver, a new 2006 Bond or 2008A Bonds of any Authorized Denominations in an aggregate principal amount equal to the unmatured and unredeemed principal amount of the 2008A Bonds presented and surrendered for transfer.

In all cases in which 2008A Bonds shall be exchanged or transferred hereunder, the Issuer shall execute, and the Registrar or any Authenticating Agent, as the case may be, shall authenticate and deliver, 2008A Bonds in accordance with the provisions of this 2008A Indenture. The exchange or transfer shall be made without charge; provided, that the Issuer and the Registrar or the Authenticating Agent, as the case may be, may make a charge for every exchange or transfer of 2008A Bonds, sufficient to reimburse them for any tax or excise required to be paid with respect to the exchange or transfer. The charge shall be paid by the Holder before a new 2008A Bond is delivered.

The Issuer may submit written stop-transfer instructions to the Registrar which are in accordance with the provisions of this 2008A Indenture.

All 2008A Bonds issued upon any transfer or exchange of 2008A Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this 2008A Indenture, as the 2008A Bonds surrendered upon transfer or exchange. Except as provided in Sections 4.06, 4.07 and 4.08 hereof, neither the Issuer, the Registrar nor any Authenticating Agent, as the case may be, shall be required to make any exchange or transfer of a 2008A Bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of 2008A Bonds and ending at the close of business on the day of such mailing or to transfer or exchange any 2008A Bonds selected for redemption, in whole or in part.

In case any 2008A Bond is redeemed in part only, on or after the redemption date and upon presentation and surrender of the 2008A Bond, the Issuer shall cause execution of, and the Registrar or any Authenticating Agent shall authenticate and deliver, a new 2008A Bond or 2008A Bonds in Authorized Denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of the 2008A Bond redeemed in part.

SECTION 3.06. Mutilated, Lost, Wrongfully Taken or Destroyed 2008A Bonds. If any 2008A Bond is mutilated, lost, wrongfully taken or destroyed, in the absence of written notice to the Issuer or the Registrar that a lost, wrongfully taken or destroyed 2008A Bond has been acquired by a bona fide purchaser, the Issuer shall execute, and the Registrar shall authenticate and deliver, a new 2008A Bond of like denomination as the 2008A Bond mutilated, lost, wrongfully taken or destroyed; provided, that (i) in the case of any mutilated 2008A Bond, the mutilated 2008A Bond first shall be surrendered to the Registrar, and (ii) in the case of any lost, wrongfully taken or destroyed 2008A Bond, there first shall be furnished to the Issuer, the Company, the Trustee and the Registrar evidence of the loss, wrongful taking or destruction satisfactory to the Company, the Trustee and the Registrar, together with indemnity satisfactory to each of them.

Notwithstanding the foregoing, if any lost, wrongfully taken or destroyed 2008A Bond shall have matured or shall have been called for redemption, instead of issuing a new 2008A Bond, the Trustee or any Paying Agent may pay that 2008A Bond without surrender thereof upon the furnishing of satisfactory evidence of loss and indemnity as in the case of issuance of a new 2008A Bond, and in such case neither the Trustee nor the Registrar shall be required to authenticate and deliver a new 2008A Bond or 2008A Bonds to replace the lost, wrongfully taken or destroyed 2008A Bond. The Issuer, the Registrar and the Trustee may charge the Holder of a mutilated, lost, wrongfully taken or destroyed 2008A Bond their reasonable fees and expenses in connection with their actions pursuant to this Section.

Every new 2008A Bond issued pursuant to this Section by reason of any 2008A Bond being mutilated, lost, wrongfully taken or destroyed (i) shall constitute, to the extent of the outstanding principal amount of the 2008A Bond lost, mutilated, wrongfully taken or destroyed, an additional contractual obligation of the Issuer, regardless of whether the mutilated, lost, wrongfully taken or destroyed 2008A Bond shall be enforceable at any time by anyone, and (ii) shall be entitled to all of the benefits of this 2008A Indenture equally and proportionately with any and all other 2008A Bonds issued and outstanding hereunder.

All 2008A Bonds shall be held and owned on the express condition that the foregoing provisions of this Section are exclusive with respect to the replacement or payment of mutilated, lost, wrongfully taken or destroyed 2008A Bonds and, to the extent permitted by law, shall preclude any and all other rights and remedies with respect to the replacement or payment of negotiable instruments or other investment securities without their surrender, notwithstanding any law or statute to the contrary now existing or enacted hereafter.

SECTION 3.07. Safekeeping and Cancellation of 2008A Bonds. Any 2008A Bond surrendered pursuant to this Article for the purpose of payment or retirement, or for exchange, replacement or transfer, shall be canceled upon presentation and surrender thereof to the Registrar, the Trustee or any Paying Agent or Authenticating Agent. Any 2008A Bond cancelled by the Trustee or a Paying Agent or Authenticating Agent shall be transmitted promptly to the Registrar by the Trustee, Paying Agent or Authenticating Agent.

The Issuer, or the Company on behalf of the Issuer, may deliver at any time to the Registrar for cancellation any 2008A Bonds previously authenticated and delivered hereunder, which the Issuer or the Company may have acquired in any manner whatsoever. All 2008A

Bonds so delivered shall be cancelled promptly by the Registrar. Certification of the surrender and cancellation shall be made to the Issuer and the Trustee by the Registrar at least twice each calendar year. Unless otherwise directed by the Issuer or the Company, cancelled 2008A Bonds shall be retained and stored by the Registrar for a period of four (4) years after their cancellation. Those cancelled 2008A Bonds shall be destroyed by the Registrar by shredding or incineration four (4) years after their cancellation or at any earlier time directed by the Issuer or the Company. Certificates of any destruction of cancelled 2008A Bonds (describing the manner thereof) shall be provided by the Registrar to the Auction Agent, the Company and the Trustee.

SECTION 3.08. Special Agreement with Holders. Notwithstanding any provision of this 2008A Indenture or of any 2008A Bond to the contrary, with the approval of the Company, any Paying Agent may enter into an agreement with any Holder providing for making all payments to that Holder of Bond Service Charges on that 2008A Bond or any part thereof (other than any payment of the entire unpaid principal amount thereof) at a place and in a manner other than as provided in this 2008A Indenture and in the 2008A Bond, without presentation or surrender of the 2008A Bond, upon any conditions which shall be satisfactory to the Paying Agent and the Company; provided, that payment in any event shall be made to the Person in whose name a 2008A Bond shall be registered on the Register, with respect to payment of principal and premium, on the date such principal and premium is due, and, with respect to the payment of interest, as of the applicable Regular Record Date or Special Record Date, as the case may be.

Upon request, the Paying Agent will furnish a copy of each of those agreements, certified to be correct by an officer of the Paying Agent, to the Trustee, the Auction Agent, the Registrar, the Issuer and the Company. Any payment of Bond Service Charges pursuant to such an agreement shall constitute payment thereof pursuant to, and for all purposes of, this 2008A Indenture.

(End of Article III)

ARTICLE IV.

REDEMPTION OF 2008A BONDS

SECTION 4.01. Terms of Redemption of 2008A Bonds. The 2008A Bonds are subject to redemption prior to stated maturity as follows:

(a) Extraordinary Optional Redemption. During a Term Rate Period, the 2008A Bonds are subject to redemption by the Issuer in whole or in part, as applicable, in the event of the exercise by the Company of its option to direct that redemption upon occurrence of any of the events described in Section 6.2 of the 2008A Agreement to the extent of moneys available therefor and at a redemption price of 100% of the principal amount redeemed, plus accrued and unpaid interest to the redemption date.

(b) Mandatory Redemption. Upon the occurrence of a Determination of Taxability as to which the Trustee has been notified by the Company in writing pursuant to Section 6.4 of the 2008A Agreement, the 2008A Bonds are subject to mandatory redemption by the Issuer at a redemption price equal to 100% of the outstanding principal amount thereof, plus interest accrued to the redemption date, at the earliest practicable date selected by the Trustee, after consultation with the Company, but in no event later than 180 days following the receipt by the Trustee of said written notice of the occurrence of a Determination of Taxability.

The 2008A Bonds will be redeemed either in whole or in part in such principal amount as is necessary in order that the interest payable on the 2008A Bonds remaining outstanding after such redemption, if any, would not, in the Opinion of Bond Counsel, be includable in the gross income of any Holder thereof, other than a Holder of a 2008A Bond who is a “substantial user” of the Project or a “related person”, as those terms are used in Section 147(a) of the Code.

If this 2008A Indenture has been released in accordance with Section 9.01 of this 2008A Indenture prior to the occurrence of a Determination of Taxability, the 2008A Bonds will not be subject to redemption pursuant to this Section 4.01(b).

(c) Optional Redemption. The 2008A Bonds shall be subject to optional redemption by the Issuer at the direction of the Company, in whole or in part, as follows:

(i) during any ARS Rate Period, on the Interest Payment Date immediately following the end of an Auction Period, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, provided that after any optional redemption in part there shall not be less than \$10,000,000 in aggregate principal amount of any 2008A Bonds bearing interest at an Auction Period Rate unless otherwise consented to by the Broker-Dealer;

(ii) during any Daily or Weekly Rate Period, on any Interest Payment Date, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date;

(iii) during any Commercial Paper Rate Period for a 2008A Bond, on the Interest Payment Date for that 2008A Bond, at a redemption price equal to 100% of the

principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; and

(iv) during the Term Rate Period, on any date which occurs on or after the first day of the optional redemption period, and at the redemption prices, expressed as a percentage of the principal amount being redeemed, plus accrued and unpaid interest, if any, to the redemption date, as follows:

<u>Length of Term Rate Period</u>	<u>First Day of Optional Redemption Period</u>	<u>Redemption Price</u>
More than 15 years	Tenth anniversary of commencement of Term Rate Period	100%
More than 10, but not more than 15 years	Eighth anniversary of commencement of Term Rate Period	100%
More than 5, but not more than 10 years	Fifth anniversary of commencement of Term Rate Period	100%
5 years or less	Non-callable	Non-callable

If, at the time of the Company's notice to the Trustee of a conversion to a Term Rate Period (including a conversion from a Term Rate Period to a Term Rate Period of a different duration) pursuant to Section 2.04, the Company provides a certification of the Remarketing Agent to the Trustee and the Issuer that the foregoing schedule is not consistent with prevailing market conditions and an Opinion of Bond Counsel is delivered to the Trustee to the effect that the proposed change in the redemption provisions of the 2008A Bonds will not adversely affect the exclusion of interest on the 2008A Bonds from gross income for federal income tax purposes, the foregoing redemption periods and redemption prices may be revised, effective as of the date of such conversion, 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 the Trustee to its counterpart of this 2008A Indenture. Any such revision of the redemption periods and redemption prices shall not be considered an amendment of or a supplement to this 2008A Indenture and shall not require the consent of any Holder or any other person or entity.

SECTION 4.02. Partial Redemption. If fewer than all of the 2008A Bonds are to be redeemed, the selection of 2008A Bonds to be redeemed, or portions thereof in amounts equal to the lowest Authorized Denomination, shall be made by lot by the Trustee in any manner which the Trustee may determine; provided, however, that in connection with any such redemption the Trustee shall first select for redemption any Pledged Bonds. In the case of a partial redemption of 2008A Bonds by lot when 2008A Bonds of denominations greater than the lowest Authorized Denomination are then outstanding, each unit of face value of principal thereof equal to the

lowest Authorized Denomination shall be treated as though it were a separate 2008A Bond of such lowest Authorized Denomination.

If it is determined that one or more, but not all of the units of face value represented by a 2008A Bond are to be called for redemption, then upon notice of redemption of a unit or units, the Holder of that 2008A Bond shall surrender the 2008A Bond to the Trustee (a) for payment of the redemption price of the unit or units of face value called for redemption (including without limitation, the interest accrued to the date fixed for redemption and any premium), and (b) for issuance, without charge to the Holder thereof, of a new 2008A Bond or 2008A Bonds of any Authorized Denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of the 2008A Bond surrendered.

SECTION 4.03. Issuer's Election to Redeem. 2008A Bonds shall be redeemed only by written notice from the Issuer to the Trustee, given at the direction of the Company, or by written notice from the Company to the Trustee on behalf of the Issuer. That notice shall specify the redemption date and the principal amount of 2008A Bonds to be redeemed, and shall be given at least 45 days prior to the redemption date or such shorter period as shall be acceptable to the Trustee; provided, however, that the failure to give that notice or any omission or defect in that notice shall not affect the redemption of any 2008A Bonds pursuant to any mandatory redemption provisions of this 2008A Indenture. If a Credit Facility is then in effect, the Trustee shall only call 2008A Bonds for optional redemption if the Trustee, prior to the mailing of the notice of redemption as provided in Section 4.04 hereof, is entitled to draw on that Credit Facility in an aggregate amount sufficient to pay the redemption price (including any premium) of the 2008A Bonds to be called for redemption, plus accrued and unpaid interest thereon. In any event, if notice of redemption shall have been given by the Trustee to the Holders as provided in Section 4.04 hereof, there shall be deposited with the Trustee prior to the redemption date, funds which will be sufficient to redeem at the redemption price thereof, plus accrued and unpaid interest to the redemption date, all of the redeemable 2008A Bonds for which notice of redemption has been given.

SECTION 4.04. Notice of Redemption.

(a) The notice of the call for redemption of 2008A Bonds shall identify (i) the complete official name of the issue with series designation, (ii) the 2008A Bonds or portions thereof to be redeemed by designation, letters, CUSIP numbers, numbers or other distinguishing marks, date of issue, interest rate, maturity date and principal amount, (iii) the redemption price to be paid, (iv) the date of mailing and 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. The notice shall be given by the Trustee on behalf of the Issuer by mailing a copy of the redemption notice at least 30 days but no more than 90 days prior to the date fixed for redemption, to the Holder of each 2008A Bond subject to redemption in whole or in part, and to the Auction Agent, by first class mail in a sealed envelope, postage prepaid at the Holder's address shown on the Register on the fifteenth day preceding that mailing. Failure to receive notice pursuant to this Section, or any defect in that notice, as to any 2008A Bond shall not affect the validity of the proceedings for the redemption of any 2008A Bond.

(b) If at the time of mailing of notice of an optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all 2008A Bonds called for redemption, if the Company shall so direct, such notice may state that it is conditional, that is, subject to the deposit of moneys sufficient for the redemption, with the Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

(c) The tender of 2008A Bonds for purchase and the subsequent purchase thereof under and pursuant to the provisions of Sections 4.06 and 4.07 hereof shall not be deemed to involve a selection or call of 2008A Bonds for redemption requiring notice under this Section.

(d) While the 2008A Bonds are in an Auction Mode, in addition to any requirements set forth herein in the event of a redemption or defeasance, notice of such redemption or defeasance shall comply with the following requirements (with capitalized terms used in the following requirements having the meaning set forth in the Auction Procedures):

The Trustee shall notify the Auction Agent by Electronic Means of any notice of redemption or defeasance on the date received and prior to sending the notice to the Securities Depository as Holder of the 2008A Bonds. In the case of a partial redemption or defeasance, the Trustee shall verify with the Auction Agent by Electronic Means the lottery publication date to be used in the notice. The Trustee shall then send the notice of redemption or defeasance to the Securities Depository.

If the Trustee and the Auction Agent are unable to verify a lottery publication date prior to sending a notice of partial redemption or defeasance to the Securities Depository, then such notice shall include, under an item entitled "Publication Date for Securities Depository Purposes," the Securities Depository lottery publication date applicable to such 2008A Bonds, which date shall be two (2) Business Days after the second Auction Date that immediately precedes the date specified in such notice as the date fixed for the redemption or defeasance of such 2008A Bonds (the "Redemption/Defeasance Date") (three (3) Business Days immediately preceding such Redemption/Defeasance Date in the case of 2008A Bonds in the daily Auction Period).

On the lottery publication date prior to the Redemption/Defeasance Date with respect to such 2008A Bonds, the Trustee shall request the lottery results from the Securities Depository. Upon receipt, the Trustee shall notify the Auction Agent by Electronic Means of such lottery results, i.e. the identities of the Participants and the respective principal amounts from the accounts of 2008A Bonds which have been called for redemption or defeasance. At least two (2) Business Days prior to the Redemption/Defeasance Date with respect to 2008A Bonds being partially redeemed or defeased, the Auction Agent shall request each eligible Broker-Dealer to disclose to the Auction Agent (upon selection by such Participant of the Existing Owners whose Bonds are to be redeemed or defeased) the aggregate principal amount of such 2008A Bonds of each such Existing Owner, if any, to be redeemed or defeased. By the close of business on the day the Auction Agent receives any notice pursuant to this paragraph, the Auction Agent shall forward the contents of such notice to the related Broker-Dealer by Electronic Means.

SECTION 4.05. Payment of Redeemed 2008A Bonds. If either (A) unconditional notice of redemption (other than pursuant to Section 4.04(b) hereof) shall have been mailed in the

manner provided in Section 4.04 hereof or (B) conditional notice (pursuant to Section 4.04(b) hereof) shall have been mailed in the manner provided in Section 4.04 hereof and the moneys sufficient to redeem all 2008A Bonds on the redemption date shall have been deposited with the Trustee, then in either event, the 2008A Bonds and portions thereof called for redemption shall become due and payable on the redemption date, and upon presentation and surrender thereof at the place or places specified in that notice, shall be paid at the redemption price, plus interest accrued to the redemption date.

If moneys for the redemption of all of the 2008A Bonds and portions thereof to be redeemed, together with interest accrued thereon to the redemption date, are held by the Trustee or any Paying Agent on the redemption date, so as to be available therefor on that date and, if notice of redemption shall have been deposited in the mail as aforesaid, then from and after the redemption date those 2008A Bonds and portions thereof called for redemption shall cease to bear interest and no longer shall be considered to be outstanding hereunder. If those moneys shall not be so available on the redemption date, or that notice shall not have been deposited in the mail as aforesaid, those 2008A Bonds and portions thereof shall continue to bear interest, until they are paid, at the same rate as they would have borne had they not been called for redemption.

All moneys deposited in the 2008A Bond Fund and held by the Trustee or a Paying Agent for the redemption of particular 2008A Bonds shall be held in trust for the account of the Holders thereof and shall be paid to them, respectively, upon presentation and surrender of those 2008A Bonds.

SECTION 4.06. Optional Tenders During Rate Periods.

(a) Purchase Prices and Purchase Dates. The Holders of 2008A Bonds bearing interest for a Daily or Weekly Rate Period may elect to have their 2008A Bonds (or portions thereof in an Authorized Denomination) purchased at a purchase price equal to 100% of the principal amount of such 2008A Bonds (or portions thereof), plus any interest accrued from the immediately preceding Interest Payment Date and unpaid, in the circumstances set forth below and upon the following telephonic, Electronic or written notices meeting the further requirements of subsection (b) below, provided, however, that so long as the 2008A Bonds are in Book Entry Form the provisions set forth in Section 13.03 hereof and the procedures established by the Depository generally for tenders of variable rate municipal bonds shall apply for purposes of Sections 4.06, 4.07 and 4.08 hereof with respect to notice of tenders, delivery of bonds, payment of purchase price and related matters:

(i) 2008A Bonds bearing interest at Daily Rates may be tendered for purchase at a price payable in immediately available funds on any Business Day, upon telephonic or Electronic notice of tender given not later than 11:00 a.m., New York City time, on the purchase date to the Paying Agent. Any telephonic notice shall be promptly confirmed by the Holder to the Paying Agent in writing.

(ii) 2008A Bonds bearing interest at Weekly Rates may be tendered for purchase at a price payable in immediately available funds on any Business Day, upon delivery of a written or Electronic notice of tender to the Paying Agent not later than 5:00

p.m., New York City time, on a Business Day not fewer than seven (7) days prior to the purchase date.

(b) Notice of Tender. Each notice of tender:

(i) shall, in the case of a written notice, be delivered to the Paying Agent at its Principal Office, and be in form satisfactory to the Paying Agent;

(ii) shall state, whether delivered in writing, Electronically or by telephone (promptly confirmed in writing) (A) the principal amount of the 2008A Bond or 2008A Bonds to which the notice relates, (B) that the Holder irrevocably demands purchase of such 2008A Bond or 2008A Bonds or a specified portion thereof in an amount equal to the lowest denomination then authorized pursuant to Section 2.02 hereof or an integral multiple of such lowest denomination, (C) the date on which such 2008A Bond or portion is to be purchased, and (D) payment instructions with respect to the purchase price; and

(iii) shall automatically constitute, whether delivered in writing or by telephone, (A) an irrevocable offer binding upon the Holder and any subsequent Holders to sell the 2008A Bond or portion thereof to which the notice relates on the purchase date to any purchaser selected by the Remarketing Agent, at the purchase price specified in Section 4.06(a) hereof, (B) an irrevocable authorization and instruction to the Registrar to effect the transfer of such 2008A Bond or portion thereof upon payment of such purchase price to the Paying Agent on the purchase date, (C) an irrevocable authorization and instruction to the Registrar to effect the exchange of the 2008A Bond to be purchased in whole or in part for other 2008A Bonds in an equal aggregate principal amount so as to facilitate the sale of such 2008A Bond or portion thereof to be purchased, and (D) an acknowledgment that such Holder will have no further rights with respect to such 2008A Bond or portion thereof upon payment of the purchase price thereof to the Paying Agent on the purchase date, except for the right of such Holder to receive such purchase price and, if the purchase date coincides with an Interest Payment Date and if such Holder was the Holder of that 2008A Bond on the Regular Record Date pertaining to that Interest Payment Date, such rights as the Holder may have with respect to interest accrued to and unpaid on such Interest Payment Date, upon surrender of such 2008A Bond to the Paying Agent and that after the purchase date such Holder will hold any undelivered certificate as agent for the Paying Agent.

The determination of the Paying Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Holder. The Paying Agent may waive nonconforming tenders.

(c) Notice to Company and Remarketing Agent of 2008A Bonds to be Remarketed. Not later than 11:00 a.m., New York City time, on the Business Day immediately following the date of receipt of any notice of tender (or immediately upon such receipt, in the case of 2008A Bonds bearing interest at Daily Rates), the Paying Agent shall notify, by telephone promptly confirmed in writing, the Company, the Trustee and the Remarketing Agent of the principal amount of 2008A Bonds (or portions thereof) to be purchased and the date of purchase.

SECTION 4.07. Mandatory Tenders for Purchase.

(a) Commercial Paper Rate Periods. Each 2008A Bond bearing interest at a Commercial Paper Rate shall be subject to mandatory tender for purchase, on the Interest Payment Date applicable to such 2008A Bond, at a purchase price equal to 100% of the principal amount thereof.

(b) Conversions to Certain Rate Periods. On any Conversion Date pursuant to Section 2.04 hereof, the 2008A Bonds shall be subject to mandatory tender for purchase on such Conversion Date at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the Conversion Date (or, in the case of 2008A Bonds bearing interest at a Term Rate which are tendered on a day on which those 2008A Bonds are subject to optional redemption at a redemption price of more than 100% of the principal amount redeemed, at a purchase price equal to that redemption price); provided, however, that in the event that the conditions of a conversion from an ARS Rate Period are not satisfied, including the failure to remarket all such 2008A Bonds on the Conversion Date, the 2008A Bonds shall not be subject to mandatory tender for purchase on that Conversion Date, shall be returned to the Holders, shall automatically convert to a seven-day Auction Period and shall bear interest at the Maximum Rate.

(c) Term Rate Periods. On the Business Day immediately succeeding the last day of a Term Rate Period, the 2008A Bonds shall be subject to mandatory tender for purchase on such date at a purchase price equal to 100% of the principal amount thereof.

(d) Mandatory Tender Upon Cancellation or Expiration of Credit Facility or Replacement with Alternate Credit Facility. While the 2008A Bonds are secured by a Credit Facility, such 2008A Bonds shall be subject to mandatory tender for purchase at a purchase price equal to 100% of the principal amount thereof, (i) on the Interest Payment Date at least five days prior to the date of the cancellation of or the expiration of the term of the then current Credit Facility and (ii) on the Interest Payment Date on which a Credit Facility is replaced with an Alternate Credit Facility pursuant to Section 14.03 hereof. If the then current Credit Facility is being cancelled or terminated prior to its stated expiration date, the provisions of Section 14.02 hereof must also be met. In any event, the purchase price will be equal to 100% of the principal amount thereof.

(e) Notices of Mandatory Tenders. No notice of a mandatory tender for purchase under Section 4.07(a) hereof shall be required to be given to the Holder of such 2008A Bond. Notice of a mandatory tender for purchase under Section 4.07(b) and (c) hereof shall be given to each Holder as provided in Section 2.04(a)(iii) hereof. With respect to Section 4.07(d) hereof, the Trustee shall immediately notify the Paying Agent, the Auction Agent, the Issuer, the Company, the Remarketing Agent and, except in the event of the initial delivery of a Credit Facility, the Credit Facility Issuer, in each case by telephone, Electronically or other similar communication, of any event known to the Trustee which would require a purchase pursuant to Section 4.07(d) hereof. Not later than fifteen (15) days prior to the purchase date, the Trustee shall mail by first class mail a written notice of the mandatory tender for purchase under Section 4.07(d) hereof to each Holder at the Holder's address as it appears on the Register, which notice shall (i) state that the 2008A Bonds will be subject to mandatory tender for purchase on the

purchase date specified therein, (ii) specify the event requiring the purchase pursuant to Section 4.07(d) hereof and (iii) state the purchase price of the 2008A Bonds.

SECTION 4.08. Remarketing and Purchase of Tendered 2008A Bonds.

(a) Remarketing of Tendered 2008A Bonds. Unless otherwise instructed by the Company, the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all 2008A Bonds or portions thereof for which notice of tender has been received pursuant to Section 4.06(c) hereof or which are subject to mandatory tender for purchase pursuant to Section 4.07 hereof. Any such 2008A Bonds shall be offered at par, plus interest accrued, if any, to the purchase date, and pursuant to terms which provide for the payment of the purchase price for tendered 2008A Bonds by the Remarketing Agent to the Paying Agent (i) in immediately available funds at or before 11:30 a.m., New York City time, on the purchase date, in the case of 2008A Bonds bearing interest at Commercial Paper Rates, (ii) in immediately available funds at or before 11:30 a.m., New York City time, on the purchase date, in the case of 2008A Bonds bearing interest at Auction, Daily or Weekly Rates, and (iii) in immediately available funds at or before 11:30 a.m., New York City time, on the purchase date, in the case of 2008A Bonds bearing interest at a Term Rate; provided, however, that, in connection with a conversion to a Term Rate Period to the Maturity Date, the Company may direct the Remarketing Agent to offer the 2008A Bonds at a market premium or a market discount from par if the Company provides to the Remarketing Agent an Opinion of Bond Counsel to the effect that such action is authorized hereunder and under the Act and will not adversely affect the exclusion from gross income of interest on the 2008A Bonds for federal income tax purposes and, if the Company directs that the 2008A Bonds be offered at a market discount from par and a Credit Facility is then in effect, also provides to the Remarketing Agent the written consent of the Credit Facility Issuer to such action. All such remarketing proceeds shall be deposited directly into the Remarketing Proceeds Account of the 2008A Bond Purchase Fund; provided, however, that, in connection with a conversion to a Term Rate Period to the Maturity Date, any remarketing proceeds constituting market premium in excess of the purchase price of tendered 2008A Bonds shall be deposited by the Paying Agent directly into the Company Account of the 2008A Bond Fund. Notwithstanding the foregoing, the Remarketing Agent shall not sell any 2008A Bond as to which a notice has been given by the Trustee of either (i) the conversion from one type of Rate Period to another or (ii) the redemption thereof, unless the Remarketing Agent has advised the Person to whom the sale is made of such conversion or redemption.

(b) Purchase of Tendered 2008A Bonds.

(i) Notice of Remarketed 2008A Bonds. At or before 3:00 p.m., New York City time, on the Business Day immediately preceding the date fixed for purchase of tendered 2008A Bonds bearing interest at a Term Rate (or 11:30 a.m., New York City time, on the purchase date in the case of 2008A Bonds bearing interest at Auction, Daily, Weekly or Commercial Paper Rates), the Remarketing Agent shall notify the Trustee, the Paying Agent and the Company by telephone or Electronically of the principal amount of tendered 2008A Bonds which were remarketed and the amount of proceeds then on deposit with the Remarketing Agent. Not later than 4:00 p.m., New York City time, on the date of receipt of such notice for 2008A Bonds bearing interest at a Term Rate (or immediately upon such receipt in the case of 2008A Bonds bearing interest at Auction,

Daily, Weekly or Commercial Paper Rates), the Paying Agent shall notify the Trustee, the Company and any Credit Facility Issuer by telephone (promptly confirmed in writing) or Electronically of the principal amount of tendered 2008A Bonds as to which the Remarketing Agent has not found a purchaser. From time to time, but not later than 3:00 p.m., New York City time, on the Business Day prior to the purchase date to the extent known to the Remarketing Agent, but in any event, no later than 11:00 a.m., New York City time, for 2008A Bonds bearing interest at a Term Rate (or 12:00 noon, New York City time, in the case of 2008A Bonds bearing interest at Auction, Daily, Weekly or Commercial Paper Rates), on the date fixed for purchase, the Remarketing Agent shall give notice to the Trustee and Paying Agent by telephone (promptly confirmed in writing) or Electronically of the names, addresses and taxpayer identification numbers of the purchasers, the denominations of 2008A Bonds to be delivered to each purchaser and, if available, payment instructions for regularly scheduled interest payments, or of any changes in any of the foregoing.

(ii) Sources of Payment. The Remarketing Agent shall cause to be paid to the Paying Agent on the date fixed for the purchase of tendered 2008A Bonds, all amounts representing proceeds of the remarketing of the total amount of 2008A Bonds tendered for purchase, such payments to be made in the manner and at the time specified in subsection 4.08(a) hereof. If such amounts are not sufficient to pay the purchase price of such tendered 2008A Bonds when due, the Paying Agent shall, by telephone or Electronically, immediately notify the Trustee, the Company and any Credit Facility Issuer of any deficiency, which notification shall be promptly confirmed in writing. If the purchase price of the 2008A Bonds is secured by a Credit Facility, the Trustee shall, at or before 11:45 a.m., New York City time, on the date fixed for purchase, draw upon the Credit Facility an amount equal to such deficiency so as to furnish immediately available funds by 2:15 p.m., New York City time, on such purchase date; any such funds received by the Trustee shall be immediately transferred by the Trustee to the Paying Agent. If the Credit Facility permits any drawings to be made later than is provided herein, the Trustee shall make any drawings required to be made in accordance with the terms of such Credit Facility in a manner so as to furnish immediately available funds for payment of the purchase price of tendered 2008A Bonds by 4:00 p.m., New York City time, on a purchase date; any such funds received by the Trustee shall be immediately transferred by the Trustee to the Paying Agent. In the event that funds are not received under the terms of the Credit Facility or the Credit Facility is repudiated, the Trustee shall promptly notify the Company of such failure, and the Trustee may request that such funds be immediately remitted to the Trustee by the Company so as to be received by the Trustee prior to the close of business on such date. All money received by the Paying Agent from the Remarketing Agent as remarketing proceeds and amounts received from the Credit Facility Issuer or the Company shall be deposited by the Paying Agent in the appropriate account of the 2008A Bond Purchase Fund as described in Section 4.09 hereof and shall be used in the priority indicated in Section 4.09 hereof and solely for the payment of the purchase price of tendered 2008A Bonds and shall not be commingled with other funds held by the Paying Agent. If the purchase price of the 2008A Bonds is not secured by a Credit Facility, or if draws for a failed remarketing are not permitted under the Credit Facility, the Company shall deliver or cause to be delivered to the Paying Agent (A) immediately available funds in an amount equal to such deficiency on

or prior to 2:30 p.m., New York City time, on the date set for purchase of tendered 2008A Bonds bearing interest at Daily Rates, (B) immediately available funds in an amount equal to such deficiency prior to 3:00 p.m., New York City time, on the date set for purchase of tendered 2008A Bonds bearing interest at Auction, Weekly or Commercial Paper Rates, and (C) immediately available funds in an amount equal to such deficiency prior to 12:15 p.m., New York City time, on the date set for purchase of tendered 2008A Bonds bearing interest at a Term Rate; provided, however, to the extent any deficiency in purchase price payments results from the Remarketing Agent's failure to deliver remarketing proceeds of all 2008A Bonds which the Remarketing Agent notified the Trustee and Paying Agent were remarketed pursuant to Section 4.08(b)(i) hereof, the Company shall not be obligated to deliver the funds referred to in the preceding clauses (A), (B) and (C) until the opening of business on the next succeeding Business Day, in which case, notwithstanding any other provisions hereof, the failure of the Paying Agent to make such payment until such next succeeding Business Day shall not constitute a default hereunder.

(iii) Payments by the Paying Agent. At or before the close of business, New York City time, on the date set for purchase of tendered 2008A Bonds and upon receipt by the Paying Agent of 100% of the aggregate purchase price of the tendered 2008A Bonds, the Paying Agent shall pay the purchase price of such 2008A Bonds to the Holders thereof, upon presentation thereof at its Principal Office, by check or pursuant to an election or agreement made under Section 3.08 hereof. Such payments shall be made in immediately available funds, and shall be made from the sources, and in the priority, set forth in Section 4.09(c) hereof.

(iv) Registration and Delivery of Tendered or Purchased 2008A Bonds. On the date of purchase, the Registrar or any Authenticating Agent shall cancel all 2008A Bonds tendered and shall register and deliver (or hold) the 2008A Bonds remarketed on such purchase date as follows:

(A) 2008A Bonds purchased or remarketed by the Remarketing Agent shall be registered and made available to the Remarketing Agent by the time specified in Section 4.08(a) hereof in accordance with the instructions of the Remarketing Agent.

(B) 2008A Bonds purchased with amounts drawn under a Credit Facility shall be registered in the manner requested by the Credit Facility Issuer and shall be held in trust pursuant to the terms of the Custodian Agreement or other agreement with the Credit Facility Issuer. Thereafter, the Custodian shall hold such 2008A Bonds pledged for the account of and subject to the security interest in favor of the Credit Facility Issuer. Each such 2008A Bond shall constitute a Pledged Bond and shall be deposited in a separate custodial account established for such purpose and shall be released only upon receipt by the Custodian of: (1) telephonic notice (promptly confirmed in writing within one Business Day) from the Remarketing Agent that such 2008A Bond has been remarketed pursuant to subsection (b)(v) below, and (2) Electronic notice from the Credit Facility Issuer that the Credit Facility has been reinstated for the full

principal amount thereof and interest thereon in accordance with its terms or upon Electronic notice from the Credit Facility Issuer which specifies that the Custodian shall release such 2008A Bond or 2008A Bonds to the Company and the Credit Facility has been reinstated for the full principal amount thereof and interest thereon in accordance with its terms. Notwithstanding anything to the contrary herein, so long as the 2008A Bonds are in a Book Entry System, the registration requirements herein shall be deemed satisfied if Pledged Bonds are (i) registered in the name of the Depository or its nominee, (ii) credited on the books of the Depository to the account of the Custodian (or its nominee) and (iii) further credited on the books of the Custodian (or its nominee) to the account of the Credit Facility Issuer (or its designee).

(C) 2008A Bonds purchased with amounts provided by the Company shall be registered in the name of the Company and shall be held in trust by the Paying Agent on behalf of the Company and shall not be released from such trust unless the Paying Agent shall have received written instructions from the Company.

(v) Resale of 2008A Bonds Purchased by Credit Facility Issuer or the Company. In the event that any 2008A Bonds are Pledged Bonds or are registered to the Company pursuant to Section 4.08(b)(iv) hereof to the extent requested by the Company, the Remarketing Agent shall offer for sale and use its best efforts to sell such 2008A Bonds at the best available price plus accrued and unpaid interest, if any. Upon the remarketing of a Pledged Bond, such 2008A Bond shall be released and delivered to the purchaser thereof as identified by the Remarketing Agent against receipt of such purchase price from such purchaser on such date, provided, however, that prior to the release and delivery of such 2008A Bond, the Remarketing Agent shall have received notice of the reinstatement of the Credit Facility as set forth in Section 4.08(b)(iv)(B)(2) hereof. The proceeds received from the remarketing of any Pledged Bonds or any 2008A Bonds registered to the Company, as applicable, shall be paid by wire transfer and in immediately available funds on the purchase date to the Credit Facility Issuer or the Company, as applicable.

(vi) Delivery of 2008A Bonds; Effect of Failure to Surrender 2008A Bonds. All 2008A Bonds to be purchased on any date shall be required to be delivered to the Principal Office of the Paying Agent at or before (A) 12:00 noon, New York City time, on the purchase date in the case of 2008A Bonds accruing interest at Auction or Weekly Rates; (B) 1:00 p.m., New York City time, on the purchase date in the case of 2008A Bonds bearing interest at Daily or Commercial Paper Rates; or (C) 3:00 p.m., New York City time, on the purchase date in the case of 2008A Bonds bearing interest at a Term Rate. If the Holder of any 2008A Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to timely deliver such 2008A Bond to the Paying Agent for purchase on the purchase date, and if the Paying Agent is in receipt of the purchase price therefor, such 2008A Bond shall be purchased on the day fixed for purchase thereof and ownership of such 2008A Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in Section 4.08(b)(iv) hereof. If on the purchase date the Paying Agent is in receipt of the purchase price for all 2008A Bonds to be purchased on that

purchase date, the Holder of any such 2008A Bond shall have no further rights thereunder except the right to receive the purchase price thereof and, if the purchase date coincides with an Interest Payment Date and if such Holder was the Holder of such 2008A Bond on the Regular Record Date pertaining to that Interest Payment Date, such rights as the Holder may have to interest accrued to and unpaid on such Interest Payment Date, upon presentation and surrender of said 2008A Bond to the Paying Agent, and such 2008A Bond shall no longer be outstanding under and entitled to the benefits of this 2008A Indenture, except for the payment of the purchase price of such 2008A Bond and, if the purchase date coincides with an Interest Payment Date and if such Holder was the Holder of such 2008A Bond on the Regular Record Date pertaining to that Interest Payment Date, such rights as the Holder may have to interest accrued to and unpaid on such Interest Payment Date, from moneys held by the Paying Agent for such payment. Any tendered 2008A Bonds not delivered in accordance with this Section 4.08(b) shall nonetheless be deemed to have been tendered and purchased and the Paying Agent shall, as to any tendered 2008A Bonds which have not been delivered to it, promptly notify the Remarketing Agent and the Registrar of such nondelivery and the Registrar shall place a stop transfer against an appropriate amount of 2008A Bonds registered in the name of such Holder(s) on the Register. The Registrar shall place such stop(s), commencing with the lowest serial number 2008A Bond registered in the name of such Holder(s), until stop transfers have been placed against an appropriate amount of 2008A Bonds, which stop transfers shall not be removed until the appropriate tendered 2008A Bonds are delivered to the Paying Agent. Upon such delivery, the Paying Agent shall notify the Registrar of such delivery, and the Registrar shall make any necessary adjustments to the Register.

(c) Limitations on Purchase and Remarketing. Anything in this 2008A Indenture to the contrary notwithstanding, there shall be no purchase of 2008A Bonds pursuant to this Section if an acceleration of the 2008A Bonds has been declared under Section 7.03 hereof due to any Event of Default under Section 7.01 hereof, and there shall be no remarketing of 2008A Bonds pursuant to this Section, if there shall have occurred and be continuing an Event of Default or a Default, except in the sole discretion of the Remarketing Agent.

SECTION 4.09. 2008A Bond Purchase Fund; Purchase of 2008A Bonds Delivered to Paying Agent.

(a) There is hereby established and ordered maintained as a separate deposit account in the custody of the Paying Agent, for the benefit of the owners of the 2008A Bonds, a fund to be designated "Duke Energy Kentucky, Inc. Series 2008A Bond Purchase Fund," (the "2008A Bond Purchase Fund") the moneys in which shall be used solely to pay the purchase price of 2008A Bonds purchased pursuant to Article IV hereof and delivered as specified in Section 4.08(b)(vi) hereof. There are hereby established with the Paying Agent within the 2008A Bond Purchase Fund four separate and segregated Eligible Accounts to be designated "Remarketing Proceeds Account," "Credit Facility Proceeds Account," "Company Proceeds Account," and "Miscellaneous Proceeds Account." The 2008A Bond Purchase Fund and the accounts and subaccounts therein shall be maintained as separate and segregated accounts and any moneys held therein shall not be commingled with moneys in any other such account or subaccount or with any other funds of the Paying Agent, shall be held on and after any purchase date solely for the benefit of the owners of 2008A Bonds purchased on such purchase date pursuant to Article

IV hereof, shall not secure any other 2008A Bonds or be available for any purpose except as described in this paragraph and as described below with respect to the Company Proceeds Account and shall not be invested. Neither the Issuer nor the Company shall have any interest in the Remarketing Proceeds Account or the Credit Facility Proceeds Account of the 2008A Bond Purchase Fund. In the event that a 2008A Bond Purchase Fund account required to be an "Eligible Account" no longer complies with such requirements, the Paying Agent should promptly (and, in any case, within not more than 30 calendar days) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

(b) There shall be deposited into the accounts of the 2008A Bond Purchase Fund from time to time the following:

(i) into the Remarketing Proceeds Account, only such moneys representing proceeds from the resale by the Remarketing Agent of 2008A Bonds pursuant to Article IV hereof, to persons other than the Company, its Affiliates or the Issuer delivered by the Remarketing Agent to the Paying Agent and deposited directly therein;

(ii) into the Credit Facility Proceeds Account, only such moneys drawn by the Trustee under a Credit Facility for the purchase of 2008A Bonds and, as appropriate, immediately transferred directly to the Paying Agent, or drawn on the order of the Trustee directly to the account of the Paying Agent, and deposited directly therein;

(iii) into the Company Proceeds Account, moneys furnished by the Company, to pay the purchase price of 2008A Bonds; and

(iv) into the Miscellaneous Proceeds Account, moneys furnished by an Affiliate of the Company or by the Issuer to pay the purchase price of the 2008A Bonds.

(c) On each date 2008A Bonds are to be purchased pursuant to Article IV hereof, such 2008A Bonds shall be purchased, but only from the funds listed below, from the owners thereof. Funds for the payment of such purchase price shall be derived from the following sources in the order of priority indicated, provided that funds derived from Section 4.09(c)(iii) or (iv) hereof shall not be combined with each other or with funds derived from Section 4.09(c)(i) or (ii) hereof to purchase any one 2008A Bond (or Authorized Denomination thereof):

(i) Proceeds of the remarketing of such 2008A Bonds to Persons other than the Company, its Affiliates or the Issuer and furnished to the Paying Agent by the Remarketing Agent and deposited directly into, and held in, the Remarketing Proceeds Account;

(ii) Proceeds of the Credit Facility, if any, furnished to the Trustee and deposited directly into, and held in, the Credit Facility Proceeds Account;

(iii) Proceeds of the remarketing of such 2008A Bonds to the Company, and furnished to the Paying Agent by the Remarketing Agent and deposited directly into, and held in, the Company Proceeds Account; and

(iv) Proceeds of the remarketing of such 2008A Bonds to any Affiliate of the Company or to the Issuer and furnished to the Paying Agent by the Remarketing Agent and deposited directly into, and held in, the Miscellaneous Proceeds Account.

Anything herein to the contrary notwithstanding, neither the Trustee nor the Paying Agent shall be obligated to use its own funds to purchase any 2008A Bonds hereunder.

If a Credit Facility is in effect, the moneys in the Company Proceeds Account shall be paid, to the extent not needed on such date to pay the purchase price of 2008A Bonds, to the Credit Facility Issuer, pursuant to the Reimbursement Agreement as certified in writing by the Credit Facility Issuer to the Paying Agent and the Company.

SECTION 4.10. Inadequate Funds for Tenders. If sufficient funds have not been irrevocably deposited with the Paying Agent for purchases of 2008A Bonds pursuant to this Article IV for the purchase of all 2008A Bonds tendered on any purchase date or if any condition precedent to a conversion of 2008A Bonds is not met, the Paying Agent shall, after any applicable grace period: (a) return all tendered 2008A Bonds to the Holders thereof; (b) return all moneys received for the purchase of such 2008A Bonds to the Persons providing such moneys; and (c) notify the Trustee of the return of such 2008A Bonds and moneys and the failure to make payment for tendered 2008A Bonds.

(End of Article IV)

ARTICLE V.

PROVISIONS AS TO FUNDS, PAYMENTS, REFUNDED 2006A BONDS AND AGREEMENT

SECTION 5.01. Creation of 2008A Refunding Fund and Application of Proceeds. There is created by the Issuer and ordered maintained as a separate deposit account (except when invested as provided hereinafter) in the custody of the Trustee, a trust fund designated "County of Boone, Kentucky – Duke Energy Kentucky, Inc. Series 2008A Refunding Fund", including the Principal Account and Interest Account therein (the "2008A Refunding Fund"). The proceeds of the sale of the 2008A Bonds (other than any accrued interest) shall be deposited in and credited to the Principal Account of the 2008A Refunding Fund. All investment earnings derived from the investments of any moneys in the accounts of the 2008A Refunding Fund shall be credited to the Interest Account of the 2008A Refunding Fund to be disbursed as described in Section 3.3 of the Agreement.

Pending disbursement pursuant to the 2008A Agreement, the moneys deposited therein, and any Eligible Investments thereof and investment earnings derived therefrom, shall be held to the credit of the 2008A Refunding Fund and shall constitute a part of the Revenues assigned to the Trustee as security for the payment of the Bond Service Charges.

SECTION 5.02. Disbursements from and Records of 2008A Refunding Fund. All of the moneys in the 2008A Refunding Fund shall be disbursed as follows: (a) on December 26, 2008, all moneys on deposit in the Principal Account of the 2008A Refunding Fund shall be transferred by the Trustee to the Refunded Bonds Trustee for deposit in the bond fund created in the Refunded Bonds Indenture; (b) on December 26, 2008, moneys on deposit in the Interest Account of the 2008A Refunding Fund in an amount up to, but not exceeding, the interest due on the Refunded 2006A Bonds on the redemption date thereof set forth in Section 5.03 hereof, shall be transferred by the Trustee to the Refunded Bonds Trustee for deposit in the bond fund created in the Refunded Bonds Indenture; and (c) if there are any moneys left in the Interest Account of the 2008A Refunding Fund after the aforesaid transfer, the Trustee shall notify the Issuer and the Company, and the Company may then request disbursement of any such remaining moneys pursuant to Section 3.3 of the Agreement. The Trustee shall cause to be kept and maintained adequate records pertaining to the 2008A Refunding Fund and, if requested by the Issuer or the Company, after the refunding of the Refunded 2006A Bonds has been completed, the Trustee shall file copies of all records pertaining to the 2008A Refunding Fund and the investment thereof with the Issuer and the Company.

SECTION 5.03. Redemption of Refunded 2006A Bonds. The Issuer acknowledges and confirms that, pursuant to the 2008A Agreement, the Refunded Bonds Trustee has been notified that the entire principal amount of the Refunded 2006A Bonds are to be redeemed on December 26, 2008, at a redemption price of 100% of the principal amount thereof, plus interest accrued to that date.

SECTION 5.04. Creation of 2008A Bond Fund.

(a) There is hereby established and ordered maintained as a separate deposit account (except when invested as hereinafter set forth) in the custody of the Trustee, for the benefit of the owners of the 2008A Bonds, a trust fund to be designated "County of Boone, Kentucky – Duke Energy Kentucky, Inc. Series 2008A Bond Fund" (the "2008A Bond Fund"). There shall be deposited in the 2008A Bond Fund any accrued interest received from the sale of the 2008A Bonds and all Revenues except for moneys required herein or in the 2008A Agreement to be deposited into the 2008A Refunding Fund.

If and so long as the 2008A Bonds are secured by a Credit Facility, the Trustee shall maintain separate and segregated Eligible Accounts to be entitled "Company Account" and "Credit Facility Account," and "Miscellaneous Account", respectively, for deposits in the 2008A Bond Fund (and the investment income on such deposits) as shall be necessary for the purpose of distinguishing between and determining the respective amounts and sources of moneys held therein at all times. All amounts drawn under a Credit Facility for Bond Service Charges shall be deposited directly into the Credit Facility Account, which account shall hold no other moneys. All amounts received from the Company shall be deposited into the Company Account, which shall hold no other moneys. Neither the Issuer nor the Company shall have any interest in the Credit Facility Account. In the event that a 2008A Bond Fund account required to be an "Eligible Account" no longer complies with such requirements, the Trustee should promptly (and, in any case, within not more than 30 calendar days) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

The 2008A Bond Fund (and accounts therein for which provision is made in this 2008A Indenture or in the 2008A Agreement) and the moneys and Eligible Investments therein shall be used solely and exclusively for the payment of Bond Service Charges as they become due on any Interest Payment Date or at stated maturity, by redemption or upon acceleration, or to reimburse the Credit Facility Issuer for the payment of Bond Service Charges, all as provided herein and in the 2008A Agreement; provided, that no part thereof shall be used to redeem any 2008A Bonds prior to maturity, except as may be provided otherwise herein or in the 2008A Agreement.

The Trustee shall transmit to any Paying Agents, as appropriate, from moneys in the 2008A Bond Fund applicable thereto, amounts sufficient to make timely payments of principal of and interest and any premium on the 2008A Bonds to be made by those Paying Agents and then due and payable. To the extent that the amount needed by any Paying Agent is not sufficiently predictable, the Trustee may make any credit arrangements with that Paying Agent which will permit those payments to be made. The Issuer authorizes and directs the Trustee to cause withdrawal of moneys from the 2008A Bond Fund which are available for the purpose of paying, and are sufficient to pay, the principal of and interest and any premium on the 2008A Bonds as they become due and payable (whether at stated maturity, by redemption or upon acceleration), for the purposes of paying or transferring moneys to the Paying Agents which are necessary to pay such principal, interest and premium.

(b) If and so long as the 2008A Bonds are secured by a Credit Facility, there shall be deposited into the accounts of the 2008A Bond Fund from time to time the following:

(i) into the Company Account, all moneys received by the Trustee under and pursuant to the provisions of this 2008A Indenture or any of the provisions of the 2008A Agreement, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the 2008A Bond Fund; and

(ii) into the Credit Facility Account, all moneys drawn by the Trustee under a Credit Facility to pay principal or redemption price of the 2008A Bonds and interest on the 2008A Bonds and deposited directly therein, and only such moneys.

(c) Except as provided in Section 7.06 hereof, moneys in the 2008A Bond Fund shall be used solely for the payment of Bond Service Charges as they become due on any Interest Payment Date or at stated maturity, by redemption or upon acceleration from the following source or sources but only in the following order of priority:

(i) proceeds of the Credit Facility deposited directly into, and held in, the Credit Facility Account, provided that, in no event shall moneys held in the Credit Facility Account be used to pay any premium which may be due on the 2008A Bonds pursuant to Section 4.01(c) hereof unless the Credit Facility then in effect is available to pay such premium, and provided further, that, in no event shall moneys in the Credit Facility Account be used to pay any amount which may be due on Pledged Bonds held pursuant to Section 4.08(b)(iv) hereof;

(ii) moneys held in the Company Account; and

(iii) moneys held in the Miscellaneous Account.

(d) Except with respect to payments of principal or redemption price of and interest on Pledged Bonds held pursuant to Section 4.08(b)(iv) hereof, the Trustee shall, at or before 3:00 p.m. (New York City time) on the Business Day immediately preceding the date on which such principal, redemption price or interest is due draw upon the Credit Facility, if any, then held by the Trustee in accordance with its terms in a manner so as to provide immediately available funds for principal or redemption price and interest by 1:00 p.m. (New York City time) on such due date. If for any reason such funds are not timely received in response to such draw or the Credit Facility is repudiated, the Trustee shall so notify the Company in writing and may request that such funds be immediately remitted to the Trustee by the Company so as to be received by the Trustee prior to the close of business on such due date.

SECTION 5.05. Investment of 2008A Bond Fund, 2008A Refunding Fund and 2008A Rebate Fund. Moneys in the 2008A Refunding Fund, the 2008A Bond Fund (except for moneys in the Credit Facility Account, the Company Account or the Miscellaneous Account) and the 2008A Rebate Fund shall be invested and reinvested by the Trustee in Eligible Investments at the oral (confirmed promptly in writing) or written direction of the Company. The Trustee shall not be responsible or liable for any loss suffered as a result of any investment of funds in Eligible Investments made in accordance with this Section. In the absence of written direction from the Company with respect to investment of moneys held under this Indenture, the Trustee is hereby directed to invest moneys (except for moneys in the Credit Facility Account) in money market funds of the Trustee or its affiliates that qualify as Eligible Investments under this Indenture.

Moneys deposited in the Credit Facility Account, the Company Account or the Miscellaneous Account shall be held in cash and not invested. All investments of moneys in the 2008A Refunding Fund shall mature or be redeemable by the date on which disbursement thereof is required under Section 5.02 hereof. Investments of moneys in the 2008A Bond Fund shall mature or be redeemable at the option of the Trustee at the times and in the amounts necessary to provide moneys to pay Bond Service Charges as they become due on any Interest Payment Date or at stated maturity or by redemption.

Subject to any directions from the Company with respect thereto, from time to time, the Trustee may sell those investments and reinvest the proceeds therefrom in Eligible Investments maturing or redeemable as aforesaid. Any of those investments may be purchased from or sold to the Trustee, the Registrar, the Remarketing Agent, an Authenticating Agent, any Credit Facility Issuer or a Paying Agent or any bank, trust company or savings and loan association affiliated with any of the foregoing. The Trustee shall sell or redeem investments credited to the 2008A Bond Fund to produce sufficient moneys applicable hereunder to and at the times required for the purposes of paying Bond Service Charges when due as aforesaid, and shall do so without necessity for any order on behalf of the Company or the Issuer and without restriction by reason of any order. An investment made from moneys credited to the 2008A Refunding Fund, the 2008A Bond Fund or the 2008A Rebate Fund shall constitute part of that respective fund or account, and each respective fund or account shall be credited with all proceeds of sale and income from investment of moneys credited thereto; provided, however, that, as provided in Section 5.01 hereof, all investment earnings derived from investments of any moneys in the accounts in the 2008A Refunding Fund shall be credited to the Interest Account of the 2008A Refunding Fund. For purposes of this 2008A Indenture, those investments shall be valued at face amount or market value, whichever is less.

Although the Issuer and the Company each recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Issuer and the Company hereby agree that confirmations of permitted investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

SECTION 5.06. Moneys to be Held in Trust. Except where moneys have been deposited with or paid to the Trustee or any Paying Agent pursuant to an instrument restricting their application to particular 2008A Bonds, all moneys required or permitted to be deposited with or paid to the Trustee or any Paying Agent under any provision of this 2008A Indenture or the 2008A Agreement and any investments thereof, shall be held by the Trustee or that Paying Agent in trust. Except for (i) moneys deposited with or paid to the Trustee or any Paying Agent for the redemption of 2008A Bonds, notice of the redemption of which shall have been duly given or arrangements satisfactory to the Trustee made, and (ii) moneys held by the Trustee pursuant to Section 5.07 hereof and (iii) moneys in the 2008A Rebate Fund, all moneys described in the preceding sentence held by the Trustee or any Paying Agent shall be subject to the provisions hereof while so held.

SECTION 5.07. Nonpresentment of 2008A Bonds; Unclaimed Moneys. In the event that any 2008A Bond shall not be presented for payment when the principal thereof becomes due

in whole or in part, either at stated maturity, upon acceleration or upon redemption, or upon mandatory tender pursuant to Article IV hereof, or a check or draft for interest is uncashed, if moneys sufficient to pay the principal then due of that 2008A Bond or of such check or draft shall have been made available to the Trustee for the benefit of its Holder, all liability of the Issuer to that Holder for such payment of the principal then due of the 2008A Bond or of such check or draft thereupon shall cease and be discharged completely. Thereupon, it shall be the duty of the Trustee to hold those moneys without liability for interest thereon, in a separate account in the 2008A Bond Fund or 2008A Bond Purchase Fund, as appropriate, for the exclusive benefit of the Holder, who shall be restricted thereafter exclusively to those moneys for any claim of whatever nature on its part under this 2008A Indenture or on, or with respect to, the principal then due of that 2008A Bond or of such check or draft. Such unclaimed moneys held for the benefit of Holders who have not presented their 2008A Bonds for payment shall be held in cash and not invested.

Subject to the provisions of Section 5.08 hereof, any of those moneys which shall be so held by the Trustee, and which remain unclaimed by the Holder of a 2008A Bond not presented for payment or check or draft not cashed for a period of four years after the due date thereof, shall be paid to the Company free of any trust or lien within 30 days after the Company has delivered an appropriate written direction to the Trustee and a copy of such written direction to the Credit Facility Issuer (provided, that if the Credit Facility Issuer provides the Trustee and the Company, prior to the payment of such moneys to the Company, with a written certification of an amount owed by the Company to the Credit Facility Issuer under the Reimbursement Agreement, such moneys up to the amount so certified shall be paid by the Trustee to the Credit Facility Issuer). Thereafter, the Holder of that 2008A Bond shall look only to the Company for payment and then only to the amounts so received by the Company without any interest thereon, and the Trustee shall not have any responsibility with respect to those moneys.

SECTION 5.08. Repayment to the Company from the 2008A Bond Fund. Except as provided in Section 5.07 hereof, any amounts remaining in the 2008A Bond Fund (other than amounts in the Credit Facility Account) (i) after all of the outstanding 2008A Bonds shall be deemed to have been paid and discharged under the provisions of this 2008A Indenture, and (ii) after payment of all fees, charges and expenses of the Issuer, the Trustee, the Registrar, the Auction Agent and any Paying Agents or Authenticating Agents and of all other amounts required to be paid under this 2008A Indenture and the 2008A Agreement, shall be paid, first, to the Credit Facility Issuer, to the extent of any amounts that the Company owes to the Credit Facility Issuer pursuant to any Reimbursement Agreement (as certified in writing by the Credit Facility Issuer to the Trustee) and, second, to the Company to the extent that those moneys are in excess of the amounts necessary to effect the payment and discharge of the outstanding 2008A Bonds.

SECTION 5.09. Creation of 2008A Rebate Fund. There is created by the Issuer and ordered maintained as a separate trust account in the custody of the Trustee a fund to be designated "County of Boone, Kentucky - Duke Energy Kentucky, Inc. Series 2008A Rebate Fund" (the "2008A Rebate Fund"). Any provision hereof to the contrary notwithstanding, amounts credited to the 2008A Rebate Fund shall be free and clear of any lien hereunder.

In accordance with the 2008A Agreement, within five days after the end of the fifth Bond Year and each fifth Bond Year thereafter and within five days after the payment in full of all

outstanding 2008A Bonds, the Company shall calculate the amount of Excess Earnings as of the end of that Bond Year or the date of such payment and shall notify the Trustee in writing of that amount. If the amount then on deposit in the 2008A Rebate Fund is in excess of the Excess Earnings, the Trustee shall forthwith pay that excess amount to the Company. If the amount then on deposit in the 2008A Rebate Fund is less than the Excess Earnings (computed by taking into account the amount or amounts, if any, previously paid to the United States pursuant to this Section), the Company shall, within five days after the date of the aforesaid calculation, pay to the Trustee for deposit in the 2008A Rebate Fund an amount sufficient to cause the 2008A Rebate Fund to contain an amount equal to the Excess Earnings. Within 30 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, the Trustee, acting on behalf of the Issuer and at the written direction of the Company, shall pay to the United States in accordance with Section 148(f) of the Code from the moneys then on deposit in the 2008A Rebate Fund an amount equal to 90% (or such greater percentage not in excess of 100% as the Company may direct the Trustee to pay) of the Excess Earnings earned from the date of the original delivery of the 2008A Bonds to the end of such fifth Bond Year (less the amount of Excess Earnings, if any, previously paid to the United States pursuant to this Section). Within 60 days after the payment in full of all outstanding 2008A Bonds, the Trustee shall pay to the United States in accordance with Section 148(f) of the Code from the moneys then on deposit in the 2008A Rebate Fund an amount equal to 100% of the Excess Earnings earned from the date of the original delivery of the 2008A Bonds to the date of such payment (less the amount of Excess Earnings, if any, previously paid to the United States pursuant to this Section) and any moneys remaining in the 2008A Rebate Fund following such payment shall be paid to the Company.

The Trustee shall keep and make available to the Company such records concerning the investments of the gross proceeds of the 2008A Bonds and the investments of earnings from those investments as may be requested by the Company in order to enable the Company to make the aforesaid computations as are required under Section 148(f) of the Code. The Company shall obtain and keep such records of the computations made pursuant to this Section as are required under Section 148(f) of the Code.

If all of the gross proceeds of the 2008A Bonds, within the meaning of Section 148(f) of the Code, are expended for the governmental purpose for which the 2008A Bonds were issued within six months of the date of issuance of the 2008A Bonds, and it is not anticipated that any other gross proceeds will arise during the remainder of the term of the 2008A Bonds, then the provisions of this Section 5.09 and Section 3.6 of the 2008A Agreement shall not be applicable except to the extent of any gross proceeds that actually become available more than six months after the date of issuance of the 2008A Bonds. Furthermore, if all of the gross proceeds of the 2008A Bonds are invested at all times only in property which is not treated as "investment property" under the Code, the provisions of this Section 5.09 and Section 3.6 of the 2008A Agreement shall not be applicable.

(End of Article V)

ARTICLE VI.

THE TRUSTEE, REGISTRAR, PAYING AGENTS AND AUTHENTICATING AGENTS

SECTION 6.01. Trustee's Acceptance and Responsibilities. The Trustee accepts the trusts imposed upon it by this 2008A Indenture, and agrees to observe and perform those trusts, but only upon and subject to the terms and conditions set forth in this Article, to all of which the parties hereto and the Holders agree.

(a) Prior to the occurrence of an Event of Default (as defined in Section 7.01 hereof) of which the Trustee has been notified, as provided in paragraph (f) of Section 6.02 hereof, or of which by that paragraph the Trustee is deemed to have notice, and after the cure or waiver of all Events of Default which may have occurred,

(i) the Trustee undertakes to perform only those duties and obligations which are set forth specifically in this 2008A Indenture, and no duties or obligations shall be implied to the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may rely conclusively, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this 2008A Indenture; but in the case of any such certificates or opinions which by any provision hereof are required specifically to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this 2008A Indenture.

(b) In case an Event of Default has occurred and is continuing hereunder (of which the Trustee has been notified, or is deemed to have notice), the Trustee shall exercise those rights and powers vested in it by this 2008A Indenture and shall use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) No provision of this 2008A Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(i) this Subsection shall not be construed to affect the limitation of the Trustee's duties and obligations provided in paragraph (a)(i) of this Section or the Trustee's right to rely on the truth of statements and the correctness of opinions as provided in paragraph (a)(ii) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by any one of its officers, unless it shall be established that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with this 2008A Indenture at the direction of

the Credit Facility Issuer, if any, or the Holders of not less than a majority in principal amount of the 2008A Bonds then outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this 2008A Indenture; and

(iv) no provision of this 2008A Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers (excepting, however, the making of payments on the 2008A Bonds when due (including payments in connection with the mandatory tender or redemption of 2008A Bonds), taking any action required to be taken under Section 7.02, 7.03 or 14.02 hereunder, drawing upon the Credit Facility in accordance with the terms hereof or requesting funds from the Company under the terms hereof if funds are not received in response to a draw under the Credit Facility), if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this 2008A Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 6.01.

SECTION 6.02. Certain Rights and Obligations of the Trustee. Except as otherwise provided in Section 6.01 hereof:

(a) The Trustee (i) may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees (but shall not be answerable therefor only in accordance with due care), (ii) shall be entitled to the advice of counsel concerning all matters of trusts hereof and duties hereunder, and (iii) may pay reasonable compensation in all cases to all of those attorneys, agents, receivers and employees reasonably employed by it in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Issuer or the Company) approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken in good faith in reliance upon that opinion or advice.

(b) Except for its certificate of authentication on the 2008A Bonds, the Trustee shall not be responsible for:

- (i) any recital in this 2008A Indenture or in the 2008A Bonds,
- (ii) the validity, priority, recording, re-recording, filing or re-filing of this 2008A Indenture, the 2008A Agreement, any Credit Facility or any Reimbursement Agreement,
- (iii) any instrument or document of further assurance or collateral assignment,
- (iv) any financing statements, amendments thereto or continuation statements,
- (v) insurance of the Project or collection of insurance moneys,

(vi) the validity of the execution by the Issuer of this 2008A Indenture or instruments or documents of further assurance,

(vii) the validity or the sufficiency of the security afforded by this 2008A Indenture for the 2008A Bonds issued hereunder or intended to be secured hereby,

(viii) the value of or title to the Project,

(ix) the maintenance of the security hereof, or

(x) any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2008A Bonds, except for any information provided by the Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the 2008A Bonds.

The Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, agreements or obligations on the part of the Issuer or the Company hereunder or under the 2008A Agreement except as set forth hereinafter; but the Trustee may require of the Issuer or the Company full information and advice as to the observance or performance of those covenants, agreements and obligations. Except as provided in Section 7.04 hereof, the Trustee shall have no obligation to observe or perform any of the duties of the Issuer under the 2008A Agreement.

(c) The Trustee shall not be accountable for the application by the Company or any other Person of the proceeds of any 2008A Bonds authenticated or delivered hereunder.

(d) The Trustee shall be protected, in the absence of bad faith on its part, in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons. Any action taken by the Trustee pursuant to this 2008A Indenture upon the request or authority or consent of any Person who is the Holder of any 2008A Bond at the time of making the request or giving the authority or consent, shall be conclusive and binding upon all future Holders of the same 2008A Bond and of 2008A Bonds issued in exchange therefor or in place thereof.

(e) As to the existence or nonexistence of any fact for which the Issuer may be responsible or as to the sufficiency or validity of any instrument, document, report, paper or proceeding, the Trustee, in the absence of bad faith on its part, shall be entitled to rely upon a certificate signed on behalf of the Issuer or the Company by an authorized officer thereof as sufficient evidence of the facts recited therein. Prior to the occurrence of an Event of Default hereunder of which the Trustee has been notified, as provided in paragraph (f) of this Section, or of which by that paragraph the Trustee is deemed to have notice, the Trustee may accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient; provided, that the Trustee in its discretion may require and obtain any further evidence which it deems to be necessary or advisable; and, provided further, that the Trustee shall not be bound to secure any further evidence. The Trustee may accept a certificate of the

officer, or an assistant thereto, having charge of the appropriate records, to the effect that legislation or any resolution in the form recited in that certificate has been adopted by the Issuer or by the Board of Directors or authorized committee thereof of the Company, as conclusive evidence that the legislation or resolution has been duly adopted and is in full force and effect.

(f) The Trustee shall not be required to take notice, and shall not be deemed to have notice or knowledge, of any default or Event of Default hereunder, except Events of Default described in paragraphs (a), (b) and (c) of Section 7.01 hereof, unless the Trustee shall be notified specifically of the default or Event of Default in a written instrument or document delivered to it by the Issuer, any Credit Facility Issuer or the Holders of at least 35% of the aggregate principal amount of 2008A Bonds then outstanding. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no default or Event of Default, except as noted above.

(g) At any reasonable time, the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives (i) may inspect and copy fully all books, papers and records of the Issuer pertaining to the Project and the 2008A Bonds, and (ii) may make any memoranda from and in regard thereto as the Trustee may desire.

(h) The Trustee shall not be required to give any bond or surety with respect to the execution of these trusts and powers or otherwise in respect of the premises.

(i) Notwithstanding anything contained elsewhere in this 2008A Indenture, the Trustee may demand any showings, certificates, reports, opinions, appraisals and other information, and any corporate action and evidence thereof, in addition to that required by the terms hereof, as a condition to the authentication of any 2008A Bonds or the taking of any action whatsoever within the purview of this 2008A Indenture or the 2008A Agreement, if the Trustee in its reasonable judgment deems it to be necessary for the purpose of establishing the right of the Issuer to the authentication of any 2008A Bonds or the right of any Person to the taking of any other action by the Trustee; provided, that the Trustee shall not be required to make that demand.

(j) Before taking action hereunder pursuant to Section 6.04 or Article VII hereof (with the exception of making payments on the 2008A Bonds when due (including payments in connection with the mandatory tender or redemption of 2008A Bonds), taking any action required to be taken under Section 7.02, 7.03 or 14.02 hereof, drawing upon the Credit Facility in accordance with the terms hereof or requesting funds from the Company in accordance with the terms hereof if funds are not received in response to a draw under the Credit Facility), the Trustee may require that a satisfactory indemnity bond be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability by reason of any action so taken, except liability which is adjudicated to have resulted from its negligence or willful misconduct. The Trustee may take action without that indemnity, and in that case, the Company shall reimburse the Trustee for all of the Trustee's expenses pursuant to Section 6.03 hereof.

(k) Unless otherwise provided herein, all moneys received by the Trustee under this 2008A Indenture shall be held in trust for the purposes for which those moneys were received, until those moneys are used, applied or invested as provided herein; provided, that those moneys

need not be segregated from other moneys, except to the extent required by this 2008A Indenture or by law. The Trustee shall not have any liability for interest on any moneys received hereunder, except to the extent expressly provided herein or agreed with the Issuer or the Company.

(l) Any opinions, certificates and other instruments and documents for which provision is made in this 2008A Indenture, may be accepted by the Trustee, in the absence of bad faith on its part, as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for its actions taken hereunder.

(m) The permissive right of the Trustee to do things enumerated in this 2008A Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default.

(n) Notwithstanding anything contained elsewhere in this Indenture, in the event the Trustee receives inconsistent or conflicting requests and indemnity from more than one group of Holders of 2008A Bonds, each representing less than a majority in aggregate principal amount of the Outstanding Bonds, pursuant to the provisions of this Indenture, the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

SECTION 6.03. Fees, Charges and Expenses of Trustee, Registrar, Paying Agents and Authenticating Agents. The Trustee, the Registrar and any Paying Agents or Authenticating Agents shall be entitled to payment or reimbursement by the Company, as provided in the 2008A Agreement, for customary fees and charges for their Ordinary Services rendered hereunder and for all advances, counsel fees and other Ordinary Expenses customarily paid or incurred by them in connection with the provision of Ordinary Services. In the event that it should become necessary for any of them to perform Extraordinary Services, they shall be entitled to customary extra compensation therefor and to reimbursement for reasonable and necessary Extraordinary Expenses incurred in connection therewith, in each case from the Company.

Without creating a default or an Event of Default hereunder, however, the Company may contest in good faith the necessity for any Extraordinary Service and Extraordinary Expense and the reasonableness of any fee, charge or expense.

The Trustee, the Registrar and any Paying Agents or Authenticating Agents shall not be entitled to compensation or reimbursement for Extraordinary Services or Extraordinary Expenses occasioned by their negligence or willful misconduct. The Trustee, the Registrar and any Paying Agents or Authenticating Agents shall be entitled to payment and reimbursement for customary fees for their Ordinary Services, Ordinary Expenses, Extraordinary Services and Extraordinary Expenses only from (i) the Additional Payments made by the Company pursuant to the 2008A Agreement or (ii) from other moneys available therefor (excluding, however, any moneys received under any Credit Facility or from the remarketing of the 2008A Bonds). Any amounts payable to the Trustee, the Registrar or any Paying Agent or Authenticating Agent pursuant to this Section 6.03 shall be payable upon demand and shall bear interest from the date of demand therefor at the Interest Rate for Advances (as defined in the 2008A Agreement).

SECTION 6.04. Intervention by Trustee. The Trustee may intervene on behalf of the Holders, and shall intervene if requested to do so in writing by any Credit Facility Issuer or the Holders of at least 35% of the aggregate principal amount of 2008A Bonds then outstanding, in any judicial proceeding to which the Issuer or the Company is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Holders of the 2008A Bonds. The rights and obligations of the Trustee under this Section are subject to the approval of that intervention by a court of competent jurisdiction. The Trustee may require that a satisfactory indemnity bond be provided to it in accordance with Sections 6.01 and 6.02 hereof before it takes action hereunder.

SECTION 6.05. Successor Trustee. Anything herein to the contrary notwithstanding,

(a) any corporation or association (i) into which the Trustee may be converted or merged, (ii) with which the Trustee or any successor to it may be consolidated, (iii) to which it may sell or transfer its corporate trust business as a whole or substantially as a whole, or (iv) any corporation or association resulting from any such conversion, merger, consolidation, sale or transfer, ipso facto, shall be and become successor Trustee hereunder and shall be vested with all of the title to the whole property or trust estate hereunder; and

(b) that corporation or association shall be vested further, as was its predecessor, with each and every trust, property, remedy, power, right, duty, obligation, discretion, privilege, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this 2008A Indenture to be exercised by, vested in or conveyed to the Trustee, without the execution or filing of any instrument or document or any further act on the part of any of the parties hereto.

Any successor Trustee, under this Section, however, (i) shall be a trust company or a bank having the powers of a trust company, (ii) shall have a reported capital and surplus of not less than \$75,000,000, (iii) so long as the 2008A Bonds are rated by Moody's, shall either be rated at least Baa3 or P-3 by Moody's or be otherwise acceptable to Moody's, (iv) so long as the 2008A Bonds are rated by S&P, shall be acceptable to S&P, and (v) shall be reasonably acceptable to the Credit Facility Issuer.

SECTION 6.06. Appointment of Co-Trustee. It is the purpose of this 2008A Indenture that there shall be no violation of any law of any jurisdiction (including without limitation, the laws of the State) denying or restricting the right of banks or trust companies to transact business as trustees in that jurisdiction. It is recognized that, (a) if there is litigation under this 2008A Indenture or other instruments or documents relating to the 2008A Bonds and the Project, and in particular, in case of the enforcement hereof or thereof upon a default or an Event of Default, or (b) if the Trustee should deem that, by reason of any present or future law of any jurisdiction, it may not (i) exercise any of the powers, rights or remedies granted herein to the Trustee, (ii) hold title to the properties, in trust, as granted herein, or (iii) take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an individual or additional institution as a co-Trustee. The following provisions of this Section are adapted to these ends.

In the event that the Trustee appoints an individual or additional institution as a co-Trustee, each and every trust, property, remedy, power, right, duty, obligation, discretion, privilege, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this 2008A Indenture to be exercised by, vested in or conveyed to the Trustee shall be exercisable by, vest in and be conveyed to that co-Trustee, but only to the extent necessary for it to be so vested and conveyed and to enable that co-Trustee to exercise it. Every covenant, agreement and obligation necessary to the exercise thereof by that co-Trustee shall run to and be enforceable by it.

Should any instrument or document in writing from the Issuer reasonably be required by the co-Trustee so appointed by the Trustee for vesting and conveying more fully and certainly in and to that co-Trustee those trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens, that instrument or document shall be executed, acknowledged and delivered, but not prepared, by the Issuer. In case any co-Trustee or a successor to it shall die, become incapable of acting, resign or be removed, all of the trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens of the co-Trustee shall be exercised by, vest in and be conveyed to the Trustee, to the extent permitted by law, until the appointment of a successor to the co-Trustee.

SECTION 6.07. Resignation by the Trustee. The Trustee may resign at any time from the trusts created hereby by giving written notice of the resignation to the Issuer, the Company, the Registrar, any Paying Agents, the Remarketing Agent, the Auction Agent, any Credit Facility Issuer and Authenticating Agents. The Trustee shall also give written notice of its resignation to the Holders by mailing written notice thereof to the Holders as their names and addresses appear on the Register at the close of business fifteen days prior to the mailing. Such resignation shall take effect only upon the appointment of a successor Trustee and such successor's acceptance of the appointment, all pursuant to Section 6.09 hereof.

SECTION 6.08. Removal of the Trustee. The Trustee may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the Issuer, the Registrar, any Paying Agents and Authenticating Agents, the Company, any Credit Facility Issuer and the Auction Agent and signed by or on behalf of the Holders of not less than a majority in aggregate principal amount of the 2008A Bonds then outstanding. The removal shall take effect only upon the appointment of a successor Trustee and such successor's acceptance of the appointment, all pursuant to Section 6.09 hereof.

The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this 2008A Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Issuer, upon its own volition or at the written request of the Company, the Credit Facility Issuer or the Holders of not less than 35% in aggregate principal amount of the 2008A Bonds then outstanding under this 2008A Indenture. Such removal shall take effect only upon the appointment of a successor Trustee and such successor's acceptance of the appointment and the transfer of the Credit Facility to such successor, all pursuant to Section 6.09 hereof.

SECTION 6.09. Appointment of Successor Trustee. If (i) the Trustee shall resign, shall be removed, shall be dissolved, or shall become otherwise incapable of acting hereunder, (ii) the Trustee shall be taken under the control of any public officer or officers, or (iii) a receiver shall be appointed for the Trustee by a court, then upon the occurrence of any such events a successor Trustee shall be appointed by the Issuer, with the written consent of the Company; provided, that if a successor Trustee is not so appointed within ten days after (a) a notice of resignation or an instrument or document of removal is received by the Issuer, as provided in Sections 6.07 and 6.08 hereof, respectively, or (b) the Trustee is dissolved, taken under control, becomes otherwise incapable of acting or a receiver is appointed, in each case, as provided above, then, so long as the Issuer shall not have appointed a successor Trustee, the Company or the Holders of a majority in aggregate principal amount of 2008A Bonds then outstanding may designate a successor Trustee by an instrument or document or concurrent instruments or documents in writing signed by or on behalf of those Holders. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section, the Holder of any 2008A Bond outstanding hereunder or any predecessor Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Every successor Trustee appointed pursuant to this Section (i) shall be a trust company or a bank having the powers of a trust company, (ii) shall be willing to accept the trusteeship under the terms and conditions of this 2008A Indenture, (iii) shall have a reported capital and surplus of not less than \$75,000,000, (iv) so long as the 2008A Bonds are rated by Moody's, such successor Trustee shall be acceptable to Moody's, (v) so long as the 2008A Bonds are rated by S&P, such successor Trustee shall be acceptable to S&P, and (vi) shall be reasonably acceptable to the Credit Facility Issuer.

Every successor Trustee appointed hereunder shall execute and acknowledge, and shall deliver to its predecessor, the Issuer, the Company and any Credit Facility Issuer, an instrument or document in writing accepting the appointment. Thereupon, without any further act, the successor shall become vested with all of the trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens of its predecessor. Upon the written request of its successor, the Issuer or the Company, the predecessor Trustee (i) shall execute and deliver an instrument or document transferring to its successor all of the trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens of the predecessor Trustee hereunder, and (ii) shall take any other action necessary to duly assign, transfer and deliver to its successor all property (including without limitation, all securities and moneys) held by it as Trustee. Should any instrument or document in writing from the Issuer be requested by any successor Trustee for vesting and conveying more fully and certainly in and to that successor the trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens vested or conveyed or intended to be vested or conveyed hereby in or to the predecessor Trustee, the Issuer shall execute, acknowledge and deliver that instrument or document.

In the event of a change in the Trustee, the predecessor Trustee shall cease to be custodian of any moneys which it may hold pursuant to this 2008A Indenture and shall cease to be Registrar, Authenticating Agent and a Paying Agent for any of the 2008A Bonds, to the extent it served in any of those capacities. The successor Trustee shall become custodian and, if applicable, Registrar, Authenticating Agent and a Paying Agent.

SECTION 6.10. Adoption of Authentication. In case any of the 2008A Bonds shall have been authenticated, but shall not have been delivered, any successor Trustee, Registrar or Authenticating Agent may adopt the certificate of authentication of any predecessor Trustee, Registrar or Authenticating Agent and may deliver those 2008A Bonds so authenticated as provided herein. In case any 2008A Bonds shall not have been authenticated, any successor Trustee, Registrar or Authenticating Agent may authenticate those 2008A Bonds either in the name of any predecessor or in its own name. In all cases, the certificate of authentication shall have the same force and effect as provided in the 2008A Bonds or in this 2008A Indenture with respect to the certificate of authentication of the predecessor Trustee, Registrar or Authenticating Agent.

SECTION 6.11. Registrars.

(a) Succession. Anything herein to the contrary notwithstanding, any corporation or association (i) into which a Registrar may be converted or merged, (ii) with which a Registrar or any successor to it may be consolidated, (iii) to which it may sell or transfer its corporate trust business as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, merger, consolidation, sale or transfer, or (iv) succeeding to the corporate trust business of any Registrar, ipso facto, shall be and become successor Registrar to that Registrar hereunder and shall be vested with each and every power, right, duty, obligation, discretion and privilege expressed or intended by this 2008A Indenture to be exercised by or vested in the predecessor Registrar, without the execution or filing of any instrument or document or any further act on the part of any of the parties hereto.

(b) Resignation. A Registrar may resign at any time by giving written notice of its resignation to the Issuer, the Company, the Trustee, the Remarketing Agent, the Auction Agent, any Credit Facility Issuer and to each Paying Agent and Authenticating Agent, at least 60 days before the resignation is to take effect. The resignation shall take effect immediately, however, upon the appointment of a successor Registrar, if the successor Registrar is appointed and accepts that appointment before the time stated in the notice.

(c) Removal. The Registrar may be removed at any time by the Company or by an instrument or document or concurrent instruments or documents in writing delivered to the Registrar, with copies thereof mailed to the Issuer, the Trustee, the Remarketing Agent, the Company and any Credit Facility Issuer, and signed by or on behalf of the Holders of not less than a majority in aggregate principal amount of the 2008A Bonds then outstanding.

(d) Appointment of Successors. If (i) a Registrar shall resign, shall be removed, shall be dissolved, or shall become otherwise completely incapable of acting hereunder, (ii) a Registrar shall be taken under the control of any public officer or officers, (iii) a receiver shall be appointed for a Registrar by a court, or (iv) a Registrar shall have an order for relief entered in

any case commenced by or against it under the federal bankruptcy laws or commence a proceeding under any federal or state bankruptcy, insolvency, reorganization or similar law, or have such a proceeding commenced against it and either have an order of insolvency or reorganization entered against it or have the proceeding remain un-dismissed and un-stayed for ninety days, then a successor Registrar shall be appointed by the Issuer, with the written consent of the Company and the Trustee; provided, that if a successor Registrar is not so appointed within ten days after (a) a notice of resignation or an instrument or document of removal is received by the Issuer, as provided above, or (b) the Registrar is dissolved, taken under control, becomes otherwise incapable of acting or a receiver is appointed, in each case, as provided above, then, if the Issuer shall not have appointed a successor Registrar, the Trustee or the Holders of a majority in aggregate principal amount of 2008A Bonds then outstanding may designate a successor Registrar by an instrument or document or concurrent instruments or documents in writing signed by the Trustee, or in the case of the Holders, by or on behalf of those Holders.

Every successor Registrar appointed hereunder shall execute and acknowledge, and shall deliver to its predecessor, the Issuer, the Trustee, the Auction Agent, the Remarketing Agent, any Credit Facility Issuer and the Company, an instrument or document in writing accepting the appointment. Thereupon, without any further act, the successor shall become vested with all of the properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, titles and interests of its predecessor. Upon the written request of its successor, the Issuer or the Company, a predecessor Registrar (i) shall execute and deliver an instrument or document transferring to its successor all of the properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, titles and interests of it as predecessor Registrar hereunder, and (ii) shall take any other action necessary to duly assign, transfer and deliver to its successor all property and records (including without limitation, the Register and any cancelled 2008A Bonds) held by it as Registrar. Should any instrument or document in writing from the Issuer be requested by any successor Registrar for vesting and conveying more fully and certainly in and to that successor the properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, titles and interests vested or conveyed or intended to be vested or conveyed hereby in or to a predecessor Registrar, the Issuer shall execute, acknowledge and deliver that instrument or document.

SECTION 6.12. Designation and Succession of Paying Agents. The Trustee shall be a Paying Agent for the 2008A Bonds, and, with the consent of the Company, the Trustee may appoint a Paying Agent or Agents with power to act on its behalf and subject to its direction in the payment of Bond Service Charges, which Paying Agent or Agents shall each be a bank with trust powers or a trust company. It is the responsibility of the Trustee to establish the duties and responsibilities of any Paying Agent for the purposes of this 2008A Indenture, to the extent not specified herein.

Any corporation or association with or into which any Paying Agent may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, consolidation or conversion to which any Paying Agent shall be a party, or any corporation or association succeeding to the corporate trust business of any Paying Agent, shall be the successor of that Paying Agent hereunder, if that successor corporation or association is

otherwise eligible hereunder, without the execution or filing of any paper or any further act on the part of the parties hereto or the Paying Agent or that successor corporation or association.

Any Paying Agent may at any time resign by giving written notice of resignation to the Trustee, the Registrar, the Auction Agent, the Remarketing Agent, the Company and any Credit Facility Issuer. The Trustee may at any time terminate the agency of any Paying Agent by giving written notice of termination to such Paying Agent, the Registrar, the Auction Agent, the Remarketing Agent, any Credit Facility Issuer and the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Paying Agent shall cease to be eligible under this Section, the Trustee, with the consent of the Company, may appoint a successor Paying Agent. No resignation or termination of a Paying Agent shall become effective until a successor Paying Agent shall have been appointed and shall have accepted such appointment. The Trustee shall give written notice of appointment of a successor Paying Agent to the Company, the Issuer, the Registrar, the Remarketing Agent and any Credit Facility Issuer and shall mail, within ten days after that appointment, notice thereof to all Holders as their names and addresses appear on the Register on the date of that appointment.

The Trustee shall pay to any Paying Agent from time to time customary compensation as authorized in Section 6.03 hereof for its services, and the Trustee shall be entitled to be reimbursed for such payments, subject to Section 6.03 hereof.

The provisions of Section 3.04 and Subsection 6.02(d) shall be applicable to any Paying Agent.

As long as the 2008A Bonds are rated by Moody's any Paying Agent or successor Paying Agent shall either be rated at least Baa3 or P-3 by Moody's or otherwise be acceptable to Moody's. As long as the 2008A Bonds are rated by S&P, any Paying Agent shall be acceptable to S&P.

SECTION 6.13. Designation and Succession of Authenticating Agents. With the consent of the Company, the Trustee may appoint an Authenticating Agent or Agents, in addition to the Registrar, with power to act on its behalf and subject to its direction in the authentication and delivery of 2008A Bonds in connection with transfers and exchanges under Sections 3.05 and 4.02 hereof. For all purposes of this 2008A Indenture, the authentication and delivery of 2008A Bonds by an Authenticating Agent pursuant to this Section shall be deemed to be authentication and delivery of those 2008A Bonds "by the Trustee."

Any corporation or association with or into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation or association succeeding to the trust business of any Authenticating Agent, shall be the successor of that Authenticating Agent hereunder, if that successor corporation or association is otherwise eligible hereunder, without the execution or filing of any paper or any further act on the part of the parties hereto or the Authenticating Agent or such successor corporation.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee, to the Registrar and to the Company. The Trustee may at any time terminate the agency of any Authenticating Agent, and shall terminate such agency at the written direction of the Company, by giving written notice of termination to such Authenticating Agent, to the Registrar and to the 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 Trustee, with consent of the Company, may appoint a successor Authenticating Agent. The Trustee shall give written notice of appointment of a successor Authenticating Agent to the Company, the Issuer and the Registrar and shall mail, within ten days after that appointment, notice thereof to all Holders as their names and addresses appear on the Register on the date of that appointment.

The Trustee shall pay to any Authenticating Agent from time to time compensation for its services, and the Trustee shall be entitled to be reimbursed for such payments, subject to Section 6.03 hereof.

The provisions of Section 3.04 and Subsections 6.02(b), (c), (d), (h) and (i) shall be applicable to any Authenticating Agent.

SECTION 6.14. Dealing in 2008A Bonds. The Trustee, the Registrar, a Paying Agent, an Authenticating Agent, the Auction Agent, the Remarketing Agent and any Credit Facility Issuer, their Affiliates, and any directors, officers, employees or agents thereof, in good faith, may become the owners of 2008A Bonds secured hereby with the same rights which it or they would have hereunder if the Trustee, the Registrar, the Paying Agent, the Authenticating Agent, the Auction Agent, the Remarketing Agent and any Credit Facility Issuer did not serve in those capacities.

SECTION 6.15. Representations, Agreements and Covenants of Trustee. The Trustee hereby represents that it is a national banking association duly organized and validly existing under the laws of the United States of America and that it has an unimpaired reported capital and surplus of not less than \$75,000,000. The Trustee hereby further represents that it has sufficient power, authority and capacity under applicable law to enter into this 2008A Indenture and act as trustee and perform its obligations under this 2008A Indenture.

SECTION 6.16. Interpleader. In the event of a dispute between any of the parties hereto with respect to the disposition of any funds held by the Trustee hereunder, or the Trustee receives conflicting demands made upon the Trustee with respect to the Trustee's duties hereunder or any other document related to the 2008A Bonds, the Trustee shall be entitled to file a suit in interpleader in a court of competent jurisdiction seeking to require the parties to interplead and litigate in such court their several claims and rights among themselves. Upon the filing of such a suit and the deposit of the applicable funds to such court, the Trustee will ipso facto be fully released and discharged from all obligations to further perform any and all duties imposed hereunder or any other document related to the 2008A Bonds regarding such matter and/or such funds that are the subject of such interpleader suit. In the event that the Trustee remains as Trustee under this 2008A Indenture and receives a court order, directive or other request regarding the interpleader suit, the Trustee shall be entitled to rely upon such instruction

without incurring any obligation or liability and the parties hereto release, hold harmless and indemnify the Trustee for any obligation or liability for so relying on such court instruction.

SECTION 6.17. Survival of Certain Provisions. The provisions of this Article shall survive the release, discharge and satisfaction of this 2008A Indenture and the resignation or removal of the Trustee.

(End of Article VI)

ARTICLE VII.

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND HOLDERS

SECTION 7.01. Defaults; Events of Default. The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default hereunder:

(a) Payment of any interest on any 2008A Bond shall not be made when and as that interest shall become due and payable;

(b) Payment of the principal or redemption price of any 2008A Bond shall not be made when and as that principal or redemption price shall become due and payable, whether at stated maturity, by redemption, by acceleration or otherwise;

(c) Payment of the purchase price of any 2008A Bond tendered for purchase pursuant to the provisions of Article IV shall not be made when and as that purchase price becomes due and payable;

(d) The Trustee shall receive written notice from the Credit Facility Issuer of an acceleration or termination arising from an "event of default" under and as defined in the Reimbursement Agreement, by reason of which the Trustee has been directed by the Credit Facility Issuer to accelerate the 2008A Bonds;

(e) Failure by the Issuer to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the 2008A Bonds or this 2008A Indenture (other than a failure described in (a), (b) or (c) of this Section 7.01), which failure shall have continued for a period of 90 days after written notice (or for such longer period as the Trustee may agree to in writing), by registered or certified mail, to the Issuer and the Company specifying the failure and requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of Holders of not less than 35% in aggregate principal amount of 2008A Bonds then outstanding; provided, that failure shall not constitute an Event of Default so long as the Issuer institutes curative action within the applicable period and diligently pursues that action to completion within 150 days after the expiration of the initial cure period as determined above, or within such longer period as the Trustee may agree to in writing;

(f) If no Credit Facility is then held by the Trustee, the occurrence and continuance of an Event of Default as defined in Section 7.1(c) or (d) of the 2008A Agreement; or

(g) If a Credit Facility is then held by the Trustee, receipt by the Trustee, on or before the close of business on the fourth Business Day following a drawing under such Credit Facility to pay interest on the 2008A Bonds on an Interest Payment Date, of written notice from the Credit Facility Issuer that the interest component of the Credit Facility will not be reinstated.

The term "default" or "failure" as used in this Article means a default or failure by the Issuer in the observance or performance of any of the covenants, agreements or obligations on its part to be observed or performed contained in this 2008A Indenture or in the 2008A Bonds,

exclusive of any period of grace or notice required to constitute such default or failure as an Event of Default, as provided above.

SECTION 7.02. Notice of Default. If an Event of Default shall occur, the Trustee shall give written notice of the Event of Default, by registered or certified mail, to the Issuer, the Company, the Registrar, the Paying Agent, the Authenticating Agent, the Remarketing Agent and any Credit Facility Issuer promptly after the Trustee has knowledge of the Event of Default. If an Event of Default occurs of which the Trustee has notice pursuant to this 2008A Indenture, the Trustee shall mail written notice thereof, immediately after the Trustee's receipt of notice of its occurrence, to the Holders of all 2008A Bonds then outstanding as shown by the Register at the close of business fifteen days prior to the mailing of that notice; provided, that except in the case of a default in the payment of Bond Service Charges on any 2008A Bond, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or responsible officers of the Trustee in good faith determine that the withholding of notice to the Holders is in the interests of the Holders.

So long as the ownership of the Auction Rate Bonds is maintained in the Book Entry System, upon the occurrence of a default due to the failure to make payment of interest and principal of the Auction Rate Bonds when due, the Paying Agent shall immediately send notice thereof to the Trustee, the Auction Agent, the Issuer and the Remarketing Agent by telecopy or similar means.

SECTION 7.03. Acceleration

(a) Upon (i) the occurrence and continuance of any Event of Default (i) described in subsections (a), (b), (c), (e) or (f) of Section 7.01 hereof, the Trustee may, and upon the written request of the Holders of not less than 35% in aggregate principal amount of 2008A Bonds then outstanding, shall, or (ii) upon the occurrence of any Event of Default described in subsections (d) or (g) of Section 7.01 hereof, the Trustee shall, by written notice to the Issuer, the Company and any Credit Facility Issuer, declare the principal of all 2008A Bonds then outstanding (if not then due and payable), and the accrued and unpaid interest thereon, to be due and payable immediately.

Interest on the 2008A Bonds shall accrue at the rates per annum borne by the 2008A Bonds to the date determined by the Trustee for the tender of payment to the Holders pursuant to that declaration, which date, if the 2008A Bonds are then secured by a Credit Facility, shall be not more than three Business Days from the date of such declaration; provided, that interest on any unpaid principal of 2008A Bonds outstanding shall continue to accrue from the date determined by the Trustee for the tender of payment to the Holders of those 2008A Bonds until that principal amount has been paid or made available to the Trustee for the benefit of the Holders. The Trustee shall immediately give written notice of such declaration by mail to the Holders of all 2008A Bonds then outstanding as shown by the Register at the close of business on the day prior to the mailing of that notice, and the Trustee shall, if the 2008A Bonds are then secured by a Credit Facility, immediately draw moneys under the Credit Facility in accordance with the terms of the Credit Facility, to the extent available thereunder, in an amount sufficient to pay the principal of and accrued and unpaid interest to the tender date on the 2008A Bonds. The Trustee shall also request in writing immediate payment from the Company of such amount in

the event such amount is not timely received in response to a draw under the Credit Facility or the Credit Facility is repudiated.

(b) If no Credit Facility is in effect, then the provisions of subsection (a) above are subject to the condition that if at any time after declaration of acceleration and prior to the entry of a judgment in a court for enforcement hereunder (after an opportunity for hearing by the Issuer and the Company),

(i) all sums payable hereunder (except the principal of and interest on 2008A Bonds which have not reached their stated maturity dates but which are due and payable solely by reason of that declaration of acceleration), plus interest to the extent permitted by law on any overdue installments of interest at the rate then borne by the 2008A Bonds, shall have been duly paid or provision shall have been duly made therefor by deposit with the Trustee or Paying Agents and

(ii) all existing Events of Default shall have been cured,

then and in every case, such payment or provision for payment shall constitute an automatic waiver of the Event of Default and its consequences and shall constitute an automatic rescission and annulment of that declaration. No waiver or rescission and annulment shall extend to or affect any subsequent Event of Default or shall impair any rights consequent thereon. The Trustee shall promptly give written notice of any such waiver, rescission and annulment to the Issuer, the Remarketing Agent and the Company and, if notice of the acceleration of the 2008A Bonds shall have been given to the Holders, shall mail such notice to the Holders of all 2008A Bonds then outstanding as shown by the Register at the close of business 15 days prior to the mailing of that notice.

(c) The provisions of subsection (a) above are further subject to the condition that a written notice from the Credit Facility Issuer to the Trustee stating that the interest component of the Credit Facility has been reinstated in full following the declaration of an Event of Default under subsection (d) or (g) of Section 7.01 hereof and which constitutes a rescission and annulment of the consequences thereof, or a written notice of any waiver by the Credit Facility Issuer of any other Event of Default under the Reimbursement Agreement and a rescission and annulment of its consequences following the giving of notice to the Trustee of any other Event of Default as described in Section 7.01 hereof together with a written indication from the Credit Facility Issuer that the Credit Facility has been reinstated in full and a written request from the Credit Facility Issuer that the Trustee waive such corresponding Event of Default hereunder shall constitute a waiver of the corresponding Event of Default, and a rescission and annulment of the consequences thereof. In such event, the Trustee shall promptly give written notice of such waiver, rescission and annulment of the corresponding Events of Default hereunder, to the Issuer, the Company and the Remarketing Agent, and shall mail such notice to the Holders of all 2008A Bonds then outstanding as shown by the Register at the close of business 15 days prior to the mailing of that notice and the Issuer, the Trustee and the Holders shall be restored to their former positions and rights, respectively; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default hereunder or impair any rights consequent thereon; provided, that if the Credit Facility has been drawn upon following any Event of Default, no such Event of Default shall be considered to be rescinded or annulled unless the

Credit Facility Issuer provides written notice to the Trustee that the Credit Facility has been reinstated in full.

SECTION 7.04. Other Remedies; Rights of Holders. With or without taking action under Section 7.03 hereof (other than the required actions under any Credit Facility), upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy to enforce the payment of Bond Service Charges or the observance and performance of any other covenant, agreement or obligation under this 2008A Indenture, the 2008A Agreement or any other instrument providing security, directly or indirectly, for the 2008A Bonds.

If, upon the occurrence and continuance of an Event of Default, the Trustee is requested so to do by (i) the Credit Facility Issuer, if the Event of Default is under subsections (d) or (g) of Section 7.01 hereof, or (ii) the Holders of at least 35% in aggregate principal amount of 2008A Bonds outstanding, the Trustee (subject to the provisions of Sections 6.01 and 6.02 and particularly subparagraph 6.01(c)(iv) and Subsection 6.02(j) of those Sections), shall exercise any rights and powers conferred by this Section and by Section 7.03 hereof.

No remedy conferred upon or reserved to the Trustee (or to the Holders) by this 2008A Indenture is intended to be exclusive of any other remedy. Each remedy shall be cumulative and shall be in addition to every other remedy given hereunder or otherwise to the Trustee or to the Holders now or hereafter existing.

No delay in exercising or omission to exercise any remedy, right or power accruing upon any default or Event of Default shall impair that remedy, right or power or shall be construed to be a waiver of any default or Event of Default or acquiescence therein. Every remedy, right and power may be exercised from time to time and as often as may be deemed to be expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or the Holders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any remedy, right or power consequent thereon.

As the assignee of all right, title and interest of the Issuer in and to the 2008A Agreement (except for the Unassigned Issuer Rights), the Trustee is empowered to enforce each remedy, right and power granted to the Issuer under the 2008A Agreement. In exercising any remedy, right or power thereunder or hereunder, the Trustee shall take any action which would best serve the interests of the Holders in the judgment of the Trustee, applying the standards described in Sections 6.01 and 6.02 hereof.

SECTION 7.05. Right of Holders or Credit Facility Issuer to Direct Proceedings. Anything to the contrary in this 2008A Indenture notwithstanding, the Credit Facility Issuer, if the Event of Default is under subsections (d) or (g) of Section 7.01, or the Holders of a majority in aggregate principal amount of 2008A Bonds then outstanding, if the Event of Default is under any other subsection of Section 7.01, shall have the right at any time to direct, by an instrument or document or instruments or documents in writing executed and delivered to the Trustee, the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this 2008A Indenture or any other proceedings hereunder; provided, that (i) any direction shall not be other than in accordance with the

provisions of law and of this 2008A Indenture, (ii) the Trustee shall be indemnified as provided in Sections 6.01 and 6.02, (iii) the Trustee may take any other action which it deems to be proper and which is not inconsistent with the direction and (iv) the Credit Facility Issuer shall have no rights to direct the Trustee or otherwise direct the exercise of remedies against the Credit Facility Issuer.

SECTION 7.06. Application of Moneys. After payment of any costs, fees, charges, expenses, liabilities and advances paid, incurred or made by the Trustee in the collection of moneys pursuant to any right given or action taken under the provisions of this Article or the provisions of the 2008A Agreement (including without limitation, reasonable attorneys' fees and expenses, except as limited by law or judicial order or decision entered in any action taken under this Article VII), all moneys received by the Trustee (provided that moneys received under any Credit Facility shall be used only for payment of the purchase price of or Bond Service Charges on the 2008A Bonds, other than 2008A Bonds held by or on behalf of the Company or a Credit Facility Issuer, as described in Section 4.08(b)(iv) hereof, and that moneys received from the proceeds of remarketing of 2008A Bonds shall be used only for the purchase price of the 2008A Bonds as described in Section 4.09 hereof), shall be applied as follows, subject to Section 3.04 hereof and any provision made pursuant to Sections 4.05, 5.06 or 5.07 hereof:

(a) Unless the principal of all of the 2008A Bonds shall have become, or shall have been declared to be, due and payable, all of those moneys shall be deposited in the 2008A Bond Fund and shall be applied in the following order of priority:

First -- To the payment to the Holders entitled thereto of all installments of interest then due on the 2008A Bonds, in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Holders entitled thereto, without any discrimination or privilege; and

Second -- To the payment to the Holders entitled thereto of the unpaid principal of any of the 2008A Bonds which shall have become due (other than 2008A Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of this 2008A Indenture), whether at stated maturity or by redemption, in the order of their due dates, beginning with the earliest due date, with interest on those 2008A Bonds from the respective dates upon which they became due at the rates specified in those 2008A Bonds, and if the amount available is not sufficient to pay in full all 2008A Bonds due on any particular date, together with that interest, then to the payment thereof ratably, according to the amounts of principal due on that date, to the Holders entitled thereto, without any discrimination or privilege.

(b) If the principal of all of the 2008A Bonds shall have become due and payable pursuant to this Article, all of those moneys shall be deposited into the 2008A Bond Fund and shall be applied to the payment of the principal and interest then due and unpaid upon the 2008A Bonds, without preference or priority of principal over interest, of interest over principal, of any installment of interest over any other installment of interest, or of any 2008A Bond over any

other 2008A Bond, ratably, according to the amounts due respectively for principal and interest, to the Holders entitled thereto, without any discrimination or privilege.

(c) If the principal of all of the 2008A Bonds shall have become due and payable pursuant to this Article, and if that acceleration thereafter shall have been rescinded and annulled under the provisions of Section 7.03 hereof, subject to the provisions of subsection (b) of this Section, in the event that the principal of all of the 2008A Bonds shall become due and payable later, the moneys shall be deposited in the 2008A Bond Fund and shall be applied in accordance with the provisions of Article V.

(d) Subject to Section 7.03 hereof, whenever moneys are to be applied pursuant to the provisions of this Section, those moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of moneys available for application and the likelihood of additional moneys becoming available for application in the future. Whenever the Trustee shall direct the application of those moneys, it shall fix the date upon which the application is to be made, and upon that date, interest shall cease to accrue on the amounts of principal, if any, to be paid on that date, provided the moneys are available therefor. The Trustee shall give notice of the deposit with it of any moneys and of the fixing of that date, all consistent with the requirements of Section 3.04 hereof for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. The Trustee shall not be required to make payment of principal of and any premium on a 2008A Bond to the Holder thereof, until the 2008A Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if it is paid fully.

(e) Any surplus remaining after applied as set forth in subsections (a) and (b) above shall be paid first to the Credit Facility Issuer to the extent of any amounts that the Company owes the Credit Facility Issuer pursuant to the Reimbursement Agreement (as certified in writing by the Credit Facility Issuer to the Trustee and the Company) and second (other than any moneys received by the Trustee from a drawing on the Credit Facility) to the Company.

SECTION 7.07. Remedies Vested in Trustee. All rights of action (including without limitation, the right to file proof of claims) under this 2008A Indenture or under any of the 2008A Bonds may be enforced by the Trustee without the possession of any of the 2008A Bonds or the production thereof in any trial or other proceeding relating thereto. Any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining any Holders as plaintiffs or defendants. Any recovery of judgment shall be for the benefit of the Holders of the outstanding 2008A Bonds, subject to the provisions of this 2008A Indenture.

SECTION 7.08. Rights and Remedies of Holders. A Holder shall not have any right to institute any suit, action or proceeding for the enforcement of this 2008A Indenture, for the execution of any trust hereof, or for the exercise of any other remedy hereunder, unless:

(a) there has occurred and is continuing an Event of Default of which the Trustee has been notified, as provided in subsection (f) of Section 6.02 hereof, or of which it is deemed to have notice under that paragraph,

(b) the Holders of at least 35% in aggregate principal amount of 2008A Bonds then outstanding shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name, and shall have offered indemnity to the Trustee as provided in Sections 6.01 and 6.02 hereof, and

(c) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name.

At the option of the Trustee, the notification (or notice), request, opportunity and offer of indemnity shall be conditions precedent in every case, to the institution of any suit, action or proceeding described above.

No one or more Holders of the 2008A Bonds shall have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of this 2008A Indenture by its or their action, or to enforce, except in the manner provided herein, any remedy, right or power hereunder. Any suit, action or proceedings shall be instituted, had and maintained in the manner provided herein for the benefit of the Holders of all 2008A Bonds then outstanding. Nothing in this 2008A Indenture shall affect or impair, however, the right of any Holder to enforce the payment of the Bond Service Charges on any 2008A Bond owned by that Holder at and after the maturity thereof, at the place, from the sources and in the manner expressed in that 2008A Bond.

SECTION 7.09. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any remedy, right or power under this 2008A Indenture in any suit, action or proceedings, and the suit, action or proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Issuer, the Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as if no suit, action or proceedings had been taken.

SECTION 7.10. Waivers of Events of Default. The Trustee may waive any Event of Default hereunder and its consequences. The Trustee shall do so upon the written request of (a) any Credit Facility Issuer, if the Event of Default was under subsections (d) or (g) of Section 7.01 hereof, or (b) in all other cases the Holders of:

(i) at least a majority in aggregate principal amount of all 2008A Bonds then outstanding in respect of which an Event of Default under subsections (a), (b) or (c) of Section 7.01 hereof exists, or

(ii) at least 35% in aggregate principal amount of all 2008A Bonds then outstanding, in the case of any other Event of Default (except an Event of Default under Section 7.01(d) and (g) hereof).

There shall not be so waived, however, (x) any Event of Default described in subsections (a), (b) or (c) of Section 7.01 hereof or any declaration of acceleration in connection therewith rescinded or annulled, unless at the time of that waiver or rescission and annulment, payments of the amounts provided in Section 7.03 hereof for waiver and rescission and annulment in

connection with acceleration of maturity have been made or provision has been made therefor, or (y) any Event of Default or its consequences under subsections (d) or (g) of Section 7.01 unless the Trustee shall have received the above described written request of the Credit Facility Issuer and a written notice from the Credit Facility Issuer stating that the Credit Facility has been reinstated in full and, if the Credit Facility Issuer has delivered to the Trustee written notice of an event of default under the Reimbursement Agreement, also a written notice stating that it is rescinding its notice to the Trustee of an event of default under the Reimbursement Agreement. In the case of the waiver or rescission and annulment, the Issuer, the Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively. In the case of the waiver or rescission and annulment, the Issuer, the Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively.

SECTION 7.11. Expenses and Services After an Event of Default. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default described in Section 7.01 hereof, the expenses and compensation for services are intended to constitute expenses of administration under any bankruptcy or similar law. All such expenses and compensation shall be secured by a first lien against the trust estate hereunder, payable prior to the payment of *Bond Service Charges*, provided, however, that moneys received under the Credit Facility shall be used only for payment of the principal of and interest then due on the 2008A Bonds.

(End of Article VII)

ARTICLE VIII.

SUPPLEMENTAL INDENTURES

SECTION 8.01. Supplemental Indentures Generally. The Issuer and the Trustee may enter into indentures supplemental to this 2008A Indenture, as provided in this Article and pursuant to the other provisions therefor in this 2008A Indenture.

SECTION 8.02. Supplemental Indentures Not Requiring Consent of Holders. Without the consent of, or notice to, any of the Holders, the Issuer and the Trustee may enter into indentures supplemental to this 2008A Indenture which shall not, in the opinion of the Issuer and the Trustee, be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

(a) To cure any ambiguity, inconsistency or formal defect or omission in this 2008A Indenture;

(b) To grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Holders or the Trustee;

(c) To assign additional revenues under this 2008A Indenture;

(d) To accept additional security and instruments and documents of further assurance with respect to the Project, including, without limitation, first mortgage bonds of the Company;

(e) To add to the covenants, agreements and obligations of the Issuer under this 2008A Indenture, other covenants, agreements and obligations to be observed for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in this 2008A Indenture;

(f) To evidence any succession to the Issuer and the assumption by its successor of the covenants, agreements and obligations of the Issuer under this 2008A Indenture, the 2008A Agreement and the 2008A Bonds;

(g) To permit the exchange of 2008A Bonds, at the option of the Holder or Holders thereof, for coupon 2008A Bonds payable to bearer, in an aggregate principal amount not exceeding the unmatured and unredeemed principal amount of those 2008A Bonds, bearing interest at the same rate or rates and maturing on the same date or dates, with coupons attached representing all unpaid interest due or to become due thereon if the Trustee has received an Opinion of Bond Counsel to the effect that the exchange would not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the 2008A Bonds outstanding;

(h) To permit the transfer of 2008A Bonds from one Depository to another, and the succession of Depositories, or the withdrawal of 2008A Bonds issued to a Depository for use in a book entry system and the issuance of replacement 2008A Bonds in fully registered form to others than a Depository;

- (i) To permit the Trustee to comply with any obligations imposed upon it by law;
- (j) To specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar, the Auction Agent, the Remarketing Agent, any Credit Facility Issuer and any Authenticating Agents or Paying Agents;
- (k) To achieve compliance of this 2008A Indenture with any applicable federal securities or tax law;
- (l) To make amendments to the provisions hereof relating to arbitrage matters under Section 148(f) of the Code, if, in the Opinion of Bond Counsel, those amendments would not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the 2008A Bonds outstanding;
- (m) To make any amendments appropriate or necessary to provide for or facilitate the delivery of any of any Credit Facility, any liquidity facility, any municipal bond insurance policy or any other type of credit enhancement or support facility;
- (n) Prior to, or concurrently with, the conversion of the 2008A Bonds from a Daily, Weekly, Commercial Paper, or Term Rate Period to an ARS Rate Period, to make any amendments appropriate or necessary with respect to the Auction Rate Procedures and any definitions or provisions herein or Exhibits hereto related thereto in order to provide for or facilitate the marketability of Auction Rate Bonds; and
- (o) To permit any other amendment which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Holders.

The provisions of Subsections 8.02(i) and (k) shall not be deemed to constitute a waiver by the Trustee, the Registrar, the Issuer or any Holder of any right which it may have in the absence of those provisions to contest the application of any change in law to this 2008A Indenture or the 2008A Bonds.

SECTION 8.03. Supplemental Indentures Requiring Consent of Holders. Exclusive of Supplemental Indentures to which reference is made in Section 8.02 hereof and subject to the terms, provisions and limitations contained in this Section, and not otherwise, with the consent of the Holders of not less than a majority in aggregate principal amount of the 2008A Bonds at the time outstanding, evidenced as provided in this 2008A Indenture, with the consent of the Company, the Auction Agent, the Broker-Dealer and the Credit Facility Issuer if required by Section 8.04 hereof, the Issuer and the Trustee may execute and deliver Supplemental Indentures adding any provisions to, changing in any manner or eliminating any of the provisions of this 2008A Indenture or any Supplemental Indenture or restricting in any manner the rights of the Holders. Nothing in this Section or Section 8.02 hereof shall permit, however, or be construed as permitting:

- (a) without the consent of the Holder of each 2008A Bond so affected, (i) an extension of the maturity of the principal of or the date for payment of the interest on any 2008A Bond, (ii) a reduction in the principal amount of any 2008A Bond or the rate of interest or

premium thereon, (iii) a reduction in the purchase price of any 2008A Bond, or (iv) an extension of the date for payment of the purchase price of any 2008A Bond; or

(b) without the consent of the Holders of all 2008A Bonds then outstanding, (i) the creation of a privilege or priority of any 2008A Bond or 2008A Bonds over any other 2008A Bond or 2008A Bonds, or (ii) a reduction in the aggregate principal amount of the 2008A Bonds required for consent to a Supplemental Indenture.

If the Issuer shall request that the Trustee execute and deliver any Supplemental Indenture for any of the purposes of this Section, upon (i) being satisfactorily indemnified with respect to its expenses in connection therewith, and (ii) if required by Section 8.04 hereof, receipt of the Company's, the Auction Agent's, the Broker-Dealer's and the Credit Facility Issuer's consent to the proposed execution and delivery of the Supplemental Indenture, the Trustee shall cause notice of the proposed execution and delivery of the Supplemental Indenture to be mailed by first class mail, postage prepaid, to all Holders of 2008A Bonds then outstanding at their addresses as they appear on the Register at the close of business on the fifteenth day preceding that mailing.

The Trustee shall not be subject to any liability to any Holder by reason of the Trustee's failure to mail, or the failure of any Holder to receive, the notice required by this Section. Any failure of that nature shall not affect the validity of the Supplemental Indenture when there has been consent thereto as provided in this Section. The notice shall set forth briefly the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Corporate Trust Office of the Trustee for inspection by all Holders.

If the Trustee shall receive, within a period prescribed by the Issuer, of not less than 60 days, but not exceeding one year, following the mailing of the notice, an instrument or document or instruments or documents purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the 2008A Bonds then outstanding (which instrument or document or instruments or documents shall refer to the proposed Supplemental Indenture in the form described in the notice and specifically shall consent to the Supplemental Indenture in substantially that form), the Trustee shall, but shall not otherwise, execute and deliver the Supplemental Indenture in substantially the form to which reference is made in the notice as being on file with the Trustee, without liability or responsibility to any Holder, regardless of whether that Holder shall have consented thereto.

Any consent shall be binding upon the Holder of the 2008A Bond giving the consent and, anything herein to the contrary notwithstanding, upon any subsequent Holder of that 2008A Bond and of any 2008A Bond issued in exchange therefor (regardless of whether the subsequent Holder has notice of the consent to the Supplemental Indenture). A consent may be revoked in writing, however, by the Holder who gave the consent or by a subsequent Holder of the 2008A Bond by a revocation of such consent received by the Trustee prior to the execution and delivery by the Trustee of the Supplemental Indenture; provided, however, that so long as the 2008A Bonds are in Book Entry Form, a consent given by a Holder of a 2008A Bond may not be revoked by a subsequent Holder of such 2008A Bond. At any time after the Holders of the required percentage of 2008A Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Issuer and the Company a written statement

that the Holders of the required percentage of 2008A Bonds have filed those consents. That written statement shall be conclusive evidence that the consents have been so filed.

If the Holders of the required percentage in aggregate principal amount of 2008A Bonds outstanding shall have consented to the Supplemental Indenture, as provided in this Section, no Holder shall have any right (a) to object to (i) the execution or delivery of the Supplemental Indenture, (ii) any of the terms and provisions contained therein, or (iii) the operation thereof, (b) to question the propriety of the execution and delivery thereof, or (c) to enjoin or restrain the Trustee or the Issuer from that execution or delivery or from taking any action pursuant to the provisions thereof.

SECTION 8.04. Consent of Company, Auction Agent, Broker-Dealer and Credit Facility Issuer. Anything contained herein to the contrary notwithstanding, a Supplemental Indenture executed and delivered in accordance with this Article VIII which affects any rights of the Company shall not become effective unless and until the Company shall have consented in writing to the execution and delivery of that Supplemental Indenture. The Trustee shall cause notice of the proposed execution and delivery of any Supplemental Indenture and a copy of the proposed Supplemental Indenture to be mailed to the Company as provided in Section 15.03 hereof, (i) at least 30 days (unless waived by the Company) before the date of the proposed execution and delivery in the case of a Supplemental Indenture to which reference is made in Section 8.02 hereof, and (ii) at least 30 days (unless waived by the Company) before the giving of the notice of the proposed execution and delivery in the case of a Supplemental Indenture for which provision is made in Section 8.03 hereof. Anything contained herein to the contrary notwithstanding, a Supplemental Indenture executed and delivered in accordance with this Article VIII which adversely affects any rights, duties, privileges or immunities of the Auction Agent, the Broker-Dealer or the Credit Facility Issuer shall not become effective with respect to such party unless and until such party so adversely affected shall have consented in writing to the execution and delivery of that Supplemental Indenture. The Trustee shall cause notice of the proposed execution and delivery of any Supplemental Indenture and a copy of the proposed Supplemental Indenture to be given to the Auction Agent, the Broker-Dealer and the Credit Facility Issuer, as the case may be, as provided in Section 15.03 hereof and to the address of such party provided to the Trustee for notice purposes (i) at least 30 days (unless waived by such affected party) before the date of the proposed execution and delivery in the case of a Supplemental Indenture to which reference is made in Section 8.02 hereof, and (ii) at least 30 days (unless waived by such affected party) before the giving of the notice of the proposed execution and delivery in the case of a Supplemental Indenture for which provision is made in Section 8.03 hereof

SECTION 8.05. Authorization to Trustee; Effect of Supplement. The Trustee is authorized to join with the Issuer in the execution and delivery of any Supplemental Indenture in accordance with this Article and to make the further agreements and stipulations which may be contained therein. Thereafter,

- (a) that Supplemental Indenture shall form a part of this 2008A Indenture;

(b) all terms and conditions contained in that Supplemental Indenture as to any provision authorized to be contained therein shall be deemed to be a part of the terms and conditions of this 2008A Indenture for any and all purposes;

(c) this 2008A Indenture shall be deemed to be modified and amended in accordance with the Supplemental Indenture; and

(d) the respective rights, duties and obligations under this 2008A Indenture of the Issuer, the Company, the Trustee, the Registrar, the Auction Agent, the Paying Agents, the Authenticating Agents, the Remarketing Agent, any Credit Facility Issuer and all Holders of 2008A Bonds then outstanding shall be determined, exercised and enforced hereunder in a manner which is subject in all respects to those modifications and amendments made by the Supplemental Indenture.

Express reference to any executed and delivered Supplemental Indenture may be made in the text of any 2008A Bonds issued thereafter, if that reference is deemed necessary or desirable by the Trustee or the Issuer. A copy of any Supplemental Indenture, for which provision is made in this Article, shall be mailed by the Trustee to the Company, the Registrar, the Authenticating Agent, the Auction Agent, the Paying Agent, the Remarketing Agent and any Credit Facility Issuer. The Trustee shall not be required to execute any supplemental indenture containing provisions adverse to the Trustee.

SECTION 8.06. Opinion of Bond Counsel. Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to this Article VIII, there shall have been delivered to the Trustee an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Act and is authorized under this 2008A Indenture, that such Supplemental Indenture will, upon the execution and delivery thereof, be valid and binding in accordance with its terms, and that such Supplemental Indenture will not adversely affect the exclusion from gross income of interest on the 2008A Bonds for federal income tax purposes.

SECTION 8.07. Modification by Unanimous Consent. Notwithstanding anything contained elsewhere in this 2008A Indenture, the rights and obligations of the Issuer and of the Holders, and the terms and provisions of the 2008A Bonds and this 2008A Indenture or any Supplemental Indenture, may be modified or altered in any respect with the consent of (i) the Issuer, (ii) the Holders of all of the 2008A Bonds then outstanding and (iii) if required by Section 8.04 hereof, the Company, the Auction Agent, the Broker-Dealer and the Credit Facility Issuer; provided that the rights and obligations of the Trustee shall not be modified or altered in any respect without its consent.

(End of Article VIII)

ARTICLE IX.

DEFEASANCE

SECTION 9.01. Release of 2008A Indenture. If (i) the Issuer shall pay all of the outstanding 2008A Bonds, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Holders of the outstanding 2008A Bonds, all Bond Service Charges due or to become due thereon, and (ii) provision also shall be made for the payment of all other sums payable hereunder or under the 2008A Agreement, then this 2008A Indenture shall cease, determine and become null and void (except for those provisions surviving by reason of Section 9.03 hereof in the event the 2008A Bonds are deemed paid and discharged pursuant to Section 9.02 hereof), and the covenants, agreements and obligations of the Issuer hereunder shall be released, discharged and satisfied.

Thereupon, and subject to the provisions of Section 9.03 hereof if applicable,

(i) the Trustee shall release this 2008A Indenture (except for those provisions surviving by reason of Section 9.03 hereof in the event the 2008A Bonds are deemed paid and discharged pursuant to Section 9.02 hereof), and shall execute and deliver to the Issuer any instruments or documents in writing as shall be requisite to evidence that release and discharge or as reasonably may be requested by the Issuer, and

(ii) the Trustee and any other Paying Agents shall assign and deliver to the Issuer any property, other than any Credit Facility, subject at the time to the lien of this 2008A Indenture which then may be in their possession, except amounts in the 2008A Bond Fund required (a) to be paid to the Company under Section 5.08 hereof, or (b) to be held by the Trustee and the Paying Agents under Section 5.07 hereof or otherwise for the payment of Bond Service Charges.

Notwithstanding any other provision to the contrary in this 2008A Indenture, to the extent that payment of those Bond Service Charges has been made from a draw on the Credit Facility then, so long as the Company owes any amounts to the Credit Facility Issuer pursuant to the Reimbursement Agreement (as certified in writing by the Credit Facility Issuer to the Trustee): (A) the lien of this 2008A Indenture shall not be discharged; (B) the Credit Facility Issuer shall be subrogated to the extent of such amounts owed by the Company to the Credit Facility Issuer to all rights of the Holders to enforce the payment of the 2008A Bonds from the Revenues and all other rights of the Holders under the 2008A Bonds, this 2008A Indenture and the 2008A Agreement; (C) the Credit Facility Issuer shall be entitled in its own right upon payment in full of those Bond Service Charges on the 2008A Bonds to exercise all rights of enforcement and remedies set forth in Article VII hereof; (D) the Holders will be deemed paid to the extent of money drawn by the Trustee under the Credit Facility; and (E) the Trustee shall sign, execute and deliver all documents or instruments and do all things that may be reasonably required by the Credit Facility Issuer to effect the Credit Facility Issuer's subrogation of rights of enforcement and remedies set forth in Article VII hereof in accordance with the intent of this Section 9.01.

SECTION 9.02. Payment and Discharge of 2008A Bonds. All of the 2008A Bonds shall be deemed to have been paid and discharged within the meaning of this 2008A Indenture, including without limitation, Section 9.01 hereof, if

(a) the Trustee as paying agent and any Paying Agents shall have received, in trust for and irrevocably committed thereto, sufficient moneys, or

(b) the Trustee shall have received in trust for and irrevocably committed thereto, non-callable and non-prepayable Government Obligations which are certified by an independent public accounting firm of national reputation, with a copy of the certification being delivered to the Rating Agencies, to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any moneys to which reference is made in subparagraph (a) above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed, except as provided herein), for the payment of all Bond Service Charges (provided that for purposes of this Section 9.02 interest payable on the 2008A Bonds shall be calculated at the Maximum Interest Rate unless the 2008A Bonds are in a Term Rate Period and the 2008A Bonds shall mature or be redeemed on or prior to the last day of such Term Rate Period) on the 2008A Bonds at their maturity or redemption dates, as the case may be, or if a default in payment shall have occurred on any maturity or redemption date, then for the payment of all Bond Service Charges thereon to the date of the tender of payment; provided, that if any of the 2008A Bonds are to be redeemed prior to the maturity thereof, notice of that redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of that notice; and provided, further, that if a Credit Facility is then held by the Trustee, (i) such payment and any payment of the purchase price of 2008A Bonds pursuant to Article IV hereof shall be made only from proceeds of the Credit Facility deposited directly into the Credit Facility Account or the Credit Facility Proceeds Account, as applicable, or the Company shall have caused to be delivered to the Trustee an opinion of Bankruptcy Counsel, which opinion, if the 2008A Bonds are then rated by Moody's, shall be satisfactory to Moody's, and if the 2008A Bonds are then rated by S&P, shall be satisfactory to S&P, that any such payment and the payment of the purchase price of any 2008A Bonds pursuant to Article IV hereof will not be considered an avoidable transfer by the Company or the Issuer under Section 547 of the United States Bankruptcy Code or any other applicable federal bankruptcy law in the event of the occurrence of an Event of Bankruptcy and (ii) the Trustee shall have received written evidence from S&P, if the 2008A Bonds are then rated by S&P, and from Moody's, if the 2008A Bonds are then rated by Moody's, that the defeasance of this 2008A Indenture will not result in a reduction or withdrawal of the then current rating on the 2008A Bonds.

Notwithstanding any other provision of this 2008A Indenture, any 2008A Bonds purchased pursuant to Article IV hereof after the deposit of moneys with the Trustee pursuant to this Section 9.02 shall be surrendered to the Trustee for cancellation and shall not be remarketed.

Any moneys held by the Trustee in accordance with the provisions of this Section may be invested by the Trustee only in noncallable Government Obligations having maturity dates, or having redemption dates which, at the option of the holder of those Government Obligations, shall be not later than the date or dates at which moneys will be required for the purposes

described above. To the extent that any income or interest earned by, or increment to, the investments held under this Section is determined from time to time by the Trustee to be in excess of the amount required to be held by the Trustee for the purposes of this Section, that income, interest or increment shall be transferred at the time of that determination in the manner provided in Section 5.08 hereof for transfers of amounts remaining in the 2008A Bond Fund.

If the 2008A Bonds shall be deemed paid and discharged pursuant to this Section 9.02, then within 15 days after the 2008A Bonds are so deemed paid and discharged the Trustee shall cause a written notice to be given to each Holder as shown on the Register on the date on which the 2008A Bonds are deemed paid and discharged in the manner prescribed by Section 4.04 hereof for notices of redemption. Such notice shall state that all 2008A Bonds are deemed paid and discharged, set forth a description of the Government Obligations held pursuant to subparagraph (b) of the first paragraph of this Section 9.02 and specify any date or dates on which any of the 2008A Bonds are to be called for redemption pursuant to notice of redemption given or irrevocable provisions made for such notice pursuant to the first paragraph of this Section 9.02 and in accordance with Section 4.04 hereof.

While the 2008A Bonds are in an Auction Mode, in addition to any requirements set forth herein, any notice of redemption or defeasance shall comply with the requirements of Section 4.04(d) hereof.

SECTION 9.03. Survival of Certain Provisions. Notwithstanding the foregoing, any provisions of the Bond Ordinance and this 2008A Indenture which relate to the maturity of 2008A Bonds, interest payments and dates thereof, optional and mandatory tender and redemption provisions, the 2008A Rebate Fund, exchange, transfer and registration of 2008A Bonds, replacement of mutilated, destroyed, lost or stolen 2008A Bonds, the safekeeping and cancellation of 2008A Bonds, non-presentment of 2008A Bonds, the holding of moneys in trust, and repayments to the Company from the 2008A Bond Fund and the rights and duties of the Trustee, the Registrar, the Auction Agent, any Authenticating Agents and any Paying Agents in connection with all of the foregoing, shall remain in effect and be binding upon the Trustee, the Registrar, the Authenticating Agents, the Auction Agent, Paying Agents and the Holders notwithstanding the release and discharge of this 2008A Indenture. The provisions of this Article shall survive the release, discharge and satisfaction of this 2008A Indenture.

(End of Article IX)

ARTICLE X.

COVENANTS AND AGREEMENTS OF THE ISSUER

SECTION 10.01. Covenants and Agreements of the Issuer. In addition to any other covenants and agreements of the Issuer contained in this 2008A Indenture or the Bond Ordinance, the Issuer further covenants and agrees with the Holders and the Trustee as follows:

(a) Payment of Bond Service Charges. The Issuer will pay all Bond Service Charges, or cause them to be paid, solely from the sources provided herein, on the dates, at the places and in the manner provided in this 2008A Indenture.

(b) Revenues and Assignment of Revenues. The Issuer will not assign the Revenues or create or authorize to be created any debt, lien or charge thereon, other than the assignment thereof under this 2008A Indenture.

(c) Recordings and Filings. Upon the sole determination of, direction by and at the expense of the Company, the Issuer will cause this 2008A Indenture, and any related instruments or documents relating to the assignment made by it under this 2008A Indenture to secure the 2008A Bonds, to be recorded and filed in the manner and in the places which may be required by law in order to preserve and protect fully the security of the Holders and the rights of the Trustee hereunder.

(d) Inspection of Project Books. All books, instruments and documents in the Issuer's possession relating to the Project and the Revenues shall be open to inspection at all times during the Issuer's regular business hours by any accountants or other agents of the Trustee which the Trustee may designate from time to time.

(e) Register. At reasonable times and under reasonable regulations established by the Registrar, the Register may be inspected and copied by the Company, the Trustee, any Credit Facility Issuer, by Holders of 35% or more in principal amount of the 2008A Bonds then outstanding, or a designated representative thereof.

(f) Rights and Enforcement of the 2008A Agreement. Subject to the limitations set forth in the granting clauses hereof, the Trustee may enforce, in its name or in the name of the Issuer, all rights of the Issuer for and on behalf of the Holders, except for Unassigned Issuer Rights, and may enforce all covenants, agreements and obligations of the Company under and pursuant to the 2008A Agreement, regardless of whether the Issuer or the Company is in default in the pursuit or enforcement of those rights, covenants, agreements or obligations. The Issuer, however, will do all things and take all actions on its part necessary to comply with covenants, agreements, obligations, duties and responsibilities on its part to be observed or performed under the 2008A Agreement, and will take all actions within its authority to keep the 2008A Agreement in effect in accordance with the terms thereof.

SECTION 10.02. Observance and Performance of Covenants, Agreements, Issuer and Actions. The Issuer will observe and perform faithfully at all times all covenants, agreements, authority, actions, undertakings, stipulations and provisions to be observed or performed on its

part under the 2008A Agreement, this 2008A Indenture, the Bond Ordinance and the 2008A Bonds which are executed, authenticated and delivered under this 2008A Indenture, and under all of its proceedings pertaining thereto; provided, however, that except for the covenant of the Issuer as set forth in Section 10.01(a) hereof relating to payment of the 2008A Bonds, the Issuer shall not be obligated to take any action or execute any instrument pursuant to any provision hereof until it shall have been requested in writing to do so by the Company or by the Trustee, or shall have received the instrument to be executed and shall have received from the party requesting such execution assurance satisfactory to the Issuer that the Issuer will be reimbursed for its reasonable expenses incurred or to be incurred in connection with taking such action or executing such instrument.

The Issuer represents and warrants that

(i) It is duly authorized by the laws of the State, including particularly and without limitation the Act, to issue the 2008A Bonds, to execute and deliver this 2008A Indenture and the 2008A Agreement and to provide the security for payment of the Bond Service Charges in the manner and to the extent set forth in this 2008A Indenture.

(ii) All actions required on its part to be performed for the issuance, sale and delivery of the 2008A Bonds and for the execution and delivery of this 2008A Indenture and the 2008A Agreement have been or will be taken duly and effectively.

(iii) The 2008A Bonds will be valid and enforceable special and limited obligations of the Issuer according to their terms.

SECTION 10.03. Enforcement of Issuer's Obligations. Each obligation of the Issuer required to be undertaken pursuant to the Bond Ordinance, this 2008A Indenture, the 2008A Agreement and the 2008A Bonds is binding upon the Issuer, and upon each officer or employee thereof as may have from time to time the authority under law to take any action on behalf of the Issuer which may be necessary to perform all or any part of that obligation, as a duty of the Issuer and of each of those officers and employees.

(End of Article X)

ARTICLE XI.

AMENDMENTS TO 2008A AGREEMENT

SECTION 11.01. Amendments Not Requiring Consent of Holders. Without the consent of or notice to the Holders, the Issuer and the Trustee may consent to any amendment, change or modification of the 2008A Agreement as may be required (i) by the provisions of the 2008A Agreement or this 2008A Indenture, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the 2008A Agreement, (iii) in connection with an amendment or to effect any purpose for which there could be an amendment of this 2008A Indenture pursuant to Section 8.02 hereof, or (iv) in connection with any other change therein which is not to the material prejudice of the Trustee or the Holders of the 2008A Bonds, in the judgment of the Trustee; provided, however, that any such amendment, change or modification which affects any rights of any Credit Facility Issuer shall not become effective unless and until such Credit Facility Issuer shall have consented in writing to such amendment, change or modification.

SECTION 11.02. Amendments Requiring Consent of Holders. Except for the amendments, changes or modifications contemplated in Section 11.01 hereof, neither the Issuer nor the Trustee shall consent to

(i) any amendment, change or modification of the 2008A Agreement which would change the amount or time as of which Loan Payments are required to be paid, without the giving of notice as provided in this Section of the proposed amendment, change or modification and receipt of the written consent thereto of the Holders of all of the then outstanding 2008A Bonds; or

(ii) any other amendment, change or modification of the 2008A Agreement without the giving of notice as provided in this Section of the proposed amendment, change or modification and receipt of the written consent thereto of the Holders of not less than a majority in aggregate principal amount of the 2008A Bonds then outstanding;

provided, however, that any such amendment, change or modification which affects any rights of the Credit Facility Issuer shall not become effective unless and until the Credit Facility Issuer shall have consented in writing to such amendment, change or modification.

The consent of the Holders shall be obtained as provided in Section 8.03 hereof with respect to Supplemental Indentures.

If the Issuer and the Company shall request at any time the consent of the Trustee to any proposed amendment, change or modification of the 2008A Agreement contemplated in subparagraphs (a) or (b), upon (i) being indemnified satisfactorily with respect to its expenses in connection therewith, and (ii) if required by this Section, receipt of the Credit Facility Issuer's consent to the execution and delivery of the proposed amendment, change or modification of the 2008A Agreement, the Trustee shall cause notice of the proposed amendment, change or modification to be provided in the manner which is required by Section 8.03 hereof with respect to notice of Supplemental Indentures. The notice shall set forth briefly the nature of the proposed amendment, change or modification and shall state that copies of the instrument or

document embodying it are on file at the Corporate Trust Office of the Trustee for inspection by all Holders.

SECTION 11.03. Opinion of Bond Counsel. Before the Issuer and the Trustee shall consent to any amendment to the 2008A Agreement pursuant to Sections 11.01 and 11.02 hereof, there shall have been delivered to the Trustee an Opinion of Bond Counsel stating that such amendment is authorized or permitted by the Act and is authorized under this 2008A Indenture, that such amendment will, upon the execution and delivery thereof, be valid and binding in accordance with its terms, and that such amendment will not adversely affect the exclusion from gross income of the interest on the 2008A Bonds for federal income tax purposes.

(End of Article XI)

ARTICLE XII.

MEETINGS OF HOLDERS

SECTION 12.01. Purposes of Meetings. A meeting of Holders may be called at any time and from time to time pursuant to the provisions of this Article XII, to the extent relevant to the Holders of all of the 2008A Bonds to take any action (i) authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the 2008A Bonds, (ii) under any provision of this 2008A Indenture or (iii) authorized or permitted by law.

SECTION 12.02. Call of Meetings. The Trustee may call at any time a meeting of Holders pursuant to Section 12.01 to be held at any reasonable time and place the Trustee shall determine. Notice of such meeting, setting forth the time, place and generally the subject thereof, shall be mailed by first class mail, postage prepaid, not fewer than 15 nor more than 90 days prior to the date of the meeting to the Holders at their addresses as they appear on the Register on the fifteenth day preceding such mailing, which fifteenth day preceding the mailing shall be the record date for the meeting.

If at any time, the Issuer or the Company, or the Holders of at least 35% in aggregate principal amount of the 2008A Bonds then outstanding, shall have requested the Trustee to call a meeting of Holders, by written request setting forth the purpose of the meeting, and the Trustee shall not have mailed the notice of the meeting within 20 days after receipt of the request, then the Issuer, the Company or the Holders of 2008A Bonds in the amount above specified may determine the time and the place of the meeting and may call the meeting to take any action authorized in Section 12.01, by mailing notice thereof as provided above.

Any meetings of Holders shall be valid without notice mailed to the Holders, if the Holders of all 2008A Bonds then outstanding are present in person or by proxy, or if notice is waived before or after the meeting by the Holders of all 2008A Bonds outstanding who were not so present at the meeting, and if the Issuer, the Company and the Trustee are either present by duly authorized representatives or have waived notice, before or after the meeting.

SECTION 12.03. Voting. To be entitled to vote at any meeting of Holders, a Person shall (a) be a Holder of one or more outstanding 2008A Bonds as of the record date for the meeting as determined above, or (b) be a person appointed by an instrument or document in writing as proxy by a Person who is a Holder as of the record date for the meeting, of one or more outstanding 2008A Bonds. Each Holder or proxy shall be entitled to one vote for each \$5,000 principal amount of 2008A Bonds held or represented by it.

The vote upon any resolution submitted to any meeting of Holders shall be by written ballots on which shall be subscribed the signatures of the Holders of 2008A Bonds or of their representatives by proxy and the identifying number or numbers of the 2008A Bonds held or represented by them.

SECTION 12.04. Meetings. Notwithstanding any other provisions of this 2008A Indenture, the Trustee may make any reasonable regulations which it may deem to be advisable for meetings of Holders, with regard to

- (i) proof of the holding of 2008A Bonds and of the appointment of proxies,
- (ii) the appointment and duties of inspectors of votes,
- (iii) recordation of the proceedings of those meetings,
- (iv) the execution, submission and examination of proxies and other evidence of the right to vote, and
- (v) any other matters concerning the conduct, adjournment or reconvening of meetings which it may think fit.

The Trustee shall appoint a temporary chair of the meeting by an instrument or document in writing, unless the meeting shall have been called by the Issuer, the Company or by the Holders, as provided in Section 12.02, in which case the Issuer, the Company or the Holders calling the meeting, as the case may be, shall appoint a temporary chair in like manner. A permanent chair and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the 2008A Bonds represented at the meeting and entitled to vote.

The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at the meeting and their counsel, any representatives of the Trustee or Registrar and their counsel, any representatives of the Issuer and its counsel, and any representatives of the Company and its counsel.

SECTION 12.05. Miscellaneous. Nothing contained in this Article XII shall be deemed or construed to authorize or permit any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders under any of the provisions of this 2008A Indenture or of the 2008A Bonds by reason of any call of a meeting of Holders or any rights conferred expressly or impliedly hereunder to make a call.

(End of Article XII)

ARTICLE XIII.

THE REMARKETING AGENT, THE DEPOSITORY, THE AUCTION AGENT AND BROKER-DEALERS

SECTION 13.01. The Remarketing Agent. Wachovia Bank, National Association is hereby appointed as Remarketing Agent under this 2008A Indenture. The Remarketing Agent shall designate its principal office to the Auction Agent, the Paying Agent and Trustee and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer, the Auction Agent, the Paying Agent and the Trustee (which written instrument may be in the form of a remarketing agreement between the Company and the Remarketing Agent) under which the Remarketing Agent will agree to:

(a) determine the Variable Rates and the Commercial Paper Rate Periods and give notice to the Trustee, the Paying Agent, the Company and the Issuer of such rates and such periods in accordance with Article II hereof;

(b) keep such books and records with respect to its duties as Remarketing Agent as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Issuer, the Trustee, the Auction Agent, any Credit Facility Issuer and the Company at all reasonable times;

(c) use its best efforts to remarket 2008A Bonds in accordance with this 2008A Indenture and perform all other duties assigned to it hereunder;

(d) hold all 2008A Bonds delivered to it hereunder in trust for the benefit of the respective Holders which shall have so delivered such 2008A Bonds until moneys representing the purchase price of such 2008A Bonds shall have been delivered to or for the account of or to the order of such Holders; and

(e) hold all moneys delivered to it hereunder for the purchase of 2008A Bonds in trust for the benefit of the person or entity which shall have so delivered such moneys until the 2008A Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity.

SECTION 13.02. Qualification of Remarketing Agent. The Remarketing Agent shall have a capitalization of at least \$50,000,000 and be authorized by law to perform all the duties imposed upon it by this 2008A Indenture. The Remarketing Agent may not be an affiliate of the Company. If at any time the Remarketing Agent is unable or unwilling to act as a Remarketing Agent, the Remarketing Agent may resign upon the earlier to occur of (i) the twentieth day following receipt by the Company, the Issuer, the Trustee, the Auction Agent, the Credit Facility Issuer and the Paying Agent of written notice of resignation, and (ii) the day of appointment by the Company of a successor Remarketing Agent pursuant hereto and acceptance of such appointment by such successor Remarketing Agent. The Remarketing Agent may be removed at any time by the Company upon five days' written notice signed by the Company and delivered to the Remarketing Agent, the Issuer, the Trustee, the Credit Facility Issuer, the Auction Agent and the Paying Agent.

In the event of the resignation or removal of the Remarketing Agent, the Company may appoint a successor Remarketing Agent meeting the requirements of this Section 13.02 and, so long as the 2008A Bonds are rated by Moody's, such successor Remarketing Agent shall either be rated Baa3 or P-3 by Moody's or be otherwise acceptable to Moody's. That appointment shall take effect upon the successor Remarketing Agent signifying its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer, the Auction Agent, the Paying Agent, the Credit Facility Issuer and the Trustee (which written instrument may be in the form of a remarketing agreement between the Company and that successor Remarketing Agent) under which the successor Remarketing Agent agrees to the duties and obligations set forth in Section 13.01 hereof.

In the event of the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, assign and deliver any moneys and 2008A Bonds held by it in such capacity to its successor or, if there is no successor, to the Trustee.

In the event that the Remarketing Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Remarketing 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 the Company shall not have made a timely appointment of a successor as Remarketing Agent, the Trustee, notwithstanding the provisions of the first paragraph of this Section 13.02, shall be deemed to be the Remarketing Agent for all purposes of this 2008A Indenture until the appointment by the Company of the Remarketing Agent or successor Remarketing Agent, as the case may be; provided, however, that the Trustee, in its capacity as Remarketing Agent, shall not be required to sell 2008A Bonds or to perform the duties set forth in Sections 2.02, 2.03, 2.04 or 2.05 hereof.

SECTION 13.03. The Depository. The Issuer, pursuant to a request by the Company and the Remarketing Agent, if any, for the removal or replacement of the Depository or the discontinuance of a Book Entry System for the 2008A Bonds, may remove or replace the Depository or discontinue a Book Entry System for the 2008A Bonds, upon 30 days' notice to the Depository and the Trustee. The Issuer agrees to remove or replace the Depository or discontinue a Book Entry System for the 2008A Bonds at any time at the request of the Company and the Remarketing Agent, if any. No further action by the Issuer shall be required to effect such a removal or replacement or to discontinue such a Book Entry System. The Holders have no right to either a Book Entry System or a Depository for the 2008A Bonds.

Notwithstanding any other provision of this 2008A Indenture or the 2008A Bonds, so long as the 2008A Bonds are in a Book Entry System and the Depository or its nominee is the registered owner of the 2008A Bonds:

- (i) Presentation of 2008A Bonds to the Paying Agent at redemption or at stated maturity, or delivery of 2008A Bonds to the Paying Agent in connection with a purchase of tendered bonds, shall be deemed made to the Paying Agent when the right to exercise ownership rights in the 2008A Bonds through the Depository or the Depository's participants is transferred by the Depository on its books.

(ii) Notice of a tender for purchase pursuant to Section 4.06 hereof shall be given, when the 2008A Bonds bear interest at the Daily or Weekly Rate, by the Depository or the Depository's participant acting on behalf of a beneficial owner of a 2008A Bond by telephonic, electronic or written notice (confirmed in writing) to the Paying Agent at the times set forth in that Section. When the 2008A Bonds bear interest at the Term Rate, such notice shall be given by the Depository to the Paying Agent at the times provided in Section 4.06 hereof.

(iii) The Depository may present notices, approvals, waivers, votes or other communications required or permitted to be made by Holders under this 2008A Indenture on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the 2008A Bonds through the Depository or its participants.

(iv) 2008A Bonds purchased by the Company shall not be registered in the name of the Company on the register maintained by the Trustee and shall not be physically held by or on behalf of any party other than the Depository.

(v) 2008A Bonds or any portion thereof shall not be transferable or exchangeable except

(1) To any successor of the Depository;

(2) To any new Depository not objected to by the Trustee, upon (a) the resignation of then current Depository or its successor from its functions as Depository or (b) termination by the Issuer of the use of the Depository at the request of the Company and the Remarketing Agent, if any;

(3) To any Persons who are the assigns of the Depository or its nominee, upon (a) the resignation of the Depository from its functions as Depository hereunder or (b) termination by the Issuer of the use of the Depository at the request of the Company and the Remarketing Agent, if any;

(4) To the Depository or to any Persons who are assigns of the Depository or its nominee upon the discontinuance by the Issuer of a Book Entry System for the 2008A Bonds at the request of the Company and the Remarketing Agent, if any.

(vi) If acceptable to the Depository, any notices required to be given by the Trustee to the Holders may be given by Electronic Means.

(vii) None of the Issuer, the Trustee, the Registrar, any Paying Agent, any Authenticating Agent or any agent of any of them shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a 2008A Bond in Book Entry Form, for maintaining, supervising or reviewing any records relating to such beneficial owner interests, or for any acts or omissions of a Depository or for any transactions between a Depository and any beneficial owner or between or among beneficial owners. No owner of a beneficial interest in a 2008A Bond shall have any rights under this Indenture, and the Depository

or its nominee, if any, shall be deemed and treated by the Issuer, the Trustee, the Registrar, any Paying Agent, any Authenticating Agent or any agent of any of them as the absolute owner and holder of such 2008A Bond for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Trustee, the Registrar, any Paying Agent, any Authenticating Agent or any agent of any of them from giving effect to any written certification, proxy or other authorization furnished by a Depository, or any of its members and any other Person on whose behalf such member may act, the operation of customary practices of such Persons governing the exercise of the rights of a beneficial owner of any 2008A Bond.

SECTION 13.04. Auction Agent. On or before an ARS Conversion Date, the Trustee at the direction of the Company, shall appoint an Auction Agent meeting the requirements of this Section. The Auction Agent shall signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the Company, the Trustee, the Issuer and each Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the Issuer, the Company and the Trustee. Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in the 2008A Bonds with the same rights as if such entity were not the Auction Agent.

The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof 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 having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by this Indenture and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Indenture or may be removed at any time by the Company as provided in the Auction Agreement. Upon any such resignation or removal, the Trustee at the direction of the Company, shall appoint a successor Auction Agent meeting the requirements of this Section. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and 2008A Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties until its successor has been appointed by the Trustee; provided, however, that if a successor Auction Agent has not been appointed within 45 days of the giving of such notice of resignation or removal of the Auction Agent, the Auction Agent may petition a court of competent jurisdiction to appoint a substitute Auction Agent. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving thirty (30) days notice to the Company, the Issuer and the Trustee even if a successor Auction Agent has not been appointed

SECTION 13.05. Broker-Dealers. (a) On or before an ARS Conversion Date, the Company shall enter into a Broker-Dealer Agreement with at least one Broker-Dealer. The Company (with the approval of the Remarketing Agent (which approval shall not be unreasonably withheld)) may from time to time appoint one or more additional persons to serve as Broker-Dealers under Broker-Dealer Agreements.

(b) Any Broker-Dealer may be removed at any time, at the request of an Authorized Company Representative, but there shall, at all times, be at least one Broker-Dealer appointed and acting as such.

(End of Article XIII)

ARTICLE XIV.

CREDIT FACILITIES

SECTION 14.01. Initial Credit Facility. The Company shall cause to be provided to the Trustee the Initial Credit Facility. The Initial Credit Facility and any Credit Facility thereafter provided to the Trustee may provide for direct payments to or upon the order of the Trustee as hereinafter set forth in amounts sufficient to pay to or upon the order of the Trustee, upon request and in accordance with the terms thereof, any or all of the following: (a) the principal of the 2008A Bonds when due whether at stated maturity, upon redemption or acceleration; (b) the portion of the purchase price equal to the principal amount of 2008A Bonds tendered for optional or mandatory purchase pursuant to Article IV hereof to the extent remarketing proceeds are not available in the Remarketing Proceeds Account for such purpose; (c) the accrued interest on the 2008A Bonds (which may be specified for a maximum Interest Period and at a rate up to the Maximum Interest Rate) (i) to pay interest on the 2008A Bonds when due and (ii) to pay the portion of the purchase price of the 2008A Bonds tendered for optional or mandatory purchase pursuant to Article IV hereof equal to the accrued and unpaid interest, if any, on such 2008A Bonds to the extent remarketing proceeds are not available for such purpose in the Remarketing Proceeds Account; and (d) any redemption premium that may be payable on the 2008A Bonds in the event of optional redemption.

Any Credit Facility hereafter provided to the Trustee may be delivered to the Trustee only on any Interest Payment Date upon which the 2008A Bonds are subject to optional redemption pursuant to Section 4.01(c) or, if the 2008A Bonds are in a Term Rate Period, the last Interest Payment Date for that Term Rate Period. Any Credit Facility delivered to the Trustee pursuant to the provisions of this Section 14.01 must be accompanied by (i) an opinion of counsel to the issuer or provider of such Credit Facility stating that such Credit Facility is a legal, valid, binding and enforceable obligation of such issuer or obligor in accordance with its terms and (ii) an Opinion of Bond Counsel stating that the delivery of such Credit Facility to the Trustee is authorized under this 2008A Indenture and complies with the terms hereof and that the delivery of such Credit Facility will not adversely affect the exclusion from gross income of interest on the 2008A Bonds for federal income tax purposes.

SECTION 14.02. Termination. If at any time there shall cease to be any 2008A Bonds Outstanding hereunder or if the current Credit Facility is otherwise terminated, the Trustee shall promptly surrender the current Credit Facility to the Credit Facility Issuer for cancellation. The Trustee shall comply with the procedures set forth in the Credit Facility relating to the termination thereof.

The Trustee shall, at the direction of the Company but subject to the conditions contained in this paragraph and the receipt of an Opinion of Bond Counsel stating that the cancellation of such Credit Facility will not adversely affect the exclusion from gross income of interest on the 2008A Bonds for federal income tax purposes, cancel any Credit Facility in accordance with the terms thereof which cancellation may be without substitution therefor or replacement thereof; provided, that any such cancellation shall not become effective, surrender of such Credit Facility shall not take place and that Credit Facility shall not terminate, in any event, until (i) payment by the Credit Facility Issuer shall have been made for any and all

drawings by the Trustee effected on or before such cancellation date (including, if applicable, any drawings for payment of the purchase price of 2008A Bonds to be purchased pursuant to Section 4.07(d) hereof in connection with such cancellation) and (ii) if the 2008A Bonds are in a Term Rate Period, only if the then current Term Rate Period for the 2008A Bonds is ending on, or the 2008A Bonds are subject to optional redemption on, the Interest Payment Date immediately preceding the date of such cancellation. Upon written notice given by the Company to the Trustee at least 20 days (35 days if the 2008A Bonds are bearing interest at the Term Rate) prior to the date of cancellation of any Credit Facility of such cancellation and the effective date of such cancellation, the Trustee shall surrender such Credit Facility to the Credit Facility Issuer by which it was issued on the effective date of such cancellation in accordance with its terms; provided, that such notice shall not be given in any event, if the purchase price of any 2008A Bonds to be purchased pursuant to Section 4.07(d) hereof in connection with such cancellation includes any premium unless the Trustee has confirmed that it can draw under a Credit Facility (other than any Alternate Credit Facility being delivered in connection with such cancellation) on the purchase date related to such purchase of 2008A Bonds in an aggregate amount sufficient to pay the premium due upon such purchase of 2008A Bonds on such purchase date. The written notice to the Trustee shall also be given to the Remarketing Agent in sufficient time to permit the Remarketing Agent to establish a Commercial Paper Rate Period for each of the 2008A Bonds in accordance with Section 2.03(b) hereof.

SECTION 14.03. Alternate Credit Facilities. The Company may, at its option, provide for the delivery to the Trustee of an Alternate Credit Facility in replacement of any Credit Facility then in effect. At least 20 days (35 days if the Interest Rate on the 2008A Bonds is a Term Rate) prior to the date of delivery of an Alternate Credit Facility to the Trustee, the Company shall give notice, which notice, during any Commercial Paper Rate Period, shall also be given to the Remarketing Agent and shall contain a certification with respect to the maximum length of each Commercial Paper Rate Period permitted hereunder after delivery of such Alternate Credit Facility, of such replacement to the Trustee, together with an Opinion of Bond Counsel stating that the delivery of such Alternate Credit Facility to the Trustee is authorized under this Indenture and complies with the terms hereof and that the delivery of such Alternate Credit Facility will not adversely affect the exclusion from gross income of interest on the 2008A Bonds for federal income tax purposes. The Trustee shall then accept such Alternate Credit Facility and surrender the previously held Credit Facility, if any, to the previous Credit Facility Issuer for cancellation promptly on or after the 5th day after the Alternate Credit Facility becomes effective; provided, however, that such Alternate Credit Facility shall become effective on an Interest Payment Date and, if the 2008A Bonds are in a Term Rate Period, such Alternate Credit Facility may only become effective on either the last Interest Payment Date for such Term Rate Period or an Interest Payment Date on which the 2008A Bonds are subject to optional redemption. The notice given to the Trustee shall also be given to the Issuer the then current Credit Facility Issuer, Moody's, if the 2008A Bonds are then rated by Moody's, and S&P, if the 2008A Bonds are then rated by S&P; provided, that such notice shall not be given, in any event, if the purchase price of any 2008A Bonds to be purchased pursuant to Section 4.07(d) in connection with such cancellation includes any premium unless the Trustee has confirmed that it can draw under a Credit Facility then in effect on the purchase date related to such purchase of 2008A Bonds in an aggregate amount sufficient to pay the premium due upon such purchase of 2008A Bonds on such purchase date and until payment under the Credit Facility to be surrendered shall have been made for any and all drawings by the Trustee effected on or before

the date of such surrender for cancellation (including, if applicable, any drawings for payment of the purchase price of 2008A Bonds to be purchased pursuant to Section 4.07(d) hereof in connection with such cancellation).

Any Alternate Credit Facility delivered to the Trustee must be accompanied by an opinion of counsel to the issuer or provider of such Credit Facility stating that such Credit Facility is a legal, valid, binding and enforceable obligation of such issuer or obligor in accordance with its terms.

SECTION 14.04. Amendments to the Credit Facility. The Trustee will notify Holders of any proposed amendment of the Credit Facility which would adversely affect the interests of the Holders by mailing notice of such proposed amendment by first class mail, postage prepaid, to all Holders of 2008A Bonds then outstanding at their addresses as they appear on the Register at the close of business on the fifteenth day preceding that mailing. The Trustee may consent to such proposed amendment with the written consent of the Holders of at least a majority in aggregate principal amount of the 2008A Bonds then outstanding which would be affected by the action proposed to be taken; provided, however, that the Trustee shall not, without the unanimous consent of the Holders of all 2008A Bonds then outstanding, consent to any amendment which would (a) decrease the amount payable under the Credit Facility below the then outstanding principal amount plus applicable reserves of interest or (b) reduce the term of the Credit Facility; and provided further that the Trustee shall not consent to any proposed amendment of the Credit Facility unless it receives an Opinion of Bond Counsel stating that such proposed amendment will not adversely affect the exclusion from gross income of interest on the 2008A Bonds for federal income tax purposes.

(End of Article XIV)

ARTICLE XV.

MISCELLANEOUS

SECTION 15.01. Limitation of Rights. With the exception of rights conferred expressly in this 2008A Indenture, nothing expressed or mentioned in or to be implied from this 2008A Indenture or the 2008A Bonds is intended or shall be construed to give to any Person other than the parties hereto, the Registrar, the Authenticating Agents, the Paying Agents, the Auction Agent, the Company, the Remarketing Agent, any Credit Facility Issuer and the Holders of the 2008A Bonds any legal or equitable right, remedy, power or claim under or with respect to this 2008A Indenture or any covenants, agreements, conditions and provisions contained herein. This 2008A Indenture and all of those covenants, agreements, conditions and provisions are intended to be, and are, for the sole and exclusive benefit of the parties hereto, the Registrar, the Authenticating Agents, the Paying Agents, the Remarketing Agent, any Credit Facility Issuer, the Company and the Holders of the 2008A Bonds, as provided herein.

SECTION 15.02. Severability. In case any Section or provision of this 2008A Indenture, or any covenant, agreement, stipulation, obligation, act or action, or part thereof, made, assumed, entered into or taken under this 2008A Indenture, or any application thereof, is held to be illegal or invalid for any reason, or is inoperable at any time, that illegality, invalidity or inoperability shall not affect the remainder thereof or any other Section or provision of this 2008A Indenture or any other covenant, agreement, stipulation, obligation, act or action, or part thereof, made, assumed, entered into or taken under this 2008A Indenture, all of which shall be construed and enforced at the time as if the illegal, invalid or inoperable portion were not contained therein.

Any illegality, invalidity or inoperability shall not affect any legal, valid and operable section, provision, covenant, agreement, stipulation, obligation, act, action, part or application, all of which shall be deemed to be effective, operative, made, assumed, entered into or taken in the manner and to the full extent permitted by law from time to time.

SECTION 15.03. Notices. Except as otherwise provided in Article II and Article IV and Sections 6.02(f) and 7.02 hereof, it shall be sufficient service or giving of any notice, request, complaint, demand or other instrument or document, if it is duly mailed by first class mail. Notices to the Issuer, the Company, the Trustee, the Remarketing Agent, Moody's and S&P shall be addressed to their respective offices as follows:

(a) If to the Issuer, at

County of Boone, Kentucky
Boone County Courthouse
Burlington, Kentucky 41005
Attention: County Judge/Executive

- (b) If to the Company, at
Duke Energy Kentucky, Inc.
526 South Church Street
Charlotte, North Carolina 28202
Attention: Treasurer
- (c) If to the Trustee, at
Deutsche Bank National Trust Company
222 South Riverside Plaza, 25th Floor
Mail Code: CH 105-2502
Chicago, Illinois 60606
Attention: Corporate Trust
- (d) If to the Remarketing Agent, at
Wachovia Bank, National Association
301 South College Street
Mail Code NC0600
Charlotte, NC 28202
Attention: Remarketing Coordinator
- (e) If to the Initial Credit Facility Issuer, at
Wells Fargo Bank, National Association
One Front Street, 21st Floor
San Francisco, California 94111
Attention: Letter of Credit Operations Office
- (f) If to Moody's, at
Moody's Investors Service
99 Church Street
New York, New York 10007; and
- (g) If to S&P, at
Standard & Poor's
LOC Group
55 Water Street, 42nd Floor
e-mail: nyloc@standardandpoors.com

Duplicate copies of each notice, request, complaint, demand or other instrument or document given hereunder by the Issuer, the Trustee or the Company to one or both of the others also shall be given to the others and to the Credit Facility Issuer. The foregoing parties may designate, by notice given hereunder, a new office or any further addresses to which any subsequent notice, request, complaint, demand or other instrument or document shall be sent. The Trustee shall

designate, by notice to the Issuer and the Company the addresses to which notices or copies thereof shall be sent to the Registrar, the Auction Agent, the Authenticating Agents, any Credit Facility Issuer, any Remarketing Agent and the Paying Agents.

In connection with any notice mailed pursuant to the provisions of this 2008A Indenture, a certificate of the Trustee, the Issuer, the Registrar, the Auction Agent, the Authenticating Agents, the Company or the Holders of the 2008A Bonds, whichever or whoever mailed that notice, that the notice was so mailed shall be conclusive evidence of the proper mailing of the notice.

So long as the 2008A Bonds shall be rated by Moody's, the Trustee shall furnish to Moody's, and so long as the 2008A Bonds shall be rated by S&P, the Trustee shall furnish to S&P, a copy of the notice given to the Holders of the 2008A Bonds pursuant to Sections 2.04, 4.03, 6.07, 6.08, 6.11, 6.12, 8.03, 11.02 and 14.04 hereof.

The Trustee shall also give written notice to Moody's, if the 2008A Bonds are then rated by Moody's, and to S&P, if the 2008A Bonds are then rated by S&P, of any of the following events promptly after the Trustee has notice thereof and prior to the occurrence thereof:

- (a) a change in the Trustee or the appointment of or change in any Paying Agent;
- (b) appointment of or change in the Remarketing Agent;
- (c) the delivery, extension, expiration or cancellation of any Credit Facility or the delivery of an Alternate Credit Facility;
- (d) any amendment to this 2008A Indenture, the 2008A Agreement, any Credit Facility or any Custodian Agreement;
- (e) payment or provision therefor of all the 2008A Bonds;
- (f) any conversion of the interest rate determination method applicable to the 2008A Bonds;
- (g) any mandatory tender of the 2008A Bonds hereunder;
- (h) any other information reasonably requested by S&P or by Moody's; and
- (i) a declaration of acceleration of the 2008A Bonds.

SECTION 15.04. Suspension of Mail. If because of the suspension of delivery of first class mail or, for any other reason, the Trustee shall be unable to mail by the required class of mail any notice required to be mailed by the provisions of this 2008A Indenture, the Trustee shall give such notice in such other manner as in the judgment of the Trustee shall most effectively approximate mailing thereof, and the giving of that notice in that manner for all purposes of this 2008A Indenture shall be deemed to be in compliance with the requirement for the mailing thereof. Except as otherwise provided herein, the mailing of any notice shall be deemed complete upon deposit of that notice in the mail and the giving of any notice by any

other means of delivery shall be deemed complete upon receipt of the notice by the delivery service.

SECTION 15.05. Payments Due on Non-Business Days. In any case where the Interest Payment Date, the Maturity Date, the date fixed for redemption of any 2008A Bonds or any date of purchase of 2008A Bonds under Article IV hereof, as the case may be, shall not be a Business Day, then payment of such purchase price or interest or principal and any premium, as the case may be, need not be made by the Paying Agent or the Trustee on such date but may be made on the next succeeding Business Day with the same force and effect as if made on that Interest Payment Date, Maturity Date, date fixed for redemption or date of purchase of 2008A Bonds, as the case may be, and no interest shall accrue for the period after that date.

SECTION 15.06. Instruments of Holders. Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, required under this 2008A Indenture to be executed by any Holder may be in any number of concurrent writings of similar tenor and may be executed by that Holder in person or by an agent or attorney appointed in writing. Proof of (i) the execution of any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, (ii) the execution of any writing appointing any agent or attorney, and (iii) the ownership of 2008A Bonds, shall be sufficient for any of the purposes of this 2008A Indenture, if made in the following manner, and if so made, shall be conclusive in favor of the Trustee with regard to any action taken thereunder, namely:

(a) The fact and date of the execution by any individual of any writing may be proved by the certificate of any officer in any jurisdiction, who has power by law to take acknowledgments within that jurisdiction, that the individual signing the writing acknowledged that execution before that officer, or by affidavit of any witness to that execution; and

(b) The fact of ownership of 2008A Bonds shall be proved by the Register maintained by the Registrar.

Nothing contained herein shall be construed to limit the Trustee to the foregoing proof, and the Trustee may accept any other evidence of the matters stated therein which it deems to be sufficient. Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, of the Holder of any 2008A Bond shall bind every future Holder of the same 2008A Bond, with respect to anything done or suffered to be done by the Issuer, the Trustee, the Auction Agent, the Registrar or any Paying Agent or Authenticating Agent pursuant to that writing.

SECTION 15.07. References to Credit Facility Issuer. During such time or times as no Credit Facility is in effect and all of the payment obligations of the Company under any Reimbursement Agreement shall have been well and truly paid, all obligations of the Trustee to the Credit Facility Issuer hereunder and all rights of the Credit Facility Issuer hereunder shall be suspended until such time, if any, as a Credit Facility shall take effect. If an Event of Default shall have occurred hereunder due to failure by the Credit Facility Issuer to honor a properly presented and conforming drawing by the Trustee under the Credit Facility then in effect in accordance with the terms thereof, all obligations of the Trustee to the Credit Facility Issuer hereunder and all rights

of such Credit Facility Issuer hereunder shall be suspended until the earlier of the cure of such failure or all of the 2008A Bonds have been paid in full.

SECTION 15.08. Priority of this 2008A Indenture. This 2008A Indenture shall be superior to any liens which may be placed upon the Revenues or any other funds or accounts created pursuant to this 2008A Indenture.

SECTION 15.09. Extent of Covenants; No Personal Liability. All covenants, stipulations, obligations and agreements of the Issuer contained in this 2008A Indenture are and shall be deemed to be covenants, stipulations, obligations and agreements of the Issuer to the full extent authorized by the Act. No covenant, stipulation, obligation or agreement of the Issuer contained in this 2008A Indenture shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Issuer in other than that person's official capacity. Neither the members of the Issuer nor any official executing the 2008A Bonds, this 2008A Indenture, the 2008A Agreement or any amendment or supplement hereto or thereto shall be liable personally on the 2008A Bonds or be subject to any personal liability or accountability by reason of the issuance or execution hereof or thereof.

SECTION 15.10. No Recourse. No recourse under or upon any obligation, covenant, acceptance or agreement contained in this 2008A Indenture, or in any of the 2008A Bonds, or under any judgment obtained against the Issuer or by the enforcement of any assessment or by any legal or equitable proceeding by, virtue of any constitution or statute or otherwise, or under any circumstances, shall be had against any member or officer, as such, past, present, or future, of the Issuer, whether directly or through the Issuer, or otherwise, for the payment for or to the Issuer or any receiver thereof, or for or to any holder of any 2008A Bond, or otherwise, of any sum that may be due and unpaid by the Issuer upon any of the 2008A Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such member or officer, as such, to respond by reason of any act or omission on his or her part, or otherwise, for, directly or indirectly, the payment for or to the Issuer or any receiver thereof, or for or to the owner or any holder of any 2008A Bond, or otherwise, of any sum that may remain due and unpaid upon any 2008A Bond, shall be deemed to be and is hereby expressly waived and released as a condition of and consideration for the execution and delivery of this 2008A Indenture and the issuance of the 2008A Bonds.

SECTION 15.11. Binding Effect. This 2008A Indenture shall inure to the benefit of and shall be binding upon the Issuer and the Trustee and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 15.12. Counterparts. This 2008A Indenture may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

SECTION 15.13. Governing Law. This 2008A Indenture and the 2008A Bonds shall be deemed to be contracts made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State.

(End of Article XV)

IN WITNESS WHEREOF, the Issuer has caused this 2008A Indenture to be executed and delivered for it and in its name and on its behalf by its duly authorized officer; in token of its acceptance of the trusts created hereunder, the Trustee, Registrar and Paying Agent has caused this 2008A Indenture to be executed and delivered for it and in its name and on its behalf by its duly authorized officers, all as of the day and year first above written.

COUNTY OF BOONE, KENTUCKY

[SEAL]

By: _____
Name:
Title:

Attest:

Blair Schroeder
Fiscal Court Clerk

DEUTSCHE BANK NATIONAL TRUST
COMPANY, as Trustee, Registrar and Paying
Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT A

[Form of 2008A Bond]

IF AND WHEN THIS 2008A BOND IS IN AN AUCTION MODE, IT IS SUBJECT TO THE PROVISIONS RESTRICTING TRANSFERS OF AUCTION RATE BONDS CONTAINED IN THE 2008A INDENTURE.

UNLESS THIS 2008A BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE ISSUER OR THE REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY 2008A 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.

REGISTERED
NO. 08AR-

REGISTERED
\$50,000,000

UNITED STATES OF AMERICA

COMMONWEALTH OF KENTUCKY

COUNTY OF BOONE, KENTUCKY
POLLUTION CONTROL REVENUE REFUNDING BONDS,
SERIES 2008A
(DUKE ENERGY KENTUCKY, INC. PROJECT)

<u>Date of Original Issue</u>	<u>Maturity Date</u>	<u>CUSIP</u>
December 11, 2008	August 1, 2027	098792 AN 4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FIFTY MILLION DOLLARS

The County of Boone, Kentucky, (the "Issuer") a de jure county and a political subdivision of the Commonwealth of Kentucky (the "State"), for value received, promises to pay to the registered owner named above, or registered assigns, but solely from the sources and in the manner referred to herein, the Principal Amount stated above on the aforesaid Maturity Date, unless this 2008A Bond is called for earlier redemption, and to pay from those sources interest thereon until the Principal Amount is paid or duly provided for at the rate or rates determined as

described herein and in the 2008A Indenture (as defined below), payable on the dates set forth herein ("Interest Payment Dates"). This 2008A Bond will bear interest from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from the Date of Original Issue specified above.

This 2008A Bond is subject to optional and mandatory redemption and optional and mandatory tender for purchase at the times and prices and in the manner described herein below.

The principal of and any premium on this 2008A Bond are payable upon presentation and surrender hereof at the office of the paying agent, presently Deutsche Bank National Trust Company, acting through its corporate trust office in Chicago, Illinois ("Paying Agent"). Interest is payable on each Interest Payment Date to the person in whose name this 2008A Bond is registered on the applicable record date with respect to such Interest Payment Date (as described on the reverse side hereof) on the registration books for the 2008A Bonds maintained by the registrar, presently Deutsche Bank National Trust Company, acting through its corporate trust office in Chicago, Illinois ("Registrar"), at the registered owner's address appearing therein. Any interest which is not timely paid or duly provided for shall cease to be payable to the registered owner hereof as of the applicable record date and shall be payable to the registered owner hereof at the close of business on a special record date to be fixed by the trustee, presently Deutsche Bank National Trust Company, acting through its corporate trust office in Chicago, Illinois ("Trustee"), for the payment of that overdue interest. Notice of the special record date shall be mailed to registered owners not fewer than ten days prior thereto. The principal of and interest and any premium on this 2008A Bond are payable in lawful money of the United States of America, without deduction for the services of the Paying Agent.

This 2008A Bond is one of a duly authorized issue of the County of Boone, Kentucky Pollution Control Revenue Refunding Bonds, Series 2008A (Duke Energy Kentucky, Inc. Project) (the "2008A Bonds") in the aggregate principal amount of \$50,000,000 and issued under the Trust Indenture dated as of December 1, 2008 ("2008A Indenture"), between the Issuer and the Trustee, for the purpose of making a loan ("Loan") to Duke Energy Kentucky, Inc. ("Company") and to permit the refunding of the Issuer's Pollution Control Revenue Refunding Bonds, Series 2006A (Duke Energy Kentucky, Inc. Project), in the aggregate principal amount of \$50,000,000 (the "Refunded 2006A Bonds"), all as more particularly described in the Loan Agreement dated as of even date with the 2008A Indenture (the "2008A Agreement") between the Issuer and the Company pursuant to which the Loan is being made. The Refunded 2006A Bonds were issued to refund bonds previously issued by the Issuer which were issued to finance or refinance certain facilities comprising "pollution control facilities" as defined in Section 103.246 of the Kentucky Revised Statutes. The 2008A Bonds are special and limited obligations of the Issuer, issued or to be issued by the Issuer under and are to be secured and entitled equally and ratably to the protection given by the 2008A Indenture. The 2008A Bonds are issued pursuant to Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (collectively, the "Act") and pursuant to a bond ordinance duly enacted by the Issuer.

The 2008A Bonds, together with interest thereon, shall be special and limited obligations of the Issuer payable solely from the payments and prepayments to be made from amounts payable under the 2008A Agreement and from moneys and investments on deposit in certain funds and accounts pledged to the Trustee under the 2008A Indenture (except as otherwise

provided therein), and shall be a valid claim of the respective Owners thereof only against the moneys held by the Trustee, the payments and prepayments to be made under the 2008A Agreement and other such sources, which are thereby pledged and assigned for the equal and ratable payment of the 2008A Bonds, and shall be used for no other purpose than to pay the principal of, premium, if any, and interest (the "Bond Service Charges") on the 2008A Bonds, except as may be otherwise expressly authorized in the 2008A Indenture. THE 2008A BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OR PLEDGE OF FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE COMMONWEALTH OF KENTUCKY (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF AND THE REGISTERED OWNERS OF THE 2008A BONDS HAVE NO RIGHT TO HAVE TAXES LEVIED BY THE GENERAL ASSEMBLY OF THE STATE OR THE TAXING AUTHORITY OF THE ISSUER OR ANY POLITICAL SUBDIVISION OF THE STATE FOR THE PAYMENT OF BOND SERVICE CHARGES. The 2008A Bonds shall never give rise to any pecuniary liability of the Issuer, the State or any political subdivision thereof, and neither the Issuer, the State, nor any political subdivision thereof shall be liable for the payments of principal of and premium, if any, and interest on the 2008A Bonds.

No recourse under or upon any obligation, covenant, acceptance or agreement contained in the 2008A Indenture, or in any of the 2008A Bonds, or under any judgment obtained against the Issuer or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise, or under any circumstances, shall be had against any member or officer, as such, past, present, or future, or the Issuer, whether directly or through the Issuer, or otherwise, for the payment for or to the Issuer or any receiver thereof, or for or to any holder of any 2008A Bond, or otherwise, of any sum that may be due and unpaid by the Issuer upon any of the 2008A Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such member or officer, as such, to respond by reason of any act or omission on his or her part, or otherwise, for directly or indirectly, the payment for or to the Issuer or any receiver thereof, or for or to the owner or any holder of any 2008A Bond, or otherwise, for, directly or indirectly, the payment for or to the Issuer of any receiver thereof, or for or to the owner or any holder of any 2008A Bond, or otherwise, of any sum that may remain due and unpaid upon any 2008A Bond, shall be deemed to be and is hereby expressly waived and released as a condition of and consideration for the execution and delivery of the 2008A Indenture and the issuance of the 2008A Bonds.

Reference is made to the 2008A Indenture for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the 2008A Bonds, the rights, duties and obligations of the Issuer, the Trustee, the Paying Agent, the Registrar, the Auction Agent, the Remarketing Agent and the registered owners of the 2008A Bonds, and the terms and conditions upon which the 2008A Bonds are issued and secured. Each registered owner assents, by its acceptance hereof, to all of the provisions of the 2008A Indenture.

The Bond Service Charges on the 2008A Bonds are payable solely from the Revenues, as defined and as provided for in the 2008A Indenture (being, generally, the amounts payable under the 2008A Agreement, any investments and moneys in the 2008A Bond Fund and the 2008A Refunding Fund, and all income and profit from the investment of the foregoing moneys), and are an obligation of the Issuer only to the extent of the Revenues.

The 2008A Bonds initially bear interest at a Weekly Rate for an initial Weekly Rate Period through December 16, 2008.

The 2008A Bonds are initially secured by an irrevocable letter of credit (the "Letter of Credit") issued by Wells Fargo Bank, N.A. (the "Bank"), in favor of the Trustee. The Letter of Credit entitles the Trustee to draw up to (a) an amount equal to the outstanding principal amount of the 2008A Bonds to be used (i) to pay the principal of the 2008A Bonds when due whether at stated maturity, upon redemption or acceleration or (ii) to enable the Paying Agent to pay the purchase price or portion of the purchase price equal to the principal amount of 2008A Bonds tendered for optional or mandatory purchase to the extent remarketing proceeds are not available for such purchase plus (b) an amount equal to at least 48 days' interest accrued on the 2008A Bonds at a rate of thirteen percent (13%) per annum to be used (i) to pay interest on the 2008A Bonds when due, and (ii) to enable the Paying Agent to pay the portion of the purchase price of the 2008A Bonds tendered for option or mandatory purchase equal to the accrued and unpaid interest, if any, on such 2008A Bonds to the extent remarketing proceeds are not available for such purpose. As described in the 2008A Indenture, the Letter of Credit may be canceled or may be replaced by another irrevocable letter of credit or other credit facility (the "Alternate Credit Facility"). Unless the term of the Letter of Credit or the then current Credit Facility is extended prior to its expiration, the 2008A Bonds will be subject to mandatory tender for purchase as described below. To provide for the issuance of the Letter of Credit, the Company has entered into a Letter of Credit Agreement, dated as of September 19, 2008, among the Company, Duke Energy Indiana, Inc., the Bank, and the other banks and agents parties thereto, pursuant to which the Company is obligated to reimburse the Bank for all drawings made under the Letter of Credit. The Letter of Credit expires September 12, 2011, unless extended or earlier terminated in accordance with the provisions thereof and of the Reimbursement Agreement.

Pursuant to the 2008A Agreement, the Company (or its lawful successors and assigns to the extent permitted by the Agreement) has agreed to make Loan Payments (as defined in the 2008A Agreement) to the Trustee in the amounts and at the times necessary to pay the Bond Service Charges on the 2008A Bonds when due, whether at maturity, upon redemption, acceleration or otherwise until paid in full. Pursuant to the 2008A Indenture, the Issuer has (a) absolutely and irrevocably assigned to the Trustee, its successors in trust and its and their assigns (1) all right, title and interest of the Issuer in and to all moneys and investments (including, without limitation, the proceeds of the Credit Facility) in the Credit Facility Account in the 2008A Bond Fund and (2) all of the Issuer's rights and remedies under the 2008A Agreement (except for the Unassigned Issuer Rights as defined in the 2008A Agreement), and (b) granted a security interest to the Trustee, its successors in trust and its and their assigns, in all of the right, title and interest of the Issuer in and to the Revenues (other than the Credit Facility Account, all money investments therein and the proceeds of any Credit Facility).

Copies of the 2008A Indenture and the 2008A Agreement are on file with the Trustee. Capitalized terms not otherwise defined herein have the meanings specified therefor in the 2008A Indenture.

The 2008A Bonds are issuable only as fully registered bonds in the denominations authorized for the particular Rate Periods described below and, except as hereinafter provided, in printed or typewritten form, registered in the name of CEDE & CO. as nominee of The

Depository Trust Company (“DTC”), which shall be considered to be the registered owner (“Holder”) for all purposes of the 2008A Indenture, including, without limitation, payment by the Issuer of debt service, and receipt of notices and exercise of rights by Holders. There shall be a single 2008A Bond representing each series of 2008A Bonds which shall be immobilized in the custody of DTC with the beneficial owners having no right to receive 2008A Bonds in the form of physical securities or certificates. Ownership of beneficial interests in the 2008A Bonds shall be shown by book entry on the system maintained and operated by DTC and its participants, and transfers of ownership of beneficial interests shall be made only by DTC and its participants and by book entry, the Issuer, the Registrar and the Trustee having no responsibility therefor. DTC is expected to maintain records of the positions of participants in the 2008A Bonds, and the participants and persons acting through participants are expected to maintain records of the purchasers of beneficial interests in the 2008A Bonds. The 2008A Bonds as such shall not be transferable or exchangeable, except as provided in Section 13.03 of the 2008A Indenture, without further action by the Issuer.

As used herein, “Business Day” means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks located in New York City or the city or cities in which are located the principal corporate trust office or payment office of the Trustee, the Company, the Auction Agent, the Remarketing Agent, the Registrar, the Paying Agent or any Credit Facility Issuer are authorized by law to close and (iii) a day on which the New York Stock Exchange is not closed.

The initial Remarketing Agent under the 2008A Indenture is Wachovia Bank, National Association. The Remarketing Agent may be changed at any time in accordance with the 2008A Indenture.

INTEREST ON 2008A BONDS

The interest rate on the 2008A Bonds for any particular period may be an Auction, Daily, Weekly, Commercial Paper or Term Rate, each as described below, and may, as described below and provided in the 2008A Indenture, be converted, at the option of the Company, from time to time, to an Auction, Daily, Weekly, Commercial Paper or Term Rate, including a conversion from a Term Rate Period to a Term Rate Period of a different duration. The rate of interest applicable to any Rate Period shall be determined in accordance with the applicable provisions of the 2008A Indenture.

Interest at the Term Rate shall be computed on the basis of a 360-day year consisting of twelve 30-day months; all computations of interest at Daily, Weekly or Commercial Paper Rates shall be based on a 365 or 366-day year, as the case may be, for the actual number of days elapsed; computations of interest at the Auction Rate shall be based on (i) a 360-day year for the number of days actually elapsed for an Auction Period of 180 days or less or (ii) a 360-day year consisting of twelve 30-day months for an Auction Period greater than 180 days.

“Rate Period” means the period during which a particular rate of interest determined for the 2008A Bonds as hereinafter provided is to remain in effect until a subsequently determined rate of interest becomes effective pursuant to Article II of the 2008A Indenture.

The rate of interest to be borne by the 2008A Bonds during the ARS Rate Period shall be established by the Auction Agent pursuant to the terms of the 2008A Indenture.

The rate of interest to be borne by the 2008A Bonds during any particular Variable Rate Period will be determined by the Remarketing Agent. If the 2008A Bonds bear interest at a Daily, Weekly or Term Rate, the rate of interest on the 2008A Bonds shall be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the 2008A Bonds to have a market value on the commencement date of such Rate Period equal to the principal amount thereof plus accrued and unpaid interest, if any, under prevailing market conditions as of the date of determination. While the 2008A Bonds bear interest at Commercial Paper Rates, each Commercial Paper Rate Period for a 2008A Bond shall be determined by the Remarketing Agent as being the Commercial Paper Rate Period permitted under the 2008A Indenture which, in the judgment of the Remarketing Agent, will, with respect to each 2008A Bond, ultimately produce the lowest overall interest cost on such 2008A Bonds during the period the 2008A Bonds bear interest at Commercial Paper Rates, and the Commercial Paper Rate for such 2008A Bond shall be the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the Remarketing Agent to sell such 2008A Bond on the commencement date of such Commercial Paper Rate Period at a price equal to the principal amount thereof.

The Rate Periods which may be applicable to the 2008A Bonds are as follows:

ARS Rate Period

While the 2008A Bonds bear interest at the Auction Rate, the interest rate will be determined by the Auction Agent pursuant to the implementation of the Auction Procedures set forth in the 2008A Indenture. The ARS Rate Periods may be changed at any time by the Company in accordance with the terms of the 2008A Indenture.

Commercial Paper Rate Period

While the 2008A Bonds bear interest at Commercial Paper Rates, the interest rate for each particular 2008A Bond will be determined by the Remarketing Agent and will remain in effect for the duration (not exceeding 270 days or such lesser period as provided for in the 2008A Indenture) of the Commercial Paper Rate Period selected for that 2008A Bond by the Remarketing Agent. While the 2008A Bonds bear interest at Commercial Paper Rates, 2008A Bonds may have successive Commercial Paper Rate Periods of any duration up to 270 days or such lesser period, and any 2008A Bond may bear interest at a Commercial Paper Rate and for a Commercial Paper Rate Period different from any other 2008A Bond.

Daily Rate Period

While the 2008A Bonds bear interest at a Daily Rate, the interest rate will be determined daily by the Remarketing Agent to be effective from Business Day to Business Day.

Weekly Rate Period

While the 2008A Bonds bear interest at a Weekly Rate, the rate of interest will be determined weekly by the Remarketing Agent to be effective for a seven-day period

commencing on Wednesday of that week, except that such seven-day period may be shorter under certain circumstances described in the 2008A Indenture.

Term Rate Period

While the 2008A Bonds bear interest at a Term Rate, the interest rate will be determined by the Remarketing Agent to remain in effect for a term of one or more whole years selected from time to time by the Company.

The duration and beginning and ending dates of any Rate Period may vary in the event of conversions between Rate Periods. Except in the case of a Term Rate Period, the type of Rate Period selected by the Company will remain in effect until changed by the Company in accordance with the 2008A Indenture.

DENOMINATIONS

2008A Bonds which bear interest at a Term Rate shall be issued in the denomination of \$5,000 and integral multiples thereof. 2008A Bonds which bear interest at a Commercial Paper, Daily or Weekly Rate shall be issued in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof. 2008A Bonds which bear interest at an Auction Rate shall be issued in denominations of \$25,000 and integral multiples thereof.

OPTIONAL TENDERS

When this 2008A Bond bears interest for a Daily or Weekly Rate Period, the Holder thereof has the right to tender this 2008A Bond for purchase at a price equal to 100% of the principal amount hereof plus, in the case of 2008A Bonds bearing interest at Daily or Weekly Rates, any accrued and unpaid interest, as follows: (i) during a Daily Rate Period on any Business Day upon telephonic or electronic notice to the Paying Agent prior to 11:00 a.m., New York City time, on such Business Day, promptly confirmed in writing to the Paying Agent, and (ii) during a Weekly Rate Period on any Business Day upon delivery of a written or electronic notice to the Paying Agent not later than 5:00 p.m., New York City time, on a Business Day not fewer than 7 days prior to the purchase date, all as more particularly provided in the 2008A Indenture.

Any 2008A Bond which a Holder has elected to tender (as described in the 2008A Indenture) must be tendered on the purchase date identified in the notice of tender. If there has been irrevocably deposited with the Paying Agent an amount sufficient to pay the purchase price of all 2008A Bonds to be purchased on that purchase date, plus, in the case of 2008A Bonds bearing interest at Daily or Weekly Rates, any accrued interest from the last preceding Interest Payment Date and unpaid to that purchase date, interest on all 2008A Bonds to be purchased on that purchase date, regardless of whether they have been tendered to the Paying Agent, shall cease to accrue on that purchase date, and the Holder of any such 2008A Bond shall have no further rights thereunder, except the right to receive the purchase price for such 2008A Bond, and such 2008A Bond shall no longer be outstanding and entitled to the benefits of the 2008A Indenture, except for the payment of the purchase price of such 2008A Bond from moneys held by the Paying Agent for such payment.

MANDATORY TENDERS

Each 2008A Bond bearing interest at a Commercial Paper Rate is subject to mandatory tender for purchase on the Interest Payment Date applicable to such 2008A Bond at a purchase price equal to 100% of the principal amount thereof.

On the Business Day immediately succeeding the last day of a Term Rate Period, the 2008A Bonds shall be subject to mandatory tender for purchase on such date at a purchase price equal to 100% of the principal amount thereof.

The 2008A Bonds are also subject to mandatory tender on the effective date of the (a) conversion from one Rate Period to another or (b) conversion from an ARS Rate Period to a Variable Rate Period or (c) conversion from a Variable Rate Period to an ARS Rate Period.

The 2008A Bonds are also subject to mandatory tender if the Company, subsequent to the Date of Original Issue specified above, elects to deliver a Credit Facility with respect to the 2008A Bonds; such mandatory tender to occur on the date of the delivery of such Credit Facility.

The 2008A Bonds are also subject to mandatory tender (i) on the Interest Payment Date at least five days prior to the date of the cancellation of or the expiration of the term of the then current Credit Facility, if any, and (ii) on the Interest Payment Date on which a Credit Facility is replaced with an Alternate Credit Facility.

2008A Bonds shall be purchased on a mandatory purchase date (as described in the 2008A Indenture) at a purchase price equal to 100% of the principal amount thereof, provided that 2008A Bonds bearing interest at a Term Rate which are tendered on a day on which those 2008A Bonds are subject to optional redemption at a redemption price of more than 100% of the principal amount will be purchased at a price equal to that redemption price.

If there has been irrevocably deposited with the Paying Agent an amount sufficient to pay the purchase price of all 2008A Bonds to be purchased on that mandatory purchase date, interest on all 2008A Bonds to be purchased on that purchase date, regardless of whether they have been tendered to the Paying Agent, shall cease to accrue on that mandatory purchase date, and the Holder of any such 2008A Bond shall have no further rights thereunder, except the right to receive the purchase price for such 2008A Bond, and such 2008A Bond shall no longer be outstanding and entitled to the benefits of the 2008A Indenture, except for the payment of the purchase price of such 2008A Bond from moneys held by the Paying Agent for such payment.

PAYMENT OF PRINCIPAL

Payment of the principal or redemption price of 2008A Bonds will be made by the Paying Agent in immediately available funds in the event the 2008A Bonds bear interest at the Auction, Commercial Paper, Daily or Weekly Rates, and in clearinghouse funds in the event the 2008A Bonds bear interest at a Term Rate; provided, however, that at the option of the Paying Agent, such payments in respect of 2008A Bonds bearing interest at a Term Rate may be made in immediately available funds.

WRITTEN NOTICE OF CONVERSIONS

The Trustee will give written notice to the Holders of all 2008A Bonds of a conversion from one Rate Period to another, including a conversion from a Term Rate Period to a Term Rate Period of a different duration, at the times and in the manner described in the 2008A Indenture.

INTEREST PAYMENT DATES AND RECORD DATES

During a Term Rate Period for the 2008A Bonds, interest is payable on the first day of the sixth calendar month following the month in which the Rate Period begins and on the first day of each sixth calendar month thereafter. While each 2008A Bond bears interest at a Commercial Paper Rate, interest is payable on the first Business Day following the last day of the Commercial Paper Rate Period applicable to such 2008A Bond. With respect to Auction Rate Bonds, the first Interest Payment Date is set forth in Schedule I of Exhibit B to the 2008A Indenture and thereafter (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding the first day of such Auction Period, and (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date (starting on the first day of the sixth calendar month following the month in which such Flexible Auction Period begins) and on the Business Day immediately following such Flexible Auction Period. While the 2008A Bonds bear interest at a Daily or Weekly Rate, interest is payable on the first Business Day of each month. In any case, the final Interest Payment Date will be the Maturity Date.

During a Term Rate Period for the 2008A Bonds, interest will be paid by clearinghouse funds check mailed on the interest payment date to the owner of record on the 15th day of the month preceding the interest payment date. Interest on a 2008A Bond for a Commercial Paper Rate Period will be paid in immediately available funds to the owner of record on the last day of the Commercial Paper Rate Period applicable to such 2008A Bond. While the 2008A Bonds bear interest at a Daily or Weekly Rate interest will be paid by immediately available funds on the interest payment date to the owner of record on the last Business Day of the Interest Period. While the 2008A Bonds bear interest at an Auction Rate, interest will be paid by immediately available funds on the interest payment date to the owner of record on the Business Day immediately preceding that interest payment date. Unless such 2008A Bond in a Commercial Paper Rate Period is then held by a Depository in Book Entry Form (as such terms are defined in the 2008A Indenture), interest on such 2008A Bond for a Commercial Paper Rate Period shall be paid only upon presentation and surrender of this 2008A Bond at the office of the Paying Agent. During a Term Rate Period, the Holder of an aggregate principal amount of 2008A Bonds of \$1,000,000 or more may deliver a written request to the Paying Agent in accordance with the 2008A Indenture, and in that case, interest shall be paid (i) by wire transfer to a bank within the continental United States to the Holder or (ii) by direct deposit into the account of the Holder if such account is maintained with the Paying Agent.

REDEMPTION

The 2008A Bonds are subject to redemption prior to stated maturity pursuant to first-class mailed notice thereof given at least 30 days but not more than 90 days prior to the redemption date, as follows:

1. During a Term Rate Period, all 2008A Bonds are subject to extraordinary optional redemption by the Issuer, at the Company's option, in whole or in part upon the occurrence of any event described in, and to the extent permitted by, Section 6.2 of the 2008A Agreement, at a redemption price of 100% of the principal amount redeemed, plus accrued and unpaid interest to the redemption date.

2. All 2008A Bonds are subject to mandatory redemption in whole or in part upon a Determination of Taxability, as defined in the 2008A Indenture, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, at the earliest practicable date selected by the Trustee, after consultation with the Company, but in no event later than 180 days following the Trustee's notification of a Determination of Taxability. A Determination of Taxability will not result from the inclusion of interest on any 2008A Bond in the computation of the alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code"), the branch profits tax on foreign corporations imposed by Section 884 of the Code or the tax imposed on excess net passive income of certain S corporations under Section 1375 of the Code. IF THE 2008A INDENTURE HAS BEEN RELEASED PRIOR TO THE OCCURRENCE OF A DETERMINATION OF TAXABILITY, THE 2008A BONDS WILL NOT BE REDEEMED AS DESCRIBED IN THIS PARAGRAPH.

3. The 2008A Bonds shall be subject to optional redemption by the Issuer at the direction of the Company, in whole or in part, as follows:

(i) during any ARS Rate Period, on the Interest Payment Date immediately following the end of an Auction Period, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, provided that after any optional redemption in part there shall not be less than \$10,000,000 in aggregate principal amount of any 2008A Bonds bearing interest at an Auction Period Rate unless otherwise consented to by the Broker-Dealer;

(ii) during any Daily or Weekly Rate Period, on any interest payment date, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date;

(iii) during any Commercial Paper Rate Period for a 2008A Bond, on the Interest Payment Date for that 2008A Bond, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; and

(iv) during the Term Rate Period, on any date which occurs on or after the first day of the optional redemption period, and at the redemption prices, plus accrued and unpaid interest, if any, to the redemption date, as follows:

<u>Length of Term Rate Period</u>	<u>First Day of Optional Redemption Period</u>	<u>Redemption Price</u>
More than 15 years	Tenth anniversary of commencement of Term Rate Period	100%
More than 10, but not more than 15 years	Eighth anniversary of commencement of Term Rate Period	100%
More than 5, but not more than 10 years	Fifth anniversary of commencement of Term Rate Period	100%
5 years or less	Non-callable	Non-callable

The Company may change the redemption provisions applicable to the 2008A Bonds, subject to certain conditions, including the receipt by the Trustee of an opinion of nationally recognized bond counsel to the effect that a change in the redemption provisions of the 2008A Bonds will not adversely affect the exclusion of interest on the 2008A Bonds from gross income for federal income tax purposes, as provided in the 2008A Indenture.

If fewer than all 2008A Bonds are to be redeemed at one time, their selection shall be made by lot by the Trustee.

If at the time of mailing of the notice of redemption there has not been deposited with the Trustee moneys sufficient to redeem all 2008A Bonds called for redemption, such notice may state that it is conditional, subject to the deposit of moneys sufficient for the redemption. If 2008A Bonds or portions thereof are called for redemption and if on the redemption date moneys for the redemption thereof are held by the Paying Agent, thereafter those 2008A Bonds or portions thereof to be redeemed shall cease to bear interest, and shall cease to be secured by, and shall not be deemed to be outstanding under, the 2008A Indenture. The failure to receive any notice of redemption, or any defect in such notice in respect of any 2008A Bond, shall not affect the validity of redemption of any 2008A Bond.

The 2008A Indenture permits certain amendments or supplements to the 2008A Agreement and the 2008A Indenture not prejudicial to the Holders to be made without the consent of or notice to the Holders and other amendments or supplements thereto to be made with the consent of any Credit Facility Issuer and the Holders of not less than a majority in aggregate principal amount of the 2008A Bonds then outstanding.

The Holder of each 2008A Bond has only those remedies provided in the 2008A Indenture.

The 2008A Bonds shall not constitute the personal obligation, either jointly or severally, of the officers or employees of the Issuer.

This 2008A Bond shall not be entitled to any security or benefit under the 2008A Indenture or be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed.

It is certified and recited that there have been performed and have happened in regular and due form, as required by law, all acts and conditions necessary to be done or performed by the Issuer or to have happened (i) precedent to and in the issuing of the 2008A Bonds in order to make them legal, valid and binding special limited obligations of the Issuer and (ii) precedent to and in the execution and delivery of the 2008A Indenture and the 2008A Agreement both as defined herein; that payment in full for the 2008A Bonds has been received; and that the 2008A Bonds do not exceed or violate any constitutional or statutory limitation.

(Remainder of Page Intentionally Left Blank)

IN WITNESS OF THE ABOVE, the County of Boone, Kentucky, has caused this 2008A Bond to be executed in the name of the Issuer by the manual or facsimile signatures of the County Judge/Executive of the Issuer and a facsimile of the seal of the Issuer to be reproduced hereon and attested by the manual or facsimile signature of the Fiscal Court Clerk of the Issuer, as of the date shown above.

COUNTY OF BOONE, KENTUCKY

By: _____
Gary W. Moore
County Judge/Executive

Attest: _____
Blair G. Schroeder
Fiscal Court Clerk

CERTIFICATE OF AUTHENTICATION

Date of Registration and Authentication: _____, 2008

This 2008A Bond is one of the 2008A Bonds described in the within-mentioned 2008A Indenture.

DEUTSCHE BANK NATIONAL TRUST
COMPANY, Trustee and Registrar

By: _____
Name:
Title:

By: _____
Name:
Title:

ASSIGNMENT

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

(Insert Name, Address and Tax Identification or
Social Security Number of Transferee)

the within 2008A Bond and all rights thereunder, and irrevocably constitutes and appoints
_____, Attorney, to transfer that 2008A Bond on the books kept for
registration thereof, with full power of substitution in the premises.

Dated: _____
Signature _____

Signature Guaranteed:

Notice: Signatures must be guaranteed by a member firm of the New York Stock Exchange, a commercial bank or trust company or a participant in a recognized Signature Guarantee Medallion Program.

Notice: The signature to this Assignment must correspond with the name as it appears upon the face of the within 2008A Bond in every particular, without alteration or any change whatever.

EXHIBIT B

SIFMA

AUCTION PROCEDURES

TABLE OF CONTENTS

	Page
ARTICLE I Definitions	
ARTICLE II Auction Procedures	B-10
Section 2.01. Orders by Existing Owners and Potential Owners	B-10
Section 2.02. Submission of Orders by Broker-Dealers to Auction Agent	B-13
Section 2.03. Treatment of Orders by the Auction Agent	B-15
Section 2.04. Determination of Auction Period Rate	B-17
Section 2.05. Allocation of Bonds	B-19
Section 2.06. Notice of Auction Period Rate	B-21
Section 2.07. Index	B-22
Section 2.08. Miscellaneous Provisions Regarding Auctions	B-23
Section 2.09. Changes in Auction Period or Auction Date	B-24

Both the Definitions in Article I and the Auction Procedures in Article II are subject to modification or amendment pursuant to Schedule I. In the event of any conflict between Article I or Article II and Schedule I, Schedule I shall prevail. Any reference herein to "Series" such as "a Series of Bonds" or "Bonds of a Series" shall not apply if there is only one Series of Bonds. Capitalized terms used in this Exhibit B or in Schedule I and not otherwise defined in either this Exhibit B or in Schedule I have the meanings specified therefor in the Authorizing Document.

ARTICLE I

Definitions

The following words and terms as used in this Exhibit B (hereinafter "this Exhibit") and elsewhere in the Authorizing Document have the following meanings with respect to Bonds in an ARS Rate Period unless the context or use indicates another or different meaning or intent or the definition has been changed, modified or expanded in Schedule I:

"Agent Member" means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"All Hold Rate" has the meaning set forth in Schedule I.

"ARS Conversion Date" means with respect to Bonds, the date on which the Bonds of such Series convert from an interest rate period other than an ARS Rate Period and begin to bear interest at the Auction Period Rate.

"ARS Rate Period" means, for each Series of Bonds, any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the final maturity date of such Bonds.

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means the Person appointed as Auction Agent in accordance with the Auction Agreement. The Auction Agent shall initially be the party named in Schedule I.

"Auction Agreement" means an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit with respect to the Bonds while such Bonds bear interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented.

"Auction Date" means with respect to any Series of Bonds:

(a) *Daily Auction Period.* If the Bonds are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) *Flexible Auction Period.* If the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) *Other Auction Periods*. If the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date);

provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Bonds and (ii) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and

provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

The first Auction Date for each Series of Bonds is set forth in Schedule I.

“Auction Desk” means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Bonds, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

“Auction Period” means with respect to each Series of Bonds:

(a) *Flexible Auction Period*. A Flexible Auction Period;

(b) *Daily Auction Period*. With respect to a Series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next Interest Payment Date;

(c) *Seven day Auction Period*. With respect to a Series of Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

(A)	(B)	(C)
When Auctions Occur on this day	Auction Period Generally Begins this day	Auction Period Generally Ends this day
Friday	Monday	Sunday
Monday	Tuesday	Monday
Tuesday	Wednesday	Tuesday
Wednesday	Thursday	Wednesday
Thursday	Friday	Thursday

(d) *28-day Auction Period.* With respect to a Series of Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) *35-day Auction Period.* With respect to a Series of Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) *Three-month Auction Period.* With respect to a Series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period or following an ARS Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) *Six-month Auction Period.* With respect to a Series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period or following an ARS Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the sixth calendar month following the beginning date of such Auction Period.

Provided, however, that if there is a conversion of a Series of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction

Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day 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 (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day 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 no more than 35 days from such date of conversion

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

“Auction Period Rate” means the Auction Rate or any other rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this Exhibit; provided, however, in no event may the Auction Period Rate exceed the Maximum Rate.

“Auction Procedures” means the procedures for conducting Auctions for Bonds during an ARS Rate Period set forth in this Exhibit.

“Auction Rate” means for each Series of Bonds for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate for such Series of Bonds and (ii) if Sufficient Clearing Bids do not exist, the Maximum Rate for such Series of Bonds.

“Authorized Denomination” means \$25,000, or such other amount specified in Schedule I, and integral multiples thereof so long as the Bonds bear interest at the Auction Period Rate, notwithstanding anything else in the Authorizing Document to the contrary.

“Authorizing Document” has the meaning set forth in Schedule I.

“Available Bonds” means, for each Series of Bonds on each Auction Date, the number of Units of Bonds that are not the subject of Submitted Hold Orders.

“Bid” has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

“Bidder” means each Existing Owner and Potential Owner who places an Order.

“Bonds” has the meaning set forth in Schedule I.

“Broker-Dealer” means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Corporation and that is a party to a Broker-Dealer Agreement with the Auction Agent and the Corporation. The **“Broker-Dealer of record”** with respect to any Bond is the Broker-Dealer which placed the Order for such Bond or whom the Existing Owner of such Bond has designated as its Broker-Dealer with respect to such Bond, in each case as reflected in the records of the Auction Agent. The Broker-Dealer(s) shall initially be the party(ies) named in Schedule I.

“Broker-Dealer Agreement” means an agreement among the Auction Agent, the Corporation and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Exhibit, as such agreement may from time to time be amended or supplemented.

“Broker-Dealer Deadline” means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

“Business Day” in addition to any other definition of “Business Day” included in the Authorizing Document, while Bonds bear interest at the Auction Period Rate, the term Business Day shall not include Saturdays, Sundays, days on which the New York Stock Exchange or its successor is not open for business, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the Bonds.

“Clerical Error” means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Owners or Potential Owners (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer’s Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a “Clerical Error” is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

“Conversion Date” means the date on which any Series of the Bonds begin to bear interest at a rate which is determined other than by means of the Auction Procedures.

“Corporation” has the meaning set forth in Schedule I.

“Electronic Means” means, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

“Error Correction Deadline” means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

“Existing Owner” means a Person who is the beneficial owner of Bonds; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

“Flexible Auction Period” means with respect to a Series of Bonds,

(a) any period of 182 days or less which is divisible by seven and which begins on an Interest Payment Date and ends (i) in the case of a Series of Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of a Series of Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of a Series of Bonds with Auctions generally conducted on Tuesdays, on a 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, (iv) in the case of a Series of Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of a Series of Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or

(b) any period which is longer than 182 days which begins on an Interest Payment Date and ends not later than the final scheduled maturity date of such Series of Bonds.

“Hold Order” means an Order to hold the Bonds as provided in Section 2.01(a) of this Exhibit or such an Order deemed to have been submitted as provided in Section 2.01(c) of this Exhibit.

“Index” has the meaning set forth in Schedule I.

“Initial Period” has the meaning set forth in Schedule I.

“Initial Period Rate” has the meaning set forth in Schedule I.

“Interest Payment Date” with respect to Bonds of a Series bearing interest at Auction Period Rates, means, notwithstanding anything else in the Authorizing Document to the contrary, the first Interest Payment Date for such Series of Bonds as set forth in Schedule I and thereafter (unless changed by Schedule I) (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding the first day of such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date (starting on the first day of the sixth calendar month following the month in which such Flexible Auction Period begins) and on the Business Day immediately following such Flexible Auction Period, and (d) the date when the final payment of principal of the Bonds of such Series becomes due and payable (whether at stated maturity, upon redemption or acceleration, or otherwise).

“Issuer” has the meaning set forth in Schedule I.

“Maximum Rate” has the meaning set forth in Schedule I.

“Order” means a Hold Order, Bid or Sell Order.

“Person” has the meaning set forth in Schedule I.

“Potential Owner” means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Owner.

“Record Date” means, notwithstanding anything else in the Authorizing Document, while the Bonds bear interest at the Auction Period Rate, the Business Day immediately preceding an Interest Payment Date.

“Schedule I” means Schedule I to this Exhibit.

“Securities Depository” means, notwithstanding anything else in the Authorizing Document to the contrary, The Depository Trust Company and its successors and assigns or any other securities depository selected by the Corporation.

“Sell Order” has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

“Submission Deadline” means, unless changed by Schedule I, 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent if directed in writing by the Trustee or the Corporation pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction

Agent will follow the Securities Industry and Financial Markets Association's Early Market Close Recommendations for shortened trading days for the bond markets (the "SIFMA Recommendation") unless the Auction Agent is instructed otherwise in writing by the Trustee or the Corporation. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

"**Submitted Bid**" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"**Submitted Hold Order**" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"**Submitted Order**" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"**Submitted Sell Order**" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"**Sufficient Clearing Bids**" means for each Series of Bonds, an Auction for which the number of Units of such Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Rate is not less than the number of Units of such Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Rate.

"**Units**" has the meaning set forth in Section 2.02(a)(iii) of this Exhibit.

"**Winning Bid Rate**" means for each Series of Bonds, the lowest rate specified in any Submitted Bid of such Series which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of such Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Bonds of such Series.

ARTICLE II

Auction Procedures

Section 2.01 Orders by Existing Owners and Potential Owners. (a) Prior to the Broker-Dealer Deadline for each Series of Bonds on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) of this Section), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

(ii) each Potential Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Bonds, which each such Potential Owner offers to purchase if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes of the Auction Procedures an Order containing the information referred to in clause (i)(A) above is referred to as a "Hold Order," an Order containing the information referred to in clause (i)(B) or (ii) above is referred to as a "Bid," and an Order containing the information referred to in clause (i)(C) above is referred to as a "Sell Order."

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Owner or a Potential Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of Outstanding Bonds. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(b) (i) A Bid by an Existing Owner shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an offer to sell:

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

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) If an Order or Orders covering all of the Bonds of a particular Series held by an Existing Owner is not submitted to the Broker-Dealer of record for such Existing Owner prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to such Broker-Dealer; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Bonds of a particular Series to be converted held by such Existing Owner, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to such Broker-Dealer.

(ii) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided in Sections 2.02(e)(ii) and 2.02(f); and

(iii) for purposes of any Auction other than during a daily Auction Period, any Bonds sold or purchased pursuant to subsection (b)(i), (ii) or (iii) above shall be sold or purchased at a price equal to 100% of the principal amount thereof; provided that, for purposes of any Auction during a daily Auction Period, such sale or purchase price shall be 100% of the principal amount thereof plus accrued interest to the date of sale or purchase.

Section 2.02. Submission of Orders by Broker-Dealers to Auction Agent.

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Bonds of a Series, all Orders with respect to Bonds of such Series accepted by such Broker-Dealer in accordance with Section 2.01 above and specifying with respect to each Order or aggregation of Orders pursuant to Section 2.02(b) below:

- (i) the name of the Broker-Dealer;
- (ii) the number of Bidders placing Orders, if requested by the Auction Agent;
- (iii) the aggregate number of Units of Bonds of such Series, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Bonds;
- (iv) to the extent that such Bidder is an Existing Owner:
 - (A) the number of Units of Bonds of such Series, if any, subject to any Hold Order placed by such Existing Owner;
 - (B) the number of Units of Bonds of such Series, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and
 - (C) the number of Units of Bonds of such Series, if any, subject to any Sell Order placed by such Existing Owner; and
- (v) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Owner, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Owner submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Bonds specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Owners with those of other Potential Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Owners with other Existing Owners on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the Issuer, the Corporation, the Trustee or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Bonds for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error on the part of the Broker-Dealer in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Owner, Potential Owner or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Owner or Potential Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this Section 2.02(f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this Section 2.02(f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Owner or Potential Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Owner, a Potential Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or

withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Bonds in such Auction of the corrected results.

(h) Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Bonds; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

Section 2.03. Treatment of Orders by the Auction Agent. Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section 2.03 and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) 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 of one percent (0.001%).

(c) If one or more Orders covering in the aggregate more than the number of Units of Outstanding Bonds of a particular Series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record;

(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Bonds of such Series subject to Hold Orders referred to in clause (i) above;

(B) subject to clause (A) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above; and

(D) the number of Units, if any, of such Bonds of such Series subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Bonds of such Series equal to the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the Bonds of such Series considered to be subject to Hold Orders pursuant to clause (i) above and the number of Units of Bonds of such Series considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

(d) If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the

Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

(e) For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Trustee, Issuer or Corporation that any portion of an Order by a Broker-Dealer relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(f) For purposes of any Auction other than during a daily Auction Period, no portion of a Bond which the Auction Agent has been notified by the Trustee, Issuer or Corporation has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

(g) If an Order or Orders covering all of the Bonds of a particular Series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Bonds of a particular Series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

(h) Any Bid specifying a rate higher than the Maximum Rate will (i) be treated as a Sell Order if submitted by an Existing Owner and (ii) not be accepted if submitted by a Potential Owner.

Section 2.04. Determination of Auction Period Rate. (a) If requested by the Trustee or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series of Bonds, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Trustee, if requested) of the All Hold Rate, the Index and, if the Maximum Rate is not a fixed interest rate, the Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for each Series of Bonds on each Auction Date, the Auction Agent shall assemble all 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, and collectively as a "Submitted Order") and

shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate or an All Hold Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails

to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

(e) If the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the Maximum Rate.

Section 2.05. Allocation of Bonds.

(a) In the event of Sufficient Clearing Bids for a Series of Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such

Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for a Series of Bonds, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Bonds subject to Submitted Bids described in clause (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such

Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in Section 2.05(a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of the Bonds that is not an integral multiple of an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the undertakings described in Section 2.05(a) above, any Potential Owner would be required to purchase less than an Authorized Denomination in principal amount of the Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Bonds for purchase among Potential Owners so that the principal amount of the Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing the Bonds on such Auction Date.

Section 2.06. Notice of Auction Period Rate. (a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to each Series of Bonds for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the number of Units of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the number of Units of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate number of Units of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the amount of dividend or interest payable per Unit on each Interest Payment Date with respect to such Auction Period; and

(vii) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series of Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) if requested by an Existing Owner or a Potential Owner, advise such Existing Owner or Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to the Corporation, Issuer and Trustee by mutually acceptable Electronic Means and the Trustee shall promptly give notice of such Auction Rate to the Securities Depository.

Section 2.07. Index

(a) If for any reason on any Auction Date the Index shall not be determined as provided in Schedule I, the Index shall be the Index for the prior Business Day.

(b) The determination of the Index as provided in Schedule I and herein shall be conclusive and binding upon the Issuer, the Corporation, the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

Section 2.08. Miscellaneous Provisions Regarding Auctions

(a) In this Exhibit, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an ARS Rate Period with respect to each Series of Bonds, the provisions of the Authorizing Document and the definitions contained therein and described in this Exhibit, including without limitation the definitions of All Hold Rate, Index, Interest Payment Date, Maximum Rate, Auction Period Rate and Auction Rate, may be amended pursuant to the Authorizing Document by obtaining the consent of the owners of all affected Outstanding Bonds bearing interest at the Auction Period Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the affected Outstanding Bonds as required by the Authorizing Document, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Corporation and the Trustee an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income taxation to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected Outstanding Bonds bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the Issuer that it is unwilling or unable to continue as registered owner of the Bonds or if at any time the Securities Depository 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 the Securities Depository is not appointed by the Issuer within 90 days after the Issuer receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the Issuer shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Issuer and the Trustee.

During an ARS Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

(d) Unless specifically provided otherwise in Schedule I, the Auction Agent shall continue to implement the Auction Procedures notwithstanding the occurrence of an Event of Default under the Authorizing Document.

Section 2.09. Changes in Auction Period or Auction Date.

(a) Changes in Auction Period.

(i) During any ARS Rate Period, the Corporation, may, from time to time on the Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Corporation shall initiate the change in the length of the Auction Period by giving written notice to the Issuer, the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Owner submits an Order with respect to such Bonds of any Series, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any ARS Rate Period, the Auction Agent, at the direction of the Corporation, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the Corporation's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Issuer, the Corporation and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier or later Auction Date, the days of the week on which an Auction Period

begins and ends, the day of the week on which an Auction Period ends and the Interest Payment Dates relating to such Auction Period shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by the Broker-Dealer for a majority of the outstanding Units (based on the number of Units for which a Broker-Dealer is listed as the Broker-Dealer in the Existing Owner Registry maintained by the Auction Agent pursuant to Section 2.2(a) of the Auction Agreement), and, if there is not a majority so directing, the Auction Date shall be moved to the next succeeding Business Day following the scheduled Auction Date, and the Interest Payment Date and the Auction Period shall be adjusted accordingly.

SCHEDULE I

to

AUCTION PROCEDURES

In the event of any conflict between this Schedule I and Exhibit B, this Schedule I shall prevail.

Definitions

“A-1’ Composite Commercial Paper Rate” means on any Auction Date (i) the interest equivalent of the 30-day rate on commercial paper placed on behalf of issuers whose corporate bonds are rated “A-1” by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination; or (ii) if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by the Commercial Paper Dealers, to the Auction Agent as of the close of business on the Business Day immediately preceding such date of determination; *provided* that if any Commercial Paper Dealer does not quote a commercial paper rate required to determine the “A-1” Composite Commercial Paper Rate, the “A-1” Composite Commercial Paper Rate shall be determined on the basis of such quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers. For purposes of this definition, the “interest equivalent” of a rate stated on a discount basis (a “*discount rate*”) for commercial paper of a given day’s maturity shall be equal to the product of (a) 100 times (b) the quotient (rounded upwards to the next higher one-thousandth (.001) of 1%) of (x) the discount rate (expressed in decimals) divided by (y) the difference between (1) 1.00 and (2) a fraction, the numerator of which shall be the product of the discount rate (expressed in decimals) times the number of days in which such commercial paper matures and the denominator of which shall be 360.

“All Hold Rate” means, as of any Auction Date, 55% of the Index in effect on such Auction Date.

“Applicable Percentage” means on any Auction Date the percentage determined (as such percentage may be adjusted as provided below in this Schedule I) based on the lower of the prevailing credit rating on the Bonds in effect at the close of business on the Business Day immediately preceding such date, as set forth below:

CREDIT RATINGS		
MOODY'S INVESTORS SERVICE	STANDARD & POOR'S RATINGS SERVICES	APPLICABLE PERCENTAGE
“Aaa”	“AAA”	175%
“Aa3” to “Aa1”	“AA-” to “AA+”	175%
“A3” to “A1”	“A-” to “A+”	175%
“Baa3” to “Baa1”	“BBB-” to “BBB+”	200%
Below “Baa3”	Below “BBB-”	265%

provided, that, in the event that the Bonds are not rated by any nationally recognized rating agency, the Applicable Percentage shall be 265% and, *provided further*, that if a Payment Default shall have occurred and be continuing, the Applicable Percentage shall be 300%. For purposes of this definition, S&P’s rating categories of “AAA”, “AA”, “A” and “BBB”, and Moody’s rating categories of “Aaa”, “Aa”, “A” and “Baa,” refer to and include the respective rating categories correlative thereto if either or both of such rating agencies have changed or modified their generic rating categories or if Moody’s or S&P no longer rates the Bonds and has been replaced.

“Auction Agent” shall initially be that auction agent specified in the conversion notice of the Corporation pursuant to Section 2.04(a)(ii) of the Authorizing Document.

“Auction Date” shall include as part of the definition that date specified as the “first Auction Date” in the conversion notice of the Corporation pursuant to Section 2.04(a)(ii) of the Authorizing Document.

“Authorized Denomination” means \$25,000 unless another amount is specified here.

“Authorizing Document” means the Trust Indenture, dated as of December 1, 2008, between the Issuer and the Trustee, as amended or supplemented from time to time.

“Bonds” means the County of Boone, Kentucky Pollution Control Revenue Refunding Bonds, Series 2008A (Duke Energy Kentucky, Inc. Project), in an aggregate principal amount of \$50,000,000, issued by the Issuer under the Authorizing Document.

“Broker-Dealer” shall initially be that Broker-Dealer specified in the conversion notice of the Corporation pursuant to Section 2.04(a)(ii) of the Authorizing Document.

“Commercial Paper Dealer” means the Remarketing Agent or in lieu thereof, its affiliates or successors provided that any such entity is a commercial paper dealer, or any substitute commercial paper dealer selected by the Company to provide the applicable quotation or quotations.

“Corporation” means Duke Energy Kentucky, Inc., a public utility and corporation duly organized and validly existing under the laws of the Commonwealth of Kentucky, and its lawful successors and assigns, to the extent permitted by the Agreement.

“Index” means on any Auction Date with respect to Bonds in any Auction Period of 35 days or less LIBOR. The Index with respect to Bonds in any Auction Period of more than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in The Wall Street Journal or such other source as may be mutually agreed upon by the Trustee and the Broker-Dealers. If either rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Corporation. For the purpose of this definition an Auction Period of 35 days or less means a 35-day Auction Period or shorter Auction Period, i.e. a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

“Initial Period” means the period specified as the “Initial Period” in the conversion notice of the Corporation pursuant to Section 2.04(a)(ii) of the Authorizing Document.

“Initial Period Rate” means for an Initial Period commencing on an ARS Conversion Date the lowest rate which, in the judgment of the Broker-Dealer, is necessary to enable the Bonds to be remarketed at a price equal to the principal amount thereof, plus accrued interest, if any, on the ARS Conversion Date. Such determination shall be conclusive and binding upon the Corporation, the Issuer, the Trustee, the Auction Agent and the Bondholders. Not later than 5:00 p.m., New York City time, on the date of determination of the Initial Period Rate, the managing

underwriter or the Broker-Dealer, as the case may be, shall notify the Trustee, the Corporation and the Auction Agent of the Initial Period Rate by Electronic Means.

“Interest Payment Date” includes the date specified as the “first Interest Payment Date after the ARS Conversion Date” in the conversion notice of the Corporation pursuant to Section 2.04(a)(ii) of the Authorizing Document.

“Issuer” means the County of Boone, Kentucky, a de jure county and political subdivision of the Commonwealth of Kentucky.

“LIBOR” means on any Auction Date, the offered rate (rounded up to the next highest one one-thousandth of one percent (0.001%)) 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 next preceding day on which such dealings were transacted in such market. In the event that LIBOR as defined in the preceding sentence may not be determined on any such Auction Date, then LIBOR on any such Auction Date shall instead mean the “A-1” Composite Commercial Paper Rate.

“Maximum Rate” means on any Auction Date the interest rate per annum equal to the lesser of:

- (i) the Applicable Percentage of the Index on such date; and
- (ii) the Maximum Interest Rate (as defined in the Indenture);

rounded to the nearest one thousandth (.001) of 1%.

“Person” has the meaning given to such term in the Authorizing Document.

“Trustee” means Deutsche Bank National Trust Company, with a corporate trust office located in Chicago, Illinois, a national banking association duly organized and validly existing under the laws of the United States of America and duly authorized to exercise corporate trust powers until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter “Trustee” shall mean the successor Trustee.

Adjustments in All Hold Rate and Applicable Percentage

The Broker-Dealer shall adjust the All Hold Rate and the Applicable Percentage used in determining the Maximum Rate, if any such adjustment is necessary, in the good faith judgment of the Broker-Dealer with the written consent of the Company. In making any such adjustment, the Broker-Dealer shall take the following factors into account:

- (i) short-term taxable and tax-exempt market rates and indices of such short-term rates;
- (ii) the market supply and demand for short-term tax-exempt securities;
- (iii) yield curves for short-term and long-term tax-exempt securities or obligations having a credit rating that is comparable to the Auction Rate Bonds;
- (iv) general economic conditions; and
- (v) economic and financial factors present in the securities industry that may affect or that may be relevant to the Auction Rate Bonds.

The Broker-Dealer shall effectuate an adjustment in the All Hold Rate and the Applicable Percentage used to determine the Maximum Rate by delivering to the Company, the Trustee, the Paying Agent and the Auction Agent at least 5 days prior to the Auction Date on which the Broker-Dealer desires to effect such change a certificate authorizing the adjustment of the All Hold Rate and the Applicable Percentage used to determine the Maximum Rate, which shall be specified in such certificate.

In the event that there is more than one Broker-Dealer, the Company shall specify in writing to the Trustee, the Paying Agent and the Auction Agent which Broker-Dealer is to perform the functions specified above.

Auction Procedures

Determination of Auction Period Rate The percentage of the Index in Section 2.04(c) is 75%.