

KENTUCKY POWER COMPANY

\$120,000,000 4.18% Senior Notes, Series A, due September 30, 2026
\$80,000,000 4.33% Senior Notes, Series B, due December 30, 2026

NOTE PURCHASE AGREEMENT

Dated as of July 10, 2014

TABLE OF CONTENTS
(Not a part of the Agreement)

| SECTION | HEADING | PAGE |
|---------------|--|------|
| Section 1. | Authorization Of Notes..... | 1 |
| Section 2. | Sale and Purchase of Notes..... | 1 |
| Section 3. | Closings..... | 1 |
| Section 4. | Conditions to Closing. | 2 |
| Section 4.1. | Representations and Warranties..... | 2 |
| Section 4.2. | Performance; No Default. | 2 |
| Section 4.3. | Compliance Certificates..... | 2 |
| Section 4.4. | Opinions of Counsel. | 3 |
| Section 4.5. | Purchase Permitted by Applicable Law, Etc..... | 3 |
| Section 4.6. | Sale of Other Notes..... | 3 |
| Section 4.7. | Payment of Special Counsel Fees..... | 3 |
| Section 4.8. | Private Placement Number. | 3 |
| Section 4.9. | Changes in Corporate Structure..... | 3 |
| Section 4.10. | Company Regulatory Approvals..... | 3 |
| Section 4.11. | Funding Instructions. | 4 |
| Section 4.12. | Proceedings and Documents..... | 4 |
| Section 5. | Representations and Warranties of the Company..... | 4 |
| Section 5.1. | Organization; Power and Authority..... | 4 |
| Section 5.2. | Authorization, Etc..... | 4 |
| Section 5.3. | Disclosure. | 4 |
| Section 5.4. | Directors and Senior Officers. | 5 |
| Section 5.5. | Financial Statements; Material Liabilities. | 5 |
| Section 5.6. | Compliance with Laws, Other Instruments, Etc..... | 5 |
| Section 5.7. | Governmental Authorizations, Etc..... | 5 |
| Section 5.8. | Litigation; Observance of Agreements, Statutes and Orders..... | 6 |
| Section 5.9. | Taxes. | 6 |
| Section 5.10. | Title to Property; Leases..... | 6 |
| Section 5.11. | Licenses, Permits, Etc..... | 6 |
| Section 5.12. | Compliance with ERISA..... | 7 |
| Section 5.13. | Private Offering by the Company..... | 8 |
| Section 5.14. | Use of Proceeds; Margin Regulations..... | 8 |
| Section 5.15. | Existing Indebtedness; Future Liens..... | 8 |
| Section 5.16. | Foreign Assets Control Regulations, Etc..... | 9 |
| Section 5.17. | Status under Certain Statutes..... | 10 |
| Section 5.18. | Notes Rank Pari Passu..... | 10 |

| | | |
|---------------|--|----|
| Section 5.19. | Environmental Matters..... | 10 |
| Section 6. | Representations of the Purchasers. | 11 |
| Section 6.1. | Purchase for Investment..... | 11 |
| Section 6.2. | Source of Funds. | 12 |
| Section 7. | Information as to the Company..... | 13 |
| Section 7.1. | Financial and Business Information..... | 13 |
| Section 7.2. | Officer’s Certificate. | 15 |
| Section 7.3. | Visitation. | 16 |
| Section 7.4. | Electronic Delivery. | 16 |
| Section 8. | Prepayment of the Notes..... | 17 |
| Section 8.1. | Maturity..... | 17 |
| Section 8.2. | Optional Prepayments with Make-Whole Amount..... | 17 |
| Section 8.3. | Change in Control. | 17 |
| Section 8.4. | Allocation of Partial Prepayments. | 21 |
| Section 8.5. | Maturity; Surrender, Etc. | 21 |
| Section 8.6. | Purchase of Notes. | 21 |
| Section 8.7. | Make-Whole Amount. | 21 |
| Section 9. | Affirmative Covenants..... | 23 |
| Section 9.1. | Compliance with Laws. | 23 |
| Section 9.2. | Insurance. | 23 |
| Section 9.3. | Maintenance of Properties. | 23 |
| Section 9.4. | Payment of Taxes and Claims..... | 24 |
| Section 9.5. | Legal Existence, Etc..... | 24 |
| Section 9.6. | Notes to Rank Pari Passu. | 24 |
| Section 9.7. | Books and Records. | 24 |
| Section 10. | Negative Covenants. | 24 |
| Section 10.1. | Leverage Ratio. | 25 |
| Section 10.2. | Limitation on Secured Debt. | 25 |
| Section 10.3. | Mergers, Consolidations, Etc..... | 26 |
| Section 10.4. | Transactions with Affiliates..... | 27 |
| Section 10.5. | Line of Business..... | 27 |
| Section 10.6. | Terrorism Sanctions Regulations..... | 27 |
| Section 11. | Events of Default. | 27 |
| Section 12. | Remedies on Default, Etc. | 29 |
| Section 12.1. | Acceleration. | 29 |
| Section 12.2. | Other Remedies..... | 30 |
| Section 12.3. | Rescission. | 30 |

| | | |
|---------------|--|----|
| Section 12.4. | No Waivers or Election of Remedies, Expenses, Etc. | 30 |
| Section 13. | Registration; Exchange; Substitution of Notes. | 31 |
| Section 13.1. | Registration of Notes. | 31 |
| Section 13.2. | Transfer and Exchange of Notes. | 31 |
| Section 13.3. | Replacement of Notes. | 31 |
| Section 14. | Payments on Notes. | 32 |
| Section 14.1. | Place of Payment. | 32 |
| Section 14.2. | Home Office Payment. | 32 |
| Section 15. | Expenses, Etc. | 32 |
| Section 15.1. | Transaction Expenses. | 32 |
| Section 15.2. | Survival. | 33 |
| Section 16. | Survival of Representations and Warranties; Entire Agreement. | 33 |
| Section 17. | Amendment and Waiver. | 33 |
| Section 17.1. | Requirements. | 33 |
| Section 17.2. | Solicitation of Holders of Notes. | 34 |
| Section 17.3. | Binding Effect, Etc. | 35 |
| Section 17.4. | Notes Held by Company, Etc. | 35 |
| Section 18. | Notices. | 35 |
| Section 19. | Reproduction of Documents. | 35 |
| Section 20. | Confidential Information. | 36 |
| Section 21. | Substitution of Purchaser. | 37 |
| Section 22. | Miscellaneous. | 37 |
| Section 22.1. | Successors and Assigns. | 37 |
| Section 22.2. | Payments Due on Non-Business Days. | 37 |
| Section 22.3. | Accounting Terms. | 38 |
| Section 22.4. | Severability. | 38 |
| Section 22.5. | Construction, Etc. | 38 |
| Section 22.6. | Counterparts. | 38 |
| Section 22.7. | Governing Law. | 39 |
| Section 22.8. | Jurisdiction and Process; Waiver of Jury Trial. | 39 |

| | | |
|------------------|---|--|
| SCHEDULE A | — | INFORMATION RELATING TO PURCHASERS |
| SCHEDULE B | — | DEFINED TERMS |
| SCHEDULE 5.3 | — | Disclosure Materials |
| SCHEDULE 5.4 | — | Directors and Senior Officers |
| SCHEDULE 5.5 | — | Financial Statements |
| SCHEDULE 5.12(b) | — | Funding Target Attainment |
| SCHEDULE 5.12(d) | — | Accumulated Post Retirement Benefit Obligation |
| SCHEDULE 5.15 | — | Existing Indebtedness |
| EXHIBIT 1-A | — | Form of 4.18% Senior Notes, Series A, due September 30, 2026 |
| EXHIBIT 1-B | — | Form of 4.33% Senior Notes, Series B, due December 30, 2026 |
| EXHIBIT 4.4(a) | — | Form of Opinion of Counsel for the Company |
| EXHIBIT 4.4(b) | — | Form of Opinion of Special Counsel for the Purchasers |

KENTUCKY POWER COMPANY
1 Riverside Plaza
Columbus, Ohio 43215

\$120,000,000 4.18% Senior Notes, Series A, due September 30, 2026
\$80,000,000 4.33% Senior Notes, Series B, due December 30, 2026

Dated as of July 10, 2014

To Each of the Purchasers Listed in
SCHEDULE A HERETO:

Ladies and Gentlemen:

KENTUCKY POWER COMPANY, a Kentucky corporation (the "*Company*"), agrees with each of the Purchasers whose names appear at the end hereof as follows:

Section 1. AUTHORIZATION OF NOTES.

The Company will authorize the issue and sale of (a) \$120,000,000 aggregate principal amount of its 4.18% Senior Notes, Series A, due September 30, 2026 (the "*Series A Notes*") and (b) \$80,000,000 aggregate principal amount of its 4.33% Senior Notes, Series B, due December 30, 2026 (the "*Series B Notes*"; the Series A Notes and the Series B Notes are hereinafter collectively referred to as the "*Notes*," such term to include any such notes issued in substitution therefor pursuant to **Section 13**). The Notes shall be substantially in the form set out in **Exhibit 1-A** and **Exhibit 1-B**, respectively. Certain capitalized and other terms used in this Agreement are defined in **Schedule B**; and references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

Section 2. SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in **Section 3**, Notes in the principal amount and of the series specified opposite such Purchaser's name in **Schedule A** at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

Section 3. CLOSINGS.

The sale and purchase of the Notes to be purchased by each Purchaser shall occur at the offices of Winston & Strawn LLP, 200 Park Avenue, New York, New York 10166, at 10:00 a.m. New York time, at two closings (each a "*Closing*" and respectively the "*First Closing*" and the "*Second Closing*"). The First Closing shall be on September 30, 2014 or on such other Business Day thereafter as may be agreed upon by the Company and the Purchasers purchasing the Notes sold at the First Closing. The Second Closing shall be on December 30, 2014 or on such other

Business Day thereafter as may be agreed upon by the Company and the Purchasers purchasing the Notes sold at the Second Closing. At each Closing, the Company will deliver to each Purchaser the Notes of the series to be purchased by such Purchaser in the form of a single Note for each series of the Notes to be purchased by such Purchaser (or such greater number of Notes in denominations of at least \$100,000 as such Purchaser may request) dated the date of such Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 40572089, account description: Kentucky Power Co. – Dist., at Citibank, N.A., 399 Park Avenue, New York, NY 10043, ABA No. 02100089. If at any Closing the Company shall fail to tender such Notes to any Purchaser as provided above in this **Section 3**, or any of the conditions specified in **Section 4** shall not have been fulfilled to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

Section 4. CONDITIONS TO CLOSING.

Each Purchaser's obligation to purchase and pay for the Notes to be sold to such Purchaser at a Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to or at such Closing, of the following conditions:

Section 4.1. Representations and Warranties. The representations and warranties of the Company in this Agreement shall be correct when made and at the time of such Closing.

Section 4.2. Performance; No Default. The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at such Closing and from the date of this Agreement to such Closing assuming that Sections 9 and 10 are applicable from the date of this Agreement. From the date of this Agreement until such Closing, before and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by **Section 5.14**), no Default or Event of Default shall have occurred and be continuing. The Company shall not have entered into any transaction since the date of the Memorandum that would have been prohibited by **Section 10** had such Section applied since such date.

Section 4.3. Compliance Certificates.

(a) *Officer's Certificate.* The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of such Closing, certifying that the conditions specified in **Sections 4.1, 4.2 and 4.9** have been fulfilled.

(b) *Secretary's Certificate.* The Company shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated the date of such Closing, certifying as to (i) the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes and this Agreement and (ii) the Company's organizational documents as then in effect.

Section 4.4. Opinions of Counsel. Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of such Closing (a) from internal counsel for American Electric Power Service Corporation, an affiliate of the Company, covering the matters set forth in **Exhibit 4.4(a)** and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to the Purchasers) and (b) from Winston & Strawn LLP, the Purchasers' special counsel in connection with such transactions, substantially in the form set forth in **Exhibit 4.4(b)** and covering such other matters incident to such transactions as such Purchaser may reasonably request.

Section 4.5. Purchase Permitted by Applicable Law, Etc. On the date of such Closing such Purchaser's purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6. Sale of Other Notes. Contemporaneously with such Closing, the Company shall sell to each other Purchaser, and each other Purchaser shall purchase, the Notes to be purchased by it at such Closing as specified in **Schedule A**.

Section 4.7. Payment of Special Counsel Fees. Without limiting the provisions of **Section 15.1**, the Company shall have paid on or before such Closing the fees, charges and disbursements of the Purchasers' special counsel referred to in **Section 4.4** to the extent reflected in a statement of such counsel rendered to the Company at least two Business Days prior to such Closing.

Section 4.8. Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for each series of the Notes being sold at such Closing.

Section 4.9. Changes in Corporate Structure. The Company shall not have changed its jurisdiction of incorporation or organization, as applicable, or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in **Schedule 5.5**.

Section 4.10. Company Regulatory Approvals. Prior to the date of such Closing, any approval or consent of any regulatory body, state, federal or local, including, without limitation, any approval or consent required by the Kentucky Public Service Commission and the Federal Energy Regulatory Commission, required for the offer, issuance, sale and delivery of the Notes and the execution, delivery and performance by the Company of this Agreement and the Notes

shall have been obtained, shall be in full force and effect, shall have not have been revoked or amended, shall not be the subject of a pending appeal and shall be legally sufficient to authorize the offer, issue and sale and delivery of the Notes and evidence of such approval or consent satisfactory to the Purchasers and their special counsel shall have been provided to them.

Section 4.11. Funding Instructions. At least three Business Days prior to the date of such Closing, each Purchaser purchasing Notes at such Closing shall have received written instructions signed by a Responsible Officer on letterhead of the Company confirming the information specified in **Section 3** including (a) the name and address of the transferee bank, (b) such transferee bank's ABA number and (c) the account name and number into which the purchase price for the Notes is to be deposited.

Section 4.12. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

Section 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser that:

Section 5.1. Organization; Power and Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Notes and to perform the provisions hereof and thereof.

Section 5.2. Authorization, Etc. This Agreement and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. The Company, through its agents, KeyBanc Capital Markets Inc. and RBS Securities Inc., has delivered to each Purchaser a copy of a Private Placement Memorandum, dated May/June 2014 (the "*Memorandum*"), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company. This Agreement, the

Memorandum and the documents, certificates or other writings delivered to the Purchasers by or on behalf of the Company in connection with the transactions contemplated hereby and identified in **Schedule 5.3**, and the financial statements listed in **Schedule 5.5**, (this Agreement, the Memorandum and such documents, certificates or other writings and such financial statements delivered to each Purchaser prior to June 12, 2014 being referred to, collectively, as the “*Disclosure Documents*”), taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Disclosure Documents, since December 31, 2013, there has been no change in the financial condition, operations, business or properties of the Company except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that would reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents.

Section 5.4. Directors and Senior Officers. **Schedule 5.4** contains (except as noted therein) a complete and correct list of the Company’s directors and senior officers. The Company has no Subsidiaries.

Section 5.5. Financial Statements; Material Liabilities. The Company has delivered to each Purchaser copies of the financial statements of the Company listed on **Schedule 5.5**. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the financial position of the Company as of the respective dates specified in such financial statements and the results of its operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company does not have any Material liabilities that are not disclosed on such financial statements or otherwise disclosed in the Disclosure Documents.

Section 5.6. Compliance with Laws, Other Instruments, Etc. The execution, delivery and performance by the Company of this Agreement and the Notes will not (a) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company under, any Material indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other Material agreement or instrument to which the Company is bound or by which the Company or any of its properties may be bound or affected, (b) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or (c) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company.

Section 5.7. Governmental Authorizations, Etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes, other than (a) the authorization of the Kentucky Public Service Commission which authorization has been duly obtained pursuant to an order of the Kentucky Public Service Commission, which is in full force and effect, has not been revoked or amended, is not the subject of a pending appeal; the offer, issuance, sale and delivery of the Notes and the execution,

delivery and performance by the Company of this Agreement and the Notes are in conformity with the terms of such order, (b) as may be required under state or foreign securities or blue sky laws, and (c) such registrations, filings and declarations that are not required to be made until after the date of such Closing and which will be made as and when required.

Section 5.8. Litigation; Observance of Agreements, Statutes and Orders. (a) There are no actions, suits, investigations or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any property of the Company in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) The Company is not (i) in default under any agreement or instrument to which it is a party or by which it is bound, (ii) in violation of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or (iii) in violation of any applicable law, ordinance, rule or regulation of any Governmental Authority (including, without limitation, Environmental Laws, the USA Patriot Act or any of the other laws and regulations that are referred to in **Section 5.16**), which default or violation, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. The Company has filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon it or its properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (a) the amount of which is not individually or in the aggregate Material or (b) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that would reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company in respect of federal, state or other taxes for all fiscal periods are adequate in accordance with GAAP. The federal income tax liabilities of the Company have been finally determined (whether by reason of completed audits or the statute of limitations having run) for all fiscal years up to and including the fiscal year ended December 31, 2013.

Section 5.10. Title to Property; Leases. The Company has good and sufficient title to its properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in **Section 5.5** or purported to have been acquired by the Company after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

Section 5.11. Licenses, Permits, Etc. (a) The Company owns or possesses all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others, the non-ownership or non-possession of which, individually or in the aggregate, would have a Material Adverse Effect.

(b) To the best knowledge of the Company, no product of the Company infringes in any Material respect any license, permit, franchise, authorization, patent, copyright, proprietary software, service mark, trademark, trade name or other right owned by any other Person which infringement, individually or in the aggregate would have a Material Adverse Effect.

(c) To the best knowledge of the Company, there is no Material violation by any Person of any right of the Company with respect to any patent, copyright, proprietary software, service mark, trademark, trade name or other right owned or used by the Company, which violation, individually or in the aggregate, would have a Material Adverse Effect.

Section 5.12. Compliance with ERISA. (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that could, individually or in the aggregate, reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) For each of the Plans which are pension plans within the meaning of section 3(2) of ERISA (other than Multiemployer Plans) that are subject to the funding requirements of section 302 of ERISA or section 412 of the Code, **Schedule 5.12(b)** sets forth the funding target attainment percentage as of January 1, 2013, on the basis of the actuarial assumptions specified for funding purposes in such Plan's actuarial valuation report for the plan year beginning January 1, 2013. The term "funding target attainment percentage" has the meaning specified in section 303 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) **Schedule 5.12(d)** sets forth the unfunded accumulated post retirement benefit obligation (APBO) as determined as of the last day of the Company's most recently ended fiscal year, December 31, 2013, in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 715-60 for retiree medical and life insurance plans, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code, of the Company and such obligations would not, individually or in the aggregate, result in a Material Adverse Effect. The increase in such liabilities from December 31, 2013, to the date hereof is not Material and would not result in a Material Adverse Effect.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of

ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this **Section 5.12(e)** is made in reliance upon and subject to the accuracy of such Purchaser's representation in **Section 6.2** as to the sources of the funds used to pay the purchase price of the Notes to be purchased by such Purchaser and under the assumption that the parties identified to the Company pursuant to clauses (d), (e) and (g) thereof do not trigger issues with respect to the issuance and sale of the Notes to the parties described in those clauses.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and not more than 60 other Institutional Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any securities or blue sky laws of any applicable jurisdiction.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Notes as set forth in Section II.5 of the Memorandum. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin Stock does not constitute more than 2% of the value of the assets of the Company and the Company does not have any present intention that Margin Stock will constitute more than 2% of the value of such assets.

Section 5.15. Existing Indebtedness; Future Liens. (a) **Schedule 5.15** sets forth a complete and correct list of all outstanding Indebtedness of the Company as of July 10, 2014 (including a description of the obligors and obligees, principal amount outstanding and collateral therefor, if any, and guarantee thereof, if any), since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company. The Company is not in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company, the outstanding principal amount of which exceeds \$1,000,000, and no event or condition exists with respect to any Indebtedness of the Company, the outstanding principal amount of which exceeds \$1,000,000, that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment and that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) Except as disclosed in **Schedule 5.15**, the Company has not agreed or consented to cause or permit any of its property, whether now owned or hereafter acquired, to be subject to a Lien that secures Indebtedness or to cause or permit in the future (upon the happening of a

contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by **Section 10.2**.

(c) Except as disclosed in **Schedule 5.15**, the Company is not a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company, any agreement relating thereto or any other agreement (including, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company.

Section 5.16. Foreign Assets Control Regulations, Etc. (a) Neither the Company nor any Controlled Entity is (i) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, United States Department of the Treasury (“*OFAC*”) (an “*OFAC Listed Person*”) (ii) an agent, department, or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, (x) any *OFAC Listed Person* or (y) any Person, entity, organization, foreign country or regime that is subject to any *OFAC Sanctions Program*, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of other United States economic sanctions, including but not limited to, the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act (“*CISADA*”) or any similar law or regulation with respect to Iran or any other country, the Sudan Accountability and Divestment Act, any *OFAC Sanctions Program*, or any economic sanctions regulations administered and enforced by the United States or any enabling legislation or executive order relating to any of the foregoing (collectively, “*U.S. Economic Sanctions*”) (each *OFAC Listed Person* and each other Person, entity, organization and government of a country described in clause (i), clause (ii) or clause (iii), a “*Blocked Person*”). Neither the Company nor any Controlled Entity has been notified that its name appears or may in the future appear on a state list of Persons that engage in investment or other commercial activities in Iran or any other country that is subject to U.S. Economic Sanctions.

(b) No part of the proceeds from the sale of the Notes hereunder constitutes or will constitute funds obtained on behalf of any *Blocked Person* or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (i) in connection with any investment in, or any transactions or dealings with, any *Blocked Person*, or (ii) otherwise in violation of U.S. Economic Sanctions.

(c) Neither the Company nor any Controlled Entity (i) has been found in violation of, charged with, or convicted of, money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes under the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act), the USA Patriot Act or any other United States law or regulation governing such activities (collectively, “*Anti-Money Laundering Laws*”) or any U.S. Economic Sanctions violations, (ii) to the Company’s actual knowledge after making due inquiry, is under investigation by any Governmental Authority for possible violation of *Anti-Money Laundering Laws* or any U.S. Economic Sanctions violations, (iii) has been assessed civil penalties under any *Anti-Money Laundering Laws* or any U.S. Economic Sanctions, or (iv) has had any of its funds seized or forfeited in an action under any *Anti-Money Laundering Laws*. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the

Company and each Controlled Entity is and will continue to be in compliance with all applicable current and future Anti-Money Laundering Laws and U.S. Economic Sanctions.

(d)(1) Neither the Company nor any Controlled Entity (i) has been charged with, or convicted of bribery or any other anti-corruption related activity under any applicable law or regulation in a U.S. or any non-U.S. country or jurisdiction, including but not limited to, the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010 (collectively, “*Anti-Corruption Laws*”), (ii) to the Company’s actual knowledge after making due inquiry, is under investigation by any U.S. or non-U.S. Governmental Authority for possible violation of Anti-Corruption Laws, (iii) has been assessed civil or criminal penalties under any Anti-Corruption Laws or (iv) has been or is the target of sanctions imposed by the United Nations or the European Union;

(2) To the Company’s actual knowledge after making due inquiry, neither the Company nor any Controlled Entity has, within the last five years, directly or indirectly offered, promised, given, paid or authorized the offer, promise, giving or payment of anything of value to a Governmental Official or a commercial counterparty for the purposes of: (i) influencing any act, decision or failure to act by such Governmental Official in his or her official capacity or such commercial counterparty, (ii) inducing a Governmental Official to do or omit to do any act in violation of the Governmental Official’s lawful duty, or (iii) inducing a Governmental Official or a commercial counterparty to use his or her influence with a government or instrumentality to affect any act or decision of such government or entity; in each case in order to obtain, retain or direct business or to otherwise secure an improper advantage; and

(3) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable current and future Anti-Corruption Laws.

Section 5.17. Status under Certain Statutes. The Company is not subject to regulation under the Investment Company Act of 1940, as amended or the ICC Termination Act of 1995, as amended.

Section 5.18. Notes Rank Pari Passu. The payment obligations of the Company under this Agreement and the Notes rank at least *pari passu* in right of payment with all other unsecured Indebtedness (actual or contingent) of the Company, which is not expressed to be subordinate or junior in rank to any other unsecured Indebtedness of the Company, including, without limitation, all unsecured Indebtedness of the Company described in **Schedule 5.15** hereto.

Section 5.19. Environmental Matters. (a) The Company has no knowledge of any claim nor received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its real properties now or formerly owned, leased or operated by it or other assets, alleging any damage to the environment or violation of any Environmental

Laws, except, in each case, such as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(b) The Company has no knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by it or to other assets or their use, except, in each case, such as would not reasonably be expected to result in a Material Adverse Effect.

(c) The Company has not stored any Hazardous Materials on real properties now or formerly owned, leased or operated by it nor has it disposed of any Hazardous Materials in a manner which is contrary to any Environmental Laws in each case in any manner that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(d) All buildings on all real properties now owned, leased or operated by the Company are in compliance with applicable Environmental Laws, except where failure to comply would not reasonably be expected to result in a Material Adverse Effect.

Section 6. REPRESENTATIONS OF THE PURCHASERS.

Section 6.1. Purchase for Investment. Each Purchaser severally represents that (a) it is purchasing the Notes for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds (each of which is an “accredited investor”) as for each of which such Purchaser exercises sole investment discretion for investment purposes only and not with a view to the distribution thereof; *provided* that the re-sale or disposition of such Purchaser’s or their property shall at all times be within such Purchaser’s or their control, (b) it is an “accredited investor” (as defined in Rule 501(a)(1), (2), (3), (7) or (8) under the Securities Act), (c) it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Notes, (d) it and any accounts for which it is acting are each able to bear the economic risk of its investments and (e) it has received adequate information concerning the Company and the Notes to make an informed investment decision with respect to the purchase of the Notes. Each Purchaser understands that the Notes have not been, and will not be, registered under the Securities Act (and that the Company is not required to register the Notes) and may be resold only (A) if registered pursuant to the provisions of the Securities Act, (B) if an exemption from registration is available, including, without limitation, by disposition of any of the Notes and then (i) to the Company; (ii) inside the United States to a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act) in compliance with Rule 144A; (iii) inside the United States to an institutional investor that (1) is an “accredited investor” (as defined in Rule 501(a)(1), (2), (3), (7) or (8) under the Securities Act) and (2) makes the representations set forth in this **Section 6**; or (iv) outside the United States in compliance with Rule 904 under the Securities Act or (C) if resold under circumstances where neither such registration nor such exemption is required by law.

Each Purchaser agrees that, following the transfer of a Note and upon the request of the Company and without invalidating any transfer of any Note pursuant to this Agreement, it shall make reasonable best efforts to furnish to the Company any certificate which it may have

received from any transferee of such Note with respect to such transferee's compliance with the terms of this **Section 6.1** in order to confirm that the transfer was made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Section 6.2. Source of Funds. Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder:

(a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("PTE") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the "NAIC Annual Statement")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed ten percent (10%) of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1, or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as have been disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part VI of PTE 84-14 (the "QPAM Exemption") managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part VI of the QPAM Exemption), no employee benefit plan's assets that are managed by the QPAM in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, represent more than 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM maintains an

ownership interest in the Company that would cause the QPAM and the Company to be “related” within the meaning of Part VI(h) of the QPAM Exemption and (i) the identity of such QPAM and (ii) the names of any employee benefit plans whose assets in the investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization, represent 10% or more of the assets of such investment fund, have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a “plan(s)” (within the meaning of Part IV(h) of PTE 96-23 (the “*INHAM Exemption*”)) managed by an “in-house asset manager” or “INHAM” (within the meaning of Part IV(a) of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of “control” in Part IV(d)(3) of the INHAM Exemption) owns a 10% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this **Section 6.2**, the terms “employee benefit plan”, “governmental plan”, “party in interest” and “separate account” shall have the respective meanings assigned to such terms in section 3 of ERISA.

Section 7. INFORMATION AS TO THE COMPANY.

Section 7.1. Financial and Business Information. The Company shall deliver to each Purchaser and holder of Notes that is an Institutional Investor:

(a) *Quarterly Statements* — within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of:

(i) a consolidated balance sheet of the Company as at the end of such quarter, and

(ii) consolidated statements of income, changes in shareholders’ equity and cash flows of the Company for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments; *provided* that delivery within the time period specified above of copies of the Company's quarterly report containing substantially all the information required to be provided under this **Section 7.1(a)** shall be deemed to satisfy the requirements of this **Section 7.1(a)**;

(b) *Annual Statements* — within 105 days after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated balance sheet of the Company, as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of independent public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances; *provided* that the delivery within the time period specified above of the Company's annual report for such fiscal year containing substantially all the information and the opinion of independent public accountants required to be provided under this **Section 7.1(b)** (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) shall be deemed to satisfy the requirements of this **Section 7.1(b)**;

(c) *SEC and Other Reports* — promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to its principal lending banks as a whole (excluding information sent to such banks in the ordinary course of administration of a bank facility, such as information relating to pricing and borrowing availability or to its public securities holders generally) and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the SEC and of all press releases and other statements made available generally by the Company or any Subsidiary to the public concerning developments that are Material; *provided, further*, that the Company should be deemed to have made such delivery of such SEC and other reports if it shall have timely made such SEC and other reports available via Electronic Delivery;

(d) *Notice of Default or Event of Default* — promptly, and in any event within five Business Days after a Responsible Officer becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) *Notices from Governmental Authority* — promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect; and

(f) *Requested Information* — with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries (including, but without limitation, actual copies of the Company's financial statements) or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such Purchaser or holder of Notes.

Section 7.2. Officer's Certificate. Each set of financial statements delivered to a Purchaser or holder of Notes pursuant to **Section 7.1(a)** or **Section 7.1(b)** shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) *Covenant Compliance* — the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of **Section 10.1** and **Section 10.2**, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence), and in the event that the Company has made an election to measure any financial liability using fair value (which election is being disregarded for purposes of determining compliance with this Agreement pursuant to **Section 22.3**) as to the period covered by any such financial statement, such Senior Financial Officer's certificate as to such period shall include a reconciliation from GAAP with respect to such election; and

(b) *Event of Default* — a statement that such Senior Financial Officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

Section 7.3. Visitation. The Company shall permit the representatives of each Purchaser and holder of Notes that is an Institutional Investor:

(a) *No Default* — if no Default or Event of Default then exists, at the expense of such Purchaser or holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary all at such reasonable times and as often as may be reasonably requested in writing; and

(b) *Default* — if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Subsidiary; to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

Section 7.4. Electronic Delivery. Financial statements, opinions of independent certified public accountants, other information and Officer's Certificates that are required to be delivered by the Company pursuant to **Sections 7.1(a), (b) or (c)** and **Section 7.2** shall be deemed to have been delivered if the Company satisfies any of the following requirements with respect thereto ("*Electronic Delivery*"):

(i) such financial statements satisfying the requirements of **Section 7.1(a)** or **(b)** and related Officer's Certificate satisfying the requirements of **Section 7.2** are delivered to each Purchaser or holder of a Note by e-mail;

(ii) the Company shall have timely filed such Form 10-Q or Form 10-K, satisfying the requirements of **Section 7.1(a)** or **Section 7.1(b)**, as the case may be, with the SEC on EDGAR and shall have made such form and the related Officer's Certificate satisfying the requirements of **Section 7.2** available on its home page on the internet, which is located at <http://aep.com> as of the date of this Agreement;

(iii) such financial statements satisfying the requirements of **Section 7.1(a)** or **Section 7.1(b)** and related Officer's Certificate(s) satisfying the requirements of **Section 7.2** are timely posted by or on behalf of the Company on IntraLinks or any other similar website (including the Company's home page located at <http://aep.com>) to which each Purchaser or holder of Notes has free access; or

(iv) the Company shall have filed any of the items referred to in **Section 7.1(c)** with the SEC on EDGAR and shall have made such items available on its home page on

the internet or on IntraLinks or on any other similar website to which each Purchaser or holder of Notes has free access;

provided however, that upon request of any Purchaser or holder to receive paper copies of such forms, financial statements and Officer's Certificates or to receive them by e-mail, the Company will promptly e-mail them or deliver such paper copies, as the case may be, to such Purchaser or holder.

Section 8. PREPAYMENT OF THE NOTES.

Section 8.1. Maturity. As provided therein, the entire unpaid principal balance of each series of the Notes shall be due and payable on the stated maturity date thereof.

Section 8.2. Optional Prepayments with Make-Whole Amount. (a) At any time prior to (i) in the case of the Series A Notes, 90 days prior to the stated maturity date of the Series A Notes, and (ii) in the case of the Series B Notes, 90 days prior to the stated maturity date of the Series B Notes, the Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes of any series, in an amount not less than 10% of the aggregate principal amount of the Notes of such series then outstanding, at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, and the Make-Whole Amount determined for the prepayment date with respect to such principal amount, and (b) at any time after (i) in the case of the Series A Notes, 90 days prior to the stated maturity date of the Series A Notes, and (ii) for the Series B Notes, 90 days prior to the stated maturity date of the Series B Notes, the Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes of the relevant series, in an amount not less than 10% of the aggregate principal amount of the Notes of such series then outstanding, at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment; *provided* that if a Default or Event of Default shall have occurred and is continuing, in the case of a prepayment of less than all of the Notes, such partial prepayment shall be applied against each series of Notes in proportion to the aggregate principal amount outstanding of each series. The Company will give each holder of Notes written notice of each optional prepayment under this **Section 8.2** not less than 30 days and not more than 60 days prior to the date fixed for such prepayment unless the Company and the Required Holders agree to another time period pursuant to **Section 17**. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of each series of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with **Section 8.4**), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment, if applicable (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount, if applicable, as of the specified prepayment date.

Section 8.3. Change in Control.

(a) Notice of Change in Control or Control Event. The Company will, within five Business Days after any Responsible Officer has knowledge of the occurrence of any Change in Control or Control Event, give written notice of such Change in Control or Control Event to each holder of Notes and apply to a Rating Agency for a review of the then applicable credit rating in respect of the Notes or other Rated Securities; it being understood that the Company will at the same time inform such Rating Agency of the Change in Control or Control Event.

(b) Notice of Change in Control Prepayment Event. The Company will, within five Business Days after any Responsible Officer has knowledge of the occurrence of any Change in Control Prepayment Event, give written notice of such Change in Control Prepayment Event to each holder of Notes and such notice shall contain and constitute an offer to prepay Notes as described in subparagraph (c) of this **Section 8.3** and shall be accompanied by the certificate described in subparagraph (f) of this **Section 8.3**.

(c) Offer to Prepay Notes. The offer to prepay Notes contemplated by subparagraph (b) of this **Section 8.3** shall be an offer to prepay, in accordance with and subject to this **Section 8.3**, all, but not less than all, the Notes held by each holder (in this case only, "holder" in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date (which date shall be a Business Day) specified in such offer (the "*Proposed Prepayment Date*"). Such date shall be not more than 60 days after the date of such offer (if the Proposed Prepayment Date shall not be specified in such offer, the Proposed Prepayment Date shall be the first Business Day after the 45th day after the date of such offer).

(d) Acceptance/Rejection. A holder of Notes may accept the offer to prepay made pursuant to this **Section 8.3** by causing a notice of such acceptance to be delivered to the Company not later than 15 days after receipt by such holder of the most recent offer of prepayment. A failure by a holder of Notes to respond to an offer to prepay made pursuant to this **Section 8.3** shall be deemed to constitute a rejection of such offer by such holder.

(e) Prepayment. Prepayment of the Notes to be prepaid pursuant to this **Section 8.3** shall be at 100% of the principal amount of such Notes, together with interest on such Notes accrued to the date of prepayment, but without Make-Whole Amount or other premium. The prepayment shall be made on the Proposed Prepayment Date.

(f) Officer's Certificate. Each offer to prepay the Notes pursuant to this **Section 8.3** shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying: (i) the Proposed Prepayment Date; (ii) that such offer is made pursuant to this **Section 8.3**; (iii) the principal amount of each Note offered to be prepaid; (iv) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Prepayment Date; (v) that the conditions of this **Section 8.3** have been fulfilled; and (vi) in reasonable detail, the nature and date of the Change in Control.

(g) *Certain Definitions.* “*Change in Control*” shall be deemed to have occurred if any person (as such term is used in Section 13(d) and Section 14(d)(2) of the Exchange Act as in effect on the date of the Closing) or related persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act), other than AEP or any of its wholly-owned direct or indirect subsidiaries,

(i) become the “beneficial owners” (as such term is used in Rule 13d-3 under the Exchange Act as in effect on the date of the Closing), directly or indirectly, of more than 50% of the total voting power of all classes then outstanding of the Company’s Voting Stock, or

(ii) acquire after the date of the Closing (x) the power to elect, appoint or cause the election or appointment of at least a majority of the members of the board of directors of the Company, through beneficial ownership of the capital stock of the Company or otherwise, or (y) all or substantially all of the properties and assets of the Company.

A “*Change in Control Prepayment Event*” occurs if, within the period of 120 days from and including the date on which a Change in Control occurs, either

(i) there are Rated Securities outstanding at the time of such Change in Control and a Rating Downgrade in respect of such Change in Control occurs, or

(ii) at such time there are no Rated Securities and the Company fails to obtain (whether by failing to seek a rating or otherwise) either

(A) a Corporate Credit Rating, or

(B) a rating of any other unsecured and unsubordinated Indebtedness which has a remaining maturity of five years or more (and which does not have the benefit of a guarantee from any Person other than any such Person that at such time also so guarantees the obligations of the Company under this Agreement and the Notes) of either (1) the Company or (2) the Person which has acquired the Company as a result of such Change in Control, so long as such Person has become an obligor under or guarantor of the Notes pursuant to documentation reasonably satisfactory to the Required Holders,

from a Rating Agency, of at least Investment Grade (a “*Negative Rating Event*”), in each case after giving pro forma effect to the transaction giving rise to such Change in Control.

For the avoidance of doubt, a Change in Control and the related Rating Downgrade or, as the case may be, Negative Rating Event, together (but not individually) constitute the Change in Control Prepayment Event).

“*Control Event*” means:

(i) the execution by the Company or any of its Subsidiaries or Affiliates of any agreement or letter of intent with respect to any proposed transaction or event or

series of transactions or events which, individually or in the aggregate, may reasonably be expected to result in a Change in Control,

(ii) the execution of any written agreement which, when fully performed by the parties thereto, would result in a Change in Control, or

(iii) the making of any written offer by any person (as such term is used in Section 13(d) and Section 14(d)(2) of the Exchange Act as in effect on the date of the Closing) or related persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act as in effect on the date of the Closing) to the holders of the common stock of the Company, which offer, if accepted by the requisite number of holders, would result in a Change in Control.

“*Corporate Credit Rating*” means a rating of the Company or of the Person which acquires control of the Company as a result of a Change in Control if such Person has become an obligor under or guarantor of the Notes pursuant to documentation reasonably satisfactory to the Required Holders, of at least Investment Grade.

“*Investment Grade*” means a rating of BBB-/Baa3 (as applicable), or their respective equivalents for the time being, or better; *provided*, if such rating is “BBB-” in the case of S&P or “Baa3” in the case of Moody’s, then such Person or Indebtedness shall not have been placed on “credit watch” and shall not have a “negative outlook” from S&P and Moody’s.

“*Rated Securities*” means the Notes, if at any time and for so long as they shall have a rating from a Rating Agency, and otherwise any other unsecured and unsubordinated Indebtedness of the Company having a remaining maturity of five years or more (and which does not have the benefit of a guarantee from any Person other than any such Person that at such time also so guarantees the obligations of the Company under this Agreement and the Notes) which is rated by a Rating Agency.

“*Rating Agency*” means Standard & Poor’s Ratings Services (“S&P”) or Moody’s Investors Service, Inc. (“Moody’s”) or any of their respective subsidiaries and their successors; provided, that if either of Moody’s or S&P ceases to provide rating services to issuers or investors, the Company may appoint a replacement for such Rating Agency that is reasonably acceptable to Bankers Trust Company and its successors and assigns, the trustee under the Indenture, dated as of September 1, 1997, by and between the Company and Bankers Trust Company.

“*Rating Downgrade*” shall be deemed to have occurred in respect of a Change in Control if, within 120 days from and including the date on which the Change in Control occurs, the rating assigned to the Rated Securities by any Rating Agency (whether provided at the invitation of the Company or of its own volition) which is current immediately before the time the Change in Control occurs (i) if Investment Grade, is either lowered by such Rating Agency such that it is no longer Investment Grade or withdrawn and not replaced by an Investment Grade rating of another Rating Agency or (ii) if below Investment Grade, is not raised by such Rating Agency to Investment Grade.

All calculations contemplated in this **Section 8.3** involving the capital stock of any Person shall be made with the assumption that all convertible Securities of such Person then outstanding and all convertible Securities issuable upon the exercise of any warrants, options and other rights outstanding at such time were converted at such time and that all options, warrants and similar rights to acquire shares of capital stock of such Person were exercised at such time.

Section 8.4. Allocation of Partial Prepayments. In the case of each partial prepayment of the Notes pursuant to **Section 8.2**, the principal amount of the Notes of any series to be prepaid shall be allocated pro rata among all of the Notes of such series of the Notes being prepaid at such time in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment. All partial prepayments made pursuant to **Section 8.3** shall be applied only to the Notes of the holders who have elected to participate in such prepayment.

Section 8.5. Maturity; Surrender, Etc. In the case of each prepayment of Notes pursuant to this **Section 8**, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment (which shall be a Business Day), together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.6. Purchase of Notes. The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except (a) upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes or (b) pursuant to an offer to purchase made by the Company or an Affiliate pro rata to the holders of all Notes at the time outstanding upon the same terms and conditions. Any such offer shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 10 Business Days. If the holders of more than 25% of the principal amount of the Notes then outstanding accept such offer, the Company shall promptly notify the remaining holders of such fact and the expiration date for the acceptance by holders of Notes of such offer shall be extended by the number of days necessary to give each such remaining holder at least 5 Business Days from its receipt of such notice to accept such offer. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.7. Make-Whole Amount. The term “*Make-Whole Amount*” means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal; *provided* that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

“*Called Principal*” means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to **Section 8.2** or has become or is declared to be immediately due and payable pursuant to **Section 12.1**, as the context requires.

“*Discounted Value*” means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on such Note is payable) equal to the Reinvestment Yield with respect to such Called Principal.

“*Reinvestment Yield*” means, with respect to the Called Principal of any Note, 0.50% (50 basis points) over the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as “Page PX1” (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on the run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. In the case of each determination under clause (i) or clause (ii), as the case may be, of the preceding sentence, such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the most recently issued actively traded, on the run U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the most recently issued actively traded on the run U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

“*Remaining Average Life*” means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (a) such Called Principal into (b) the sum of the products obtained by multiplying (i) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (ii) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

“*Remaining Scheduled Payments*” means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date; *provided* that if such

Settlement Date is not a date on which interest payments are due to be made under the terms of such Note, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to **Section 8.2** or **12.1**.

“*Settlement Date*” means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to **Section 8.2** or has become or is declared to be immediately due and payable pursuant to **Section 12.1**, as the context requires.

Section 9. AFFIRMATIVE COVENANTS.

From the date of this Agreement until the Second Closing and thereafter, so long as any of the Notes are outstanding, the Company covenants that:

Section 9.1. Compliance with Laws. Without limiting **Section 10.6**, the Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, ERISA, Environmental Laws, the USA Patriot Act and the other laws and regulations that are referred to in **Section 5.16**, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.2. Insurance. The Company will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business, owning similar properties and located in the same general area as the Company and its Subsidiaries, except where any failure to maintain such insurance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; *provided, however*, that so long as no Event of Default hereunder shall have occurred and be continuing, the Company may self-insure by way of deductibles, through its captive insurance company, or otherwise, such amount as is customarily maintained on similar properties by companies of similar size and financial standing and having similar operations and to the extent consistent with prudent business practices.

Section 9.3. Maintenance of Properties. The Company will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times; *provided* that this **Section 9.3** shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is

desirable in the conduct of its business and the Company has concluded that such discontinuance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.4. Payment of Taxes and Claims. The Company will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent the same have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary; *provided* that neither the Company nor any Subsidiary need pay any such tax, assessment, charge, levy or claim if (a) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (b) the nonpayment of all such taxes, assessments, charges, levies and claims in the aggregate would not reasonably be expected to have a Material Adverse Effect.

Section 9.5. Legal Existence, Etc. Subject to **Section 10.3**, the Company will at all times preserve and keep in full force and effect its legal existence and the Company will at all times preserve and keep in full force and effect the legal existence of each of its Subsidiaries (unless merged into the Company or a Wholly-owned Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such legal existence, right or franchise would not, individually or in the aggregate, have a Material Adverse Effect.

Section 9.6. Notes to Rank Pari Passu. The Notes and all other obligations under this Agreement of the Company are and at all times shall rank at least *pari passu* in right of payment with all other present and future unsecured Indebtedness (actual or contingent) of the Company which is not expressed to be subordinate or junior in rank to any other unsecured Indebtedness of the Company.

Section 9.7. Books and Records. The Company will, and will cause each of its Subsidiaries to, maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over the Company, or such Subsidiary, as the case may be. The Company will keep books, records and accounts which, in reasonable detail, accurately reflect all transactions and dispositions of assets. The Company has devised a system of internal accounting controls sufficient to provide reasonable assurances that its books, records and accounts accurately reflect all transactions and dispositions of assets and the Company will, and will cause each of its Subsidiaries to, continue to maintain such system.

Section 10. NEGATIVE COVENANTS.

From the date of this Agreement until the Second Closing and thereafter, so long as any of the Notes are outstanding, the Company covenants that:

Section 10.1. Leverage Ratio. The Company will maintain a ratio of Consolidated Indebtedness to Consolidated Capital as of the last day of each March, June, September and December of not greater than 0.70 to 1.00.

Section 10.2. Limitation on Secured Debt. The Company shall not create or suffer to be created or to exist or permit any of its Subsidiaries to create or suffer to be created or to exist any additional mortgage, pledge, security interest, or other lien (collectively "*Liens*") on any utility properties or tangible assets now owned or hereafter acquired by the Company or its Subsidiaries to secure any Indebtedness for borrowed money ("*Secured Debt*"), without providing that the Notes will be similarly secured. This restriction does not prevent the creation or existence of:

- (a) Liens on property existing at the time of acquisition or construction of such property (or created within one year after completion of such acquisition or construction), whether by purchase, merger, construction or otherwise, or to secure the payment of all or any part of the purchase price or construction cost thereof, including the extension of any Liens to repairs, renewals, replacements, substitutions, betterments, additions, extensions and improvements then or thereafter made on the property subject thereto;
- (b) financing of the Company's accounts receivable for electric service;
- (c) any extensions, renewals or replacements (or successive extensions, renewals or replacements), in whole or in part, of Liens permitted by the foregoing clauses; and
- (d) the pledge of any bonds or other Securities at any time issued under any of the Secured Debt permitted by the above clauses.

In addition to the permitted issuances above, Secured Debt not otherwise so permitted may be issued in an amount that does not exceed 15% of Net Tangible Assets as defined below; *provided* that, notwithstanding the foregoing, in the event that at any time the Company provides a Lien to or for the benefit of the lenders under a Credit Facility or an agent on their behalf, then the Company will grant to and for the benefit of the holders of the Notes a similar first priority Lien (subject only to Liens otherwise permitted by this **Section 10.2**, and ranking *pari passu* with the Lien provided to or for the benefit of the lenders and/or the agent, as the case may be, under such Credit Facility), over the same assets, property and undertaking of the Company as those encumbered in respect of such Credit Facility, in form and substance satisfactory to the Required Holders with such security to be the subject of an intercreditor agreement among the lenders and/or the agent, as the case may be, under such Credit Facility or the agent on their behalf, as the case may be, and the holders of Notes, which shall be satisfactory in form and substance to the Required Holders.

"*Net Tangible Assets*" means the total of all assets (including revaluations thereof as a result of commercial appraisals, price level restatement or otherwise) appearing on the Company's balance sheet, net of applicable reserves and deductions, but excluding goodwill, trade names, trademarks, patents, unamortized debt discount, energy trading contracts, regulatory assets, deferred charges and all other like intangible assets (which term shall not be construed to

include such revaluations), less the aggregate of the Company's current liabilities appearing on such balance sheet.

This restriction also will not apply to or prevent the creation or existence of leases (operating or capital) made, or existing on property acquired, in the ordinary course of business.

Section 10.3. Mergers, Consolidations, Etc. The Company will not, and will not permit any Subsidiary to, consolidate with or be a party to a merger with any other Person, or sell, lease or otherwise dispose of all or substantially all of its assets; *provided that*:

(a) any Subsidiary may merge or consolidate with or into the Company or any Wholly-owned Subsidiary so long as in (i) any merger or consolidation involving the Company, the Company shall be the surviving or continuing corporation and (ii) in any merger or consolidation involving a Wholly-owned Subsidiary (and not the Company), the Wholly-owned Subsidiary shall be the surviving or continuing corporation or limited liability company;

(b) the Company may consolidate or merge with or into any other corporation or limited liability company if (i) the corporation or limited liability company which results from such consolidation or merger (the "*Surviving Person*") is organized under the laws of any state of the United States or the District of Columbia, (ii) the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes, according to their tenor, and the due and punctual performance and observance of all of the covenants in the Notes and this Agreement to be performed or observed by the Company are expressly assumed in writing by the Surviving Person pursuant to an agreement satisfactory to the Required Holders and the Surviving Person shall furnish to the holders of the Notes an opinion of counsel satisfactory to the Required Holders to the effect that the instrument of assumption has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of the Surviving Person enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles, and (iii) at the time of such consolidation or merger and immediately after giving effect thereto, no Default or Event of Default would exist;

(c) the Company may sell or otherwise dispose of all or substantially all of its assets to any Person for consideration which represents the fair market value of such assets (as determined in good faith by the Board of Directors of the Company) at the time of such sale or other disposition if (i) the acquiring Person (the "*Acquiring Person*") is a corporation or limited liability company organized under the laws of any state of the United States or the District of Columbia, (ii) the due and punctual payment of the principal of and premium, if any, and interest on all the Notes, according to their tenor, and the due and punctual performance and observance of all of the covenants in the Notes and in this Agreement to be performed or observed by the Company are expressly assumed in writing by the Acquiring Person pursuant to an agreement satisfactory to the Required Holders and the Acquiring Person shall furnish to the holders of the Notes an opinion of counsel satisfactory to the Required Holders to the effect that the instrument of

assumption has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of such Acquiring Person enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles, and (iii) at the time of such sale or disposition and immediately after giving effect thereto, no Default or Event of Default would exist.

Section 10.4. Transactions with Affiliates. The Company will not and will not permit any Subsidiary to enter into directly or indirectly any transaction or group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except in the ordinary course and pursuant to the reasonable requirements of the Company's or such Subsidiary's business.

Section 10.5. Line of Business. The Company will not and will not permit any Subsidiary to engage in any business if, as a result, the general nature of the business in which the Company and its Subsidiaries, taken as a whole, would then be engaged would be substantially changed from the general nature of the business in which the Company is engaged on the date of this Agreement as described in the Memorandum.

Section 10.6. Terrorism Sanctions Regulations. The Company will not and will not permit any Controlled Entity (a) to become (including by virtue of being owned or controlled by a Blocked Person), own or control a Blocked Person or any Person that is the target of sanctions imposed by the United Nations or by the European Union, or (b) directly or indirectly to have any investment in or engage in any dealing or transaction (including, without limitation, any investment, dealing or transaction involving the proceeds of the Notes) with any Person if such investment, dealing or transaction (i) would cause any Purchaser or holder to be in violation of any law or regulation applicable to such holder, or (ii) is prohibited by or subject to sanctions under any U.S. Economic Sanctions, or (c) to engage, nor shall any Affiliate of either engage, in any activity that could subject such Person or any Purchaser or holder to sanctions under CISADA or any similar law or regulation with respect to Iran or any other country that is subject to U.S. Economic Sanctions.

Section 11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

- (a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or
- (b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or
- (c) the Company defaults in the performance of or compliance with any term contained in **Section 7.1(d)** or **Sections 10.1** through **10.3**; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in **Sections 11(a), (b) and (c)**) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a “notice of default” and to refer specifically to this **Section 11(d)**); or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) any event shall occur or condition shall exist under any agreement or instrument relating to Indebtedness of the Company or any Subsidiary (but excluding Indebtedness outstanding hereunder) outstanding in a principal or notional amount of at least \$50,000,000 in the aggregate if the effect of such event or condition is to accelerate or require early termination of the maturity or tenor of such Indebtedness, or any such Indebtedness shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), terminated, purchased or defeased, or an offer to prepay, redeem, purchase or defease such Indebtedness shall be required to be made, in each case prior to the stated maturity or the original tenor thereof; or

(g) the Company or any Significant Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Significant Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Significant Subsidiaries, or any such petition shall be filed against the Company or any of its Significant Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) any judgment or order for the payment of money in excess of \$50,000,000 to the extent not paid or insured shall be rendered against the Company or any Subsidiary and either (i) enforcement proceedings shall have been commenced by any creditor upon

such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(j) if (i) any Plan which is a pension plan within the meaning of section 3(2) of ERISA shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate “amount of unfunded benefit liabilities” (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed an amount that would reasonably be expected to have a Material Adverse Effect, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability with respect to any Plan pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect.

As used in **Section 11(j)**, the terms “employee benefit plan” and “employee welfare benefit plan” shall have the respective meanings assigned to such terms in section 3 of ERISA.

Section 12. REMEDIES ON DEFAULT, ETC.

Section 12.1. Acceleration. (a) If an Event of Default with respect to the Company described in **Section 11(g)** or **(h)** (other than an Event of Default described in clause (i) of **Section 11(g)** or described in clause (vi) of **Section 11(g)**) by virtue of the fact that such clause encompasses clause (i) of **Section 11(g)**) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 50% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in **Section 11(a)** or **(b)** has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this **Section 12.1**, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (i) all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon at the applicable Default Rate) and (ii) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for), and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2. Other Remedies. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under **Section 12.1**, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section 12.3. Rescission. At any time after any Notes have been declared due and payable pursuant to **Section 12.1(b)** or **(c)**, the holders of not less than 51% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the applicable Default Rate, (b) neither the Company nor any other Person shall have paid any amounts which have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to **Section 17**, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this **Section 12.3** will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4. No Waivers or Election of Remedies, Expenses, Etc. No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under **Section 15**, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this **Section 12**, including, without limitation, reasonable attorneys' fees, expenses and disbursements of one special counsel for all holders of the Notes.

Section 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 13.1. Registration of Notes. The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. If any holder of one or more Notes is a nominee, then (a) the name and address of the beneficial owner of such Note or Notes shall also be registered in such register as an owner and holder thereof and (b) at any such beneficial owner's option, either such beneficial owner or its nominee may execute any amendment, waiver or consent pursuant to this Agreement. Prior to due presentment for registration of transfer, the Person(s) in whose name any Note(s) shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2. Transfer and Exchange of Notes. Upon surrender of any Note to the Company at the address and to the attention of the designated officer (all as specified in **Section 18(iii)**) for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within ten Business Days thereafter, the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, of the same series and in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of **Exhibit 1-A** or **Exhibit 1-B**, as applicable. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than \$100,000; *provided* that if necessary to enable the registration of transfer by a holder of its entire holding of Notes of a series, one Note of such series may be in a denomination of less than \$100,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in **Section 6.2**.

Section 13.3. Replacement of Notes. Upon receipt by the Company at the address and to the attention of the designated officer (all as specified in **Section 18(iii)**) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (*provided* that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least

\$50,000,000 or a Qualified Institutional Buyer, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

within ten Business Days thereafter, the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

Section 14. PAYMENTS ON NOTES.

Section 14.1. Place of Payment. Subject to **Section 14.2**, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the principal office of Citibank N.A. in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

Section 14.2. Home Office Payment. So long as any Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in **Section 14.1** or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, interest and all other amounts becoming due hereunder by the method and at the address specified for such purpose below such Purchaser's name in **Schedule A**, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to **Section 14.1**. The Company will make such payments in immediately available funds, no later than 11:00 a.m. New York time on the date due. If for any reason whatsoever the Company does not make any such payment by such 11:00 a.m. transmittal time, such payment shall be deemed to have been made on the next following Business Day and such payment shall bear interest at the Default Rate set forth in the Note. Prior to any sale or other disposition of any Note held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes of the same series pursuant to **Section 13.2**. The Company will afford the benefits of this **Section 14.2** to any Institutional Investor that is the direct or indirect transferee of any Note purchased by a Purchaser under this Agreement and that has made the same agreement relating to such Note as the Purchasers have made in this **Section 14.2**.

Section 15. EXPENSES, ETC.

Section 15.1. Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable

attorneys' fees of a special counsel and, if reasonably required by the Required Holders, local or other counsel) incurred by the Purchasers and each other holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. In the event that any such invoice is not paid within 30 Business Days after the Company's receipt thereof, interest on the amount of such invoice shall be due and payable at the Default Rate commencing with the 31st Business Day after the Company's receipt thereof until such invoice has been paid. The Company will pay, and will save each Purchaser and each other holder of a Note harmless from, (i) all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Notes) and (ii) any and all wire transfer fees that any bank deducts from any payment under such Note to such holder or otherwise charges to a holder of a Note with respect to a payment under such Note.

Section 15.2. Survival. The obligations of the Company under this **Section 15** will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

Section 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

Section 17. AMENDMENT AND WAIVER.

Section 17.1. Requirements. This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), only with the written consent of the Company and the Required Holders, except that:

(a) no amendment or waiver of any of **Sections 1, 2, 3, 4, 5, 6** or **21** hereof, or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing; and

(b) no amendment or waiver may, without the written consent of each Purchaser and the holder of each Note at the time outstanding, (i) subject to **Section 12** relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of (x) interest on the Notes or (y) the Make Whole Amount (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any amendment or waiver or the principal amount of a Note that the Purchasers are to purchase pursuant to **Section 2** upon the satisfaction of the conditions to a Closing that appear in **Section 4**; or (iii) amend any of **Sections 8** (except as set forth in the second sentence of **Section 8.2** and **11(a), 11(b), 12, 17** or **20**.

Section 17.2. Solicitation of Holders of Notes.

(a) *Solicitation.* The Company will provide each Purchaser and holder of the Notes (irrespective of the amount or series of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such Purchaser and such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this **Section 17** to each Purchaser and each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite Purchasers or holders of Notes.

(b) *Payment.* The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any Purchaser or holder of any series of Notes as consideration for or as an inducement to the entering into by such Purchaser or holder of Notes of any waiver or amendment of any of the terms and provisions hereof or of any Note unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each Purchaser and holder of each series of Notes then outstanding even if such Purchaser or holder did not consent to such waiver or amendment.

(c) *Consent in Contemplation of Transfer.* Any consent made pursuant to this **Section 17.2** by the holder of any Note of any series that has transferred or has agreed to transfer such Note to the Company or any Affiliate of the Company and has provided or has agreed to provide such written consent as a condition to such transfer shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Notes that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such transferring holder.

Section 17.3. Binding Effect, Etc. Any amendment or waiver consented to as provided in this **Section 17** applies equally to all Purchasers and holders of each series of Notes and is binding upon them and upon each future holder of any Note of any series and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and any Purchaser or holder of any Note of any series nor any delay in exercising any rights hereunder or under any Note of any series shall operate as a waiver of any rights of any Purchaser or holder of such Note.

Section 17.4. Notes Held by Company, Etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

Section 18. NOTICES.

Except to the extent otherwise provided in Section 7.4, all notices and communications provided for hereunder shall be in writing and sent (a) by telefacsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

- (i) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in **Schedule A**, or at such other address as such Purchaser or nominee shall have specified to the Company in writing,
- (ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or
- (iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Treasurer, with a copy to the attention of the General Counsel at the same address as above and Facsimile No.: 614-716-1687, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this **Section 18** will be deemed given only when actually received.

Section 19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital or other

similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This **Section 19** shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

Section 20. CONFIDENTIAL INFORMATION.

For the purposes of this **Section 20**, “*Confidential Information*” means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company or such Subsidiary; *provided* that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any Person acting on such Purchaser’s behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under **Section 7.1** that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser; *provided* that such Purchaser may deliver or disclose Confidential Information to (i) its directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this **Section 20**, (iii) any other holder of any Note, (iv) any Institutional Investor to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this **Section 20**), (v) any Person from which it offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this **Section 20**), (vi) any federal, state or provincial regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser’s investment portfolio or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser’s Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this **Section 20** as though it were a party to this Agreement.

On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this **Section 20**.

In the event that as a condition to receiving access to information relating to the Company or its Subsidiaries in connection with the transactions contemplated by or otherwise pursuant to this Agreement, any Purchaser or holder of a Note is required to agree to a confidentiality undertaking (whether through IntraLinks, another secure website, a secure virtual workspace or otherwise) which is different from this Section 20, this Section 20 shall not be amended thereby and, as between such Purchaser or such holder and the Company, this Section 20 shall supersede any such other confidentiality undertaking.

Section 21. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of its Affiliates as the purchaser of the Notes that it has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in **Section 6**. Upon receipt of such notice, any reference to such Purchaser in this Agreement (other than in this **Section 21**) shall be deemed to refer to such Affiliate in lieu of such original Purchaser. In the event that such Affiliate is so substituted as a Purchaser hereunder and such Affiliate thereafter transfers to such original Purchaser all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, any reference to such Affiliate as a "Purchaser" in this Agreement (other than in this **Section 21**) shall no longer be deemed to refer to such Affiliate, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original holder of the Notes under this Agreement.

Section 22. MISCELLANEOUS.

Section 22.1. Successors and Assigns. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 22.2. Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding (but without limiting the requirement in **Section 8.5** that the notice of any prepayment specify a Business Day as the date fixed for such prepayment), any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; *provided* that if the maturity date of any Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

Section 22.3. Accounting Terms. (a) All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made in accordance with GAAP and (ii) all financial statements shall be prepared in accordance with GAAP. For purposes of determining compliance with the financial covenants contained in this Agreement, any election by the Company to measure an item of Indebtedness using fair value (as permitted by Accounting Standard Codification Topic No. 825-10-25 – Fair Value Option or any similar accounting standard) shall be disregarded and such determination shall be made as if such election had not been made.

(b) Notwithstanding the foregoing, if the Company notifies the holders of Notes that, in the Company's reasonable opinion, or if the Required Holders notify the Company that, in the Required Holders' reasonable opinion, as a result of a change in GAAP after the date of this Agreement, any covenant contained in **Section 10.1** through **10.6**, or any of the defined terms used therein no longer apply as intended such that such covenants are materially more or less restrictive to the Company than as at the date of this Agreement, the Company shall negotiate in good faith with the holders of Notes to make any necessary adjustments to such covenant or defined term to provide the holders of the Notes with substantially the same protection as such covenant provided prior to the relevant change in GAAP. Until the Company and the Required Holders so agree to reset, amend or establish alternative covenants or defined terms, (i) the covenants contained in **Section 10.1** through **10.6**, together with the relevant defined terms, shall continue to apply and compliance therewith shall be determined on the basis of GAAP in effect at the date of this Agreement and (ii) each set of financial statements delivered to holders of Notes pursuant to **Section 7.1(a)** or **(b)** during such time shall include detailed reconciliations reasonably satisfactory to the Required Holders as to the effect of such change in GAAP.

Section 22.4. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.5. Construction, Etc. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

For the avoidance of doubt, all Schedules and Exhibits attached to this Agreement shall be deemed to be a part hereof.

Section 22.6. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one

instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 22.7. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

Section 22.8. Jurisdiction and Process; Waiver of Jury Trial. (a) The Company irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company consents to process being served by or on behalf of any holder of Notes in any suit, action or proceeding of the nature referred to in **Section 22.8(a)** by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in **Section 18** or at such other address of which such holder shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this **Section 22.8** shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) The parties hereto hereby waive trial by jury in any action brought on or with respect to this Agreement, the Notes or any other document executed in connection herewith or therewith.

* * * * *

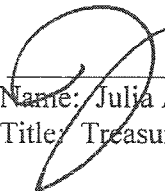
Kentucky Power Company

Note Purchase Agreement

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

KENTUCKY POWER COMPANY

By  _____
Name: Julia A. Sloat
Title: Treasurer

SCHEDULE B

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

“*Acquiring Person*” is defined in **Section 10.3(c)**.

“*AEP*” means American Electric Power Company, Inc., a New York corporation.

“*Affiliate*” means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and with respect to the Company, shall include any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Person of which the Company beneficially owns or holds, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, “*Control*” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an “*Affiliate*” is a reference to an Affiliate of the Company.

“*Agreement*” means this Agreement, including all Schedules and Exhibits attached to this Agreement, as it may be amended, restated, supplemented or otherwise modified from time to time.

“*Anti-Corruption Laws*” is defined in **Section 5.16(d)(1)**.

“*Anti-Money Laundering Laws*” is defined in **Section 5.16(c)**.

“*Blocked Person*” is defined in **Section 5.16(a)**.

“*Business Day*” means (a) for the purposes of **Section 8.7** only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York or Columbus, Ohio are required or authorized to be closed.

“*Capital Lease*” means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

“*Change in Control*” is defined in **Section 8.3(g)**.

“*Change in Control Prepayment Event*” is defined in **Section 8.3(g)**.

“*CISADA*” is defined in **Section 5.16(a)**.

“*Closing*” is defined in **Section 3**.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

“*Company*” means Kentucky Power Company, a Kentucky corporation, and any successor that becomes such in the manner prescribed in **Section 10.3**.

“*Confidential Information*” is defined in **Section 20**.

“*Consolidated Capital*” means the sum of (a) Consolidated Indebtedness and (b) the consolidated equity of all classes of stock (whether common, preferred, mandatorily convertible preferred or preference) of the Company, in each case determined in accordance with GAAP, but including Equity-Preferred Securities issued by the Company and its Subsidiaries.

“*Consolidated Indebtedness*” means the total principal amount of all Indebtedness described in clauses (a) through (e) of the definition of Indebtedness and Guaranties of such Indebtedness of the Company and its Subsidiaries, excluding, however, (a) Stranded Cost Recovery Bonds, (b) Equity-Preferred Securities not to exceed 10% of Consolidated Capital (calculated for purposes of this clause without reference to any Equity-Preferred Securities), and (c) any Indebtedness of the Company to any Subsidiary of the Company and any Indebtedness of such Subsidiary of the Company to the Company.

“*Control Event*” is defined in **Section 8.3(g)**.

“*Controlled Entity*” means (i) any of the Subsidiaries of the Company and any of their or the Company’s respective Controlled Affiliates and (ii) if the Company has a parent company, such parent company and its Controlled Affiliates. As used in this definition, “*Control*” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“*Corporate Credit Rating*” is defined in **Section 8.3(g)**.

“*Credit Facility*” means any credit, revolving loan, note or other like agreement between the Company and one or more lenders or purchasers with the commitment from such lenders or purchasers to extend credit thereunder to the Company not being less than \$50,000,000.

“*Default*” means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

“*Default Rate*” means with respect to a series of Notes, that rate of interest per annum that is the greater of (i) 1% above the rate of interest stated in clause (a) of the first paragraph of the Notes of such series or (ii) 1% over the rate of interest publicly announced by Citibank N.A. in New York, New York as its “base” or “prime” rate.

“*Disclosure Documents*” is defined in **Section 5.3**.

“*Electronic Delivery*” is defined in **Section 7.4**.

“*Environmental Laws*” means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to Hazardous Materials.

“*Equity-Preferred Securities*” shall mean (a) debt or preferred securities that are mandatorily convertible or mandatorily exchangeable into common shares of the Company and (b) any other securities, however denominated, including but not limited to trust originated preferred securities, (i) issued by the Company or any of its consolidated Subsidiaries, (ii) that are not subject to mandatory redemption or the underlying securities, if any, of which are not subject to mandatory redemption, (iii) that are perpetual or mature no less than 30 years from the date of issuance, (iv) the indebtedness issued in connection with which, including any guaranty, is subordinate in right of payment to the unsecured and unsubordinated indebtedness of the issuer of such indebtedness or guaranty, and (v) the terms of which permit the deferral of the payment of interest or distributions thereon to a date occurring after the maturity date of the Notes.

“*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“*ERISA Affiliate*” means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code or under other applicable law.

“*Event of Default*” is defined in **Section 11**.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“*First Closing*” is defined in Section 3.

“*GAAP*” means generally accepted accounting principles as in effect from time to time in the United States of America.

“*Governmental Authority*” means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

“*Governmental Official*” means any governmental official or employee, employee of any government-owned or government-controlled entity, political party, any official of a political party, candidate for political office, official of any public international organization or anyone else acting in an official capacity.

“*Guaranty*” of any Person means any obligation, contingent or otherwise, of such Person (a) to pay any Indebtedness of any other Person or (b) incurred in connection with the issuance by a third person of a Guaranty of Indebtedness of any other Person (whether such obligation arises by agreement to reimburse or indemnify such third Person or otherwise).

“*Hazardous Materials*” means any and all pollutants, toxic or hazardous wastes or any other substances, including all substances listed in or regulated in any Environmental Law that might pose a hazard to health and safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, regulated, prohibited or penalized by any applicable law including, but not limited to, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances.

“*holder*” means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to **Section 13.1**, *provided, however*, that if such Person is a nominee, then for the purposes of **Sections 7, 12, 17.2** and **18** and any related definitions in this **Schedule B**, “*holder*” shall mean the beneficial owner of such Note whose name and address appears in such register.

“*Indebtedness*” with respect to any Person means, at any time, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than trade payables not overdue by more than 60 days incurred in the ordinary course of such Person’s business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of such Person as lessee under leases that have been, in accordance with GAAP, recorded as Capital Leases, (e) all obligations of such Person in respect of reimbursement agreements with respect to acceptances, letters of credit (other than trade letters of credit) or similar extensions of credit, (f) all Guaranties, (g) all reasonably quantifiable obligations under indemnities or under support or capital contribution agreements, and other reasonably quantifiable obligations (contingent or otherwise) to purchase or otherwise to assure a creditor against loss in respect of, or to assure an obligee against loss in respect of, all Indebtedness of others referred to in clauses (a) through (f) above guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (i) to pay or purchase such Indebtedness or to advance or supply funds for the payment or purchase of such Indebtedness, (ii) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Indebtedness or to assure the holder of such Indebtedness against loss, (iii) to

supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (iv) otherwise to assure a creditor against loss.

“Institutional Investor” means (a) any purchaser of a Note, (b) any holder of a Note holding (together with one or more of its affiliates) more than 5% of the aggregate principal amount of the Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

“Investment Grade” is defined in **Section 8.3(g)**.

“Liens” is defined in **Section 10.2**.

“Make-Whole Amount” is defined in **Section 8.7**.

“Margin Stock” shall have the meaning specified Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221).

“Material” means material in relation to the business, condition (financial or otherwise) or operations of the Company and its Subsidiaries taken as a whole.

“Material Adverse Effect” means a material adverse effect on (a) the business, condition (financial or otherwise) or operations of the Company and its Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

“Memorandum” is defined in **Section 5.3**.

“Multiemployer Plan” means any Plan that is a “multiemployer plan” (as such term is defined in section 4001(a)(3) of ERISA).

“NAIC” means the National Association of Insurance Commissioners or any successor thereto.

“Negative Rating Event” is defined in Section 8.3(g).

“Net Tangible Assets” is defined in **Section 10.2**.

“Notes” is defined in **Section 1**.

“OFAC” is defined in **Section 5.16(a)**.

“OFAC Listed Person” is defined in **Section 5.16(a)**.

“OFAC Sanctions Program” means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.

“*Officer’s Certificate*” means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

“*PBGC*” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

“*Person*” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

“*Plan*” means an “employee benefit plan” (as defined in section 3(3) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

“*property*” or “*properties*” means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

“*Proposed Prepayment Date*” is defined in **Section 8.3(c)**.

“*PTE*” is defined in **Section 6.2(a)**.

“*Purchaser*” or “*Purchasers*” means each of the purchasers that has executed and delivered this Agreement to the Company and such Purchaser’s successors and assigns (so long as any such assignment complies with Section 13.2); *provided, however*, that any Purchaser of a Note that ceases to be the registered holder or a beneficial owner (through a nominee) of such Note as the result of a transfer thereof pursuant to Section 13.2 shall cease to be included within the meaning of “Purchaser” of such Note for the purposes of this Agreement upon a transfer.

“*QPAM Exemption*” is defined in **Section 6.2(d)**.

“*Qualified Institutional Buyer*” means any Person who is a “qualified institutional buyer” within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

“*Rated Securities*” is defined in **Section 8.3(g)**.

“*Rating Agency*” is defined in **Section 8.3(g)**.

“*Rating Downgrade*” is defined in **Section 8.3(g)**.

“*Related Fund*” means, with respect to any holder of any Note, any fund or entity that (a) invests in Securities or bank loans, and (b) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

“*Required Holders*” means, (a) prior to the Second Closing, the Purchasers and (b) at any time after the Second Closing, the holders of at least 51% in principal amount of the Notes (exclusive of Notes then owned by the Company or any of its Affiliates).

“*Responsible Officer*” means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

“*SEC*” means the Securities and Exchange Commission of the United States, or any successor thereto.

“*Second Closing*” is defined in Section 3.

“*Secured Debt*” is defined in **Section 10.2**.

“*Securities*” or “*Security*” shall have the same meaning as in Section 2(1) of the Securities Act.

“*Securities Act*” means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“*Senior Financial Officer*” means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

“*Series A Notes*” is defined in **Section 1**.

“*Series B Notes*” is defined in **Section 1**.

“*Significant Subsidiary*” means, at any time, any Subsidiary of the Company that constitutes at such time a “significant subsidiary” of AEP, as such term is defined in Regulation S-X of the SEC as in effect on the date hereof (17 C.F.R. Part 210); *provided, however*, that “total assets” as used in Regulation S-X shall not include securitization transition assets on the balance sheet of any Subsidiary resulting from the issuance of transition bonds or other asset backed securities of a similar nature.

“*Stranded Cost Recovery Bonds*” means securities, however denominated, that are issued by the Company or any Subsidiary of the Company that are (a) non-recourse to the Company and its Significant Subsidiaries (other than for failure to collect and pay over the charges referred to in clause (b) below) and (b) payable solely from transition or similar charges authorized by law (including, without limitation, any “financing order”, as such term is defined in the Texas Utilities Code) to be invoiced to customers of any Subsidiary of the Company or to retail electric providers.

“*Subsidiary*” means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a “Subsidiary” is a reference to a Subsidiary of the Company.

“*Surviving Person*” is defined in **Section 10.3(b)**.

“*SVO*” means the Securities Valuation Office of the NAIC or any successor to such Office.

“*U.S. Economic Sanctions*” is defined in **Section 5.16(a)**.

“*USA Patriot Act*” means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“*Voting Stock*” means Securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect the corporate directors (or Persons performing similar functions).

“*Wholly-owned Subsidiary*” means, at any time, any Subsidiary one hundred percent (100%) of all of the equity interests (except directors’ qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company’s other Wholly-owned Subsidiaries at such time.

SCHEDULE 5.3

DISCLOSURE MATERIALS

Kentucky Power Company 2011 Annual Report

Kentucky Power Company 2012 Annual Report

Kentucky Power Company 2013 Annual Report

Kentucky Power Company 2014 First Quarter Report

SCHEDULE 5.4

DIRECTORS AND SENIOR OFFICERS OF THE COMPANY

Directors:

Name:

Akins, Nicholas K.
Barton, Lisa M.
Feinberg, David M.
Hillebrand, Lana L
McCullough, Mark C.
Powers, Robert P.
Tierney, Brian X.
Welch, Dennis E.

Officers:

Name

Title

| | |
|--------------------|---|
| Nicholas K. Akins | Chairman of the Board & Chief Executive Officer |
| Gregory G. Pauley | President & Chief Operating Officer |
| Lisa M. Barton | Vice President |
| Bruce Evans | Vice President |
| Ronald K. Ford | Vice President-Regulatory & Finance |
| Lana L. Hillebrand | Vice President |
| Timothy K. Light | Vice President |
| Mark C. McCullough | Vice President |
| Robert P. Powers | Vice President |
| Mark A. Pyle | Vice President-Tax |

| | |
|----------------------|--|
| Julio C. Reyes | Vice President-External Affairs |
| Scott N. Smith | Vice President |
| Brian X. Tierney | Vice President & Chief Financial Officer |
| Dennis E. Welch | Vice President |
| Joseph M. Buonaiuto | Controller & Chief Accounting Officer |
| David M. Feinberg | Secretary |
| Julia A. Sloat | Treasurer |
| F. Scott Travis | Assistant Controller |
| Julie Williams | Assistant Controller |
| Thomas G. Berkemeyer | Assistant Secretary |
| Jeffrey D. Cross | Assistant Secretary |
| Renee V. Hawkins | Assistant Treasurer |

SCHEDULE 5.5

FINANCIAL STATEMENTS

Statements of Income for the Years Ended December 31, 2013, 2012 and 2011

Statements of Changes in Common Shareholder's Equity and Comprehensive Income (Loss) for the Years Ended December 31, 2013, 2012 and 2011

Balance Sheets December 31, 2013, 2012 and 2011

Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011

Unaudited Statements of Income for the Three Months Ended March 31, 2014 and 2013

Unaudited Statements of Changes in Common Shareholder's Equity and Comprehensive Income (Loss) for the Three Months Ended March 31, 2014 and 2013

Unaudited Balance Sheets March 31, 2014 and 2013

Unaudited Statements of Cash Flows for the Three Months Ended March 31, 2014 and 2013

Schedule 5.12(b)

Funding Target Attainment

For each of the Plans which is a pension plan within the meaning of Section 3(2) of ERISA (other than Multiemployer Plans) that is subject to the funding requirements of Section 302 of ERISA or Section 412 of the Code, the funding target attainment percentage as of January 1, 2013, determined on the basis of the actuarial assumptions specified for funding purposes in such Plan's actuarial valuation report for the plan year beginning January 1, 2013, is:

- For the American Electric Power System Retirement Plan: 100.16%

Schedule 5.12(d)

2013 Accumulated Post Retirement Benefit Obligation

There is no unfunded accumulated post-retirement benefit obligation (APBO) of the Company as determined as of December 31, 2013, in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 715-60 for retiree medical and life insurance plans, without regard to liabilities attributable to continuation coverage mandated by Section 4980B of the Code, as there is a net surplus position.

SCHEDULE 5.15

EXISTING INDEBTEDNESS

The following details long-term debt outstanding at July 10, 2014:

| TYPE OF DEBT | MATURITY | INTEREST RATES AT JULY 10, 2014 | BALANCE AT JULY 10, 2014 (a) |
|--|----------|---------------------------------------|------------------------------------|
| Senior Unsecured Notes, Series D | 2032 | 5.625% | \$75,000 |
| Senior Unsecured Notes, Series E | 2017 | 6.000% | \$325,000 |
| Senior Unsecured Notes, Series A | 2021 | 7.250% | \$40,000 |
| Senior Unsecured Notes, Series B | 2029 | 8.030% | \$30,000 |
| Senior Unsecured Notes, Series C | 2039 | 8.130% | \$60,000 |
| Term Loan Debt | 2015 | Floating | 200,000 |
| Unamortized Premium (Discount) as of May 31, 2014 | | | (\$541,856) |
| Total Non-Affiliated Debt | | | \$729,458 |
| Intercompany Notes | 2015 | 5.250% | \$20,000 |
| Total Long-term Debt | | | \$749,458 |
| Less: Long-term Debt Due Within One Year | | | <u>(\$200,000)</u> |
| Long-term Debt | | | <u>\$549,548</u> |

(a) Balance at July 10, 2014 in thousands

Short-term debt as of June 30, 2013 was \$0.

SCHEDULE 5.15
(to Note Purchase Agreement)

EXHIBIT 1-A

FORM OF SERIES A NOTE

This Note has not been registered under the Securities Act of 1933, as amended, and may not be transferred, sold or otherwise disposed of except while registration under said Act is in effect or pursuant to an exemption from registration under said Act or if said Act does not apply.

KENTUCKY POWER COMPANY

4.18% Senior Note, Series A, due September 30, 2026

No. _____
\$ _____

[Date]
PPN 491386 D*6

FOR VALUE RECEIVED, the undersigned, KENTUCKY POWER COMPANY (herein called the "*Company*"), a corporation organized and existing under the laws of the State of Kentucky, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS (or so much thereof as shall not have been prepaid) on September 30, 2026, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid balance hereof at the rate of (a) 4.18% per annum from the date hereof, payable semiannually, on the 30th day of March and September in each year, commencing with the March 30 or September 30 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment of interest and, during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the greater of (i) 5.18% or (ii) 1% over the rate of interest publicly announced by Citibank N.A. from time to time in New York, New York as its "base" or "prime" rate payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at Citibank, N.A. in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the "*Notes*"), issued pursuant to the Note Purchase Agreement, dated as of July 10, 2014 (as from time to time amended, the "*Note Purchase Agreement*"), among the Company and the Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in **Section 20** of the Note Purchase Agreement and (ii) made the representation set forth in **Section 6.2** of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney

EXHIBIT 1-A
(to Note Purchase Agreement)

duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would permit application of the laws of a jurisdiction other than such State.

KENTUCKY POWER COMPANY

By _____
Title:

EXHIBIT 1-B

FORM OF SERIES B NOTE

This Note has not been registered under the Securities Act of 1933, as amended, and may not be transferred, sold or otherwise disposed of except while registration under said Act is in effect or pursuant to an exemption from registration under said Act or if said Act does not apply.

KENTUCKY POWER COMPANY

4.33% Senior Note, Series B, due December 30, 2026

No. [_____]
 \$[_____]

[Date]
 PPN 491386 D@4

FOR VALUE RECEIVED, the undersigned, KENTUCKY POWER COMPANY (herein called the "*Company*"), a corporation organized and existing under the laws of the State of Kentucky, hereby promises to pay to [_____] , or registered assigns, the principal sum of [_____] DOLLARS (or so much thereof as shall not have been prepaid) on December 30, 2026, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid balance hereof at the rate of (a) 4.33% per annum from the date hereof, payable semiannually, on the 30th day of June and December in each year, commencing with the June 30 or December 30 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment of interest and, during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the greater of (i) 5.33% or (ii) 1% over the rate of interest publicly announced by Citibank N.A. from time to time in New York, New York as its "base" or "prime" rate payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at Citibank, N.A. in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the "*Notes*") issued pursuant to the Note Purchase Agreement, dated as of July 10, 2014 (as from time to time amended, the "*Note Purchase Agreement*"), among the Company and the Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in **Section 20** of the Note Purchase Agreement and (ii) made the representation set forth in **Section 6.2** of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written

EXHIBIT 1-B
(to Note Purchase Agreement)

instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would permit application of the laws of a jurisdiction other than such State.

KENTUCKY POWER COMPANY

By _____
Title

EXHIBIT 4.4(a)

**FORM OF OPINION OF COUNSEL
TO THE COMPANY**

To the Parties listed
On the Attached Schedule

_____, 2014

Re: Kentucky Power Company

Ladies and Gentlemen:

I am Deputy General Counsel in the Legal Department of American Electric Power Service Corporation, a New York corporation (“AEPSC”) and subsidiary of American Electric Power Company, Inc. (“AEP”) and an affiliate of Kentucky Power Company, a Kentucky corporation (“KPC”), and have acted as counsel to KPC, in connection with (i) the execution and delivery of the Note Purchase Agreement, dated as of July 10, 2014 (the “Note Purchase Agreement”) among KPC and you, as purchasers (each, a “Purchaser” and, collectively, the “Purchasers”); and (ii) the execution and delivery by KPC of (a) \$120,000,000 aggregate principal amount of the Company’s 4.18% Senior Notes, Series A, due September 30, 2026, and (b) \$80,000,000 aggregate principal amount of the Company’s 4.33% Senior Notes, Series B, due December 30, 2026 (collectively, the “Notes”, and together with the Note Purchase Agreement, the “Operative Agreements”). Capitalized terms not otherwise defined herein shall have the meanings specified in Schedule B to the Note Purchase Agreement.

I, or attorneys over whom I exercise supervision, have examined executed counterparts of the Operative Agreements, Certificate of KeyBanc Capital Markets Inc. and RBS Securities Inc., dated the date hereof (the “Certificate”), delivered in connection with the Operative Agreements certifying that the Notes have been offered only to a limited number of institutional investors, and have also examined originals or copies of such agreements and other instruments and records, certificates of public officials and of officers of the KPC and such other documents and instruments as I have deemed relevant and necessary as a basis for the opinions expressed below. In making such examination, I, or attorneys over whom I exercise supervision, have assumed without investigation, the legal capacity of all natural persons, the genuineness of signatures (other than signatures on behalf of KPC), the authenticity, accuracy, and completeness of all documents submitted to me as originals and the conformity to original documents of all documents submitted to me as certified, photostatic or facsimile copies. I, or attorneys over whom I exercise supervision, have further assumed that each document furnished by a Governmental Authority is accurate, complete and authentic and all official records are accurate and complete.

In connection with the opinions rendered herein, I have relied (where such reliance is reasonable but without independent inquiry) upon the representations of the parties made in the Operative

EXHIBIT 4.4(a)
(to Note Purchase Agreement)

Agreements, and upon certificates of KPC or of its officers, and on certificates of public officials.

I have assumed, with your permission and without investigation, the due execution and delivery of the Note Purchase Agreement by each party thereto (other than KPC).

Based on the foregoing and having due regard for such legal considerations as I deem relevant, and subject to the further qualifications, limitations, exceptions and assumptions hereinafter set forth, I am of the opinion that:

1. KPC is a corporation duly organized, legally existing and in good standing under the laws of the Commonwealth of Kentucky, and KPC has full right, power and authority to enter into and perform the Operative Agreements. KPC is duly authorized to conduct its business in each jurisdiction in which it operates and is duly qualified and is in good standing as a foreign corporation in each jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary except where the failure to be so qualified will not have a material adverse effect on the business, properties or condition (financial or otherwise) of KPC.

2. The Operative Agreements have been duly authorized, executed and delivered by KPC and constitute legal, valid and binding obligations, contracts and agreements of KPC enforceable in accordance with their terms.

3. No approval, consent or authorization on the part of any regulatory body, Federal, state or local, is necessary as a condition to the lawful execution and delivery by KPC of the Operative Agreements, except for authorizations or approvals (i) as have already been obtained by KPC, are in full force and effect, have not been revoked or amended, are not the subject of any pending or, to the best of my knowledge, threatened attack on appeal or by direct proceedings or otherwise, (ii) as may be required under state securities or Blue Sky laws in connection with the purchase of the Notes by the Purchasers and (iii) as are not required to be made until after closing of the purchase and sale of the Notes.

4. The execution, delivery and performance by KPC of the Operative Agreements will not violate any provisions of any Kentucky or Federal statutes, laws, rules or regulations or any order or decree of any court or governmental authority or agency and will not conflict with nor result in any breach of any of the provisions of, or constitute a default under, or result in the creation of any lien upon any property of KPC under the provisions of any agreement, charter, instrument, by-law or other instrument to which KPC is a party or by which it may be bound.

5. (i) Assuming (a) the accuracy of the representations of the Purchasers set forth in Section 6 of the Note Purchase Agreement and (b) the accuracy of the representations made in the Certificate, the offer, sale and delivery of the Notes to the Purchasers in the manner contemplated by the Note Purchase Agreement constitute exempted transactions under the registration provisions of the Securities Act of 1933 and do not require any registration thereof under the Securities Act of 1933 (it being understood that I express no opinion as to any subsequent resale of any Notes).

EXHIBIT 4.4(a)
(to Note Purchase Agreement)

6. KPC is not an “investment company” or a company “controlled” by an “investment company” under the Investment Company Act of 1940, as amended.

7. The issuance of the Notes and the use of the proceeds of the sale of the Notes in accordance with the provisions of and contemplated by the Note Purchase Agreement do not violate or conflict with Regulation T, U or X of the Board of Governors of the Federal Reserve System.

8. Except as disclosed in the Annual Report for the year ended December 31, 2013 and the Quarterly Report dated March 31, 2014, there are no proceedings pending or, to my knowledge after due inquiry, threatened, against or affecting KPC in any court or before any governmental authority or arbitration board or tribunal which if adversely determined would individually or in the aggregate materially and adversely affect the business or properties of KPC or the ability of KPC to perform its obligations under the Operative Agreements.

9. In any action or proceeding arising out of or relating to the Notes and the Note Purchase Agreement in any court of the Commonwealth of Kentucky or in any Federal court sitting in the Commonwealth of Kentucky, such court would recognize and give effect to the provisions thereof wherein the parties thereto agree that the Notes and the Note Purchase Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. However, if a court of the Commonwealth of Kentucky or a Federal court sitting in the Commonwealth of Kentucky were to hold that the Notes and the Note Purchase Agreement are governed by, and to be construed in accordance with, the laws of the State of Texas, the Notes and the Note Purchase Agreement would be, under the Commonwealth of Kentucky, the legal, valid and binding obligation of KPC, enforceable against KPC in accordance with their terms, subject to (i) applicable bankruptcy, insolvency, reorganization, fraudulent transfer and conveyance, voidable preference, moratorium, receivership, conservatorship, arrangement, or similar laws, and related regulations and judicial doctrines, from time to time in effect affecting creditors' rights and remedies generally, and (ii) general principles of equity (including, without limitation, standards of materiality, good faith, fair dealing, and reasonableness, equitable defenses, the exercise of judicial discretion, and limits on the availability of equitable remedies), whether such principles are considered in a proceeding at law or in equity.

The opinions expressed in paragraph 2 above are subject to the qualification that the enforceability of the obligations are subject to (i) applicable bankruptcy, insolvency, reorganization, fraudulent transfer and conveyance, voidable preference, moratorium, receivership, conservatorship, arrangement, or similar laws, and related regulations and judicial doctrines, from time to time in effect affecting creditors' rights and remedies generally, and (ii) general principles of equity (including, without limitation, standards of materiality, good faith, fair dealing, and reasonableness, equitable defenses, the exercise of judicial discretion, and limits on the availability of equitable remedies), whether such principles are considered in a proceeding at law or in equity. In addition, in connection with my enforceability opinions set forth in paragraph 2 above, I express no opinion with respect to provisions of the Operative Agreements purporting to waive or not give effect to legal defenses that cannot be waived under applicable

EXHIBIT 4.4(a)
(to Note Purchase Agreement)

law or other rights or benefits that cannot be waived under applicable law. Further, I am a member of the Bar of the States of New York and Ohio and do not purport to be expert on the laws of any jurisdiction other than the laws of the States of New York and Ohio and the Federal laws of the United States of America, and for purposes of paragraphs 1, 2, 3, 4 and 9 of this opinion only, Kentucky. I express no opinion as to any laws of any jurisdiction other than the laws of the States of New York and Ohio and the Federal law of the United States of America, and for purposes of paragraphs 1, 2, 3, 4 and 9 of this opinion only, Kentucky.

In rendering the foregoing opinion in paragraph 5 hereof, I have relied, insofar as securities matters are concerned, in part, on the Certificate executed and delivered by KeyBanc Capital Markets Inc. and RBS Securities Inc. (the only persons authorized or employed by KPC as agent, broker, dealer or otherwise in connection with the offering or sale of the Notes or any similar Security) and delivered to KPC.

In addition, I express no opinion as to the enforceability of indemnification agreements provided in the Operative Agreements, to the extent such enforceability may be barred or limited by considerations of public policy.

This opinion is rendered solely for your benefit in connection with the above-described transaction and may not be used, circulated, quoted, relied upon or otherwise referred to by any other person (except that any permitted subsequent holders of the Notes may rely hereon) for any other purpose without my prior written consent; provided that, Winston & Strawn LLP, special counsel for the Purchasers, may rely on the opinions expressed in this opinion letter in connection with the opinion to be furnished by them in connection with the above-described transactions; and provided further, that any of the Purchasers and any permitted subsequent holders of the Notes may furnish a copy hereof (but no such person shall be entitled to rely thereon) (i) to its independent auditors and attorneys, (ii) to any state or federal authority or independent banking, insurance board (including the NAIC) or body having regulatory jurisdiction over it, (iii) pursuant to order or legal process of any court or governmental agency, (iv) in connection with any legal action to which it is a party arising out of or in respect of any Note or the Note Purchase Agreement and (v) any potential transferee of the Notes. I undertake no responsibility to update or supplement this opinion in response to changes in law or future events or circumstances.

Very truly yours,

Jeffrey D. Cross
Counsel for Kentucky Power Company

EXHIBIT 4.4(a)
(to Note Purchase Agreement)

EXHIBIT 4.4(b)

**FORM OF OPINION OF SPECIAL COUNSEL
TO THE PURCHASERS**

_____, 2014

To the Purchasers listed on Schedule I
attached hereto

Re: Kentucky Power Company
\$120,000,000 4.18% Senior Notes, Series A, due September 30, 2026
\$80,000,000 4.33% Senior Notes, Series B, due December 30, 2026

Ladies and Gentlemen:

We have acted as your special counsel in connection with (i) the issuance by Kentucky Power Company, a corporation formed under the laws of the State of Kentucky (the "Issuer"), of its Series A and Series B Senior Notes, in an aggregate principal amount of \$200,000,000 (collectively, the "Notes"), and (ii) the purchase by you pursuant to the Note Purchase Agreement among the Purchasers named therein and the Issuer, to be dated as of the date hereof (the "Note Purchase Agreement") of Notes in the principal amounts set forth in Schedule A to the Note Purchase Agreement. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Note Purchase Agreement. This opinion letter is delivered to you pursuant to the provisions of Section 4.4(b) of the Note Purchase Agreement.

In rendering the opinions set forth herein, we have examined:

- (i) the Note Purchase Agreement;
- (ii) the Notes (the items identified in clauses (i) and (ii) are collectively hereinafter referred to as the "Transaction Documents"); and such other agreements, instruments and documents, and such questions of law as we have deemed necessary or appropriate to enable us to render the opinions expressed below.

Additionally, we have examined originals or copies, certified to our satisfaction, of such certificates of public officials and officers of the Issuer, and we have made such inquiries of officers of the Issuer as we have deemed relevant or necessary, as the basis for the opinions set forth herein. As to questions of fact material to such opinions we have, when relevant facts were

EXHIBIT 4.4(b)
(to Note Purchase Agreement)

not independently established, relied upon the representations made in the Transaction Documents and upon certifications made by officers and other representatives of the Issuer.

In rendering the opinions expressed below, we have, with your consent, assumed (i) that the Transaction Documents have been duly authorized, executed and delivered by each party thereto, (ii) that the consummation of the transactions contemplated in the Transaction Documents has been duly authorized by the Issuer, (iii) the legal capacity of all natural persons executing documents, (iv) that the signatures of persons signing all documents in connection with which this opinion letter is rendered are genuine, (v) all documents submitted to us as originals or duplicate originals are authentic and (vi) all documents submitted to us as copies, whether certified or not, conform to authentic original documents. Additionally, we have, with your consent, assumed and relied upon, the following:

(a) the accuracy and completeness of all certificates and other statements, documents, records, financial statements and papers reviewed by us, and the accuracy and completeness of all representations, warranties, schedules and exhibits contained in the Transaction Documents, with respect to the factual matters set forth therein;

(b) all parties to the documents reviewed by us are duly organized, validly existing and in good standing under the laws of their respective jurisdictions of incorporation or formation and under the laws of all jurisdictions where they are conducting their businesses or otherwise required to be so qualified, and have full power and authority to execute, deliver and perform under such documents and all such documents have been duly authorized, executed and delivered by such parties; and

(c) because a claimant bears the burden of proof required to support its claims, the Purchasers will undertake the effort and expense necessary to fully present their claims in the prosecution of any right or remedy accorded the Purchasers under the Transaction Documents.

Based upon the foregoing and subject to the qualifications, limitations and comments stated herein, we are of the opinion that:

1. The Transaction Documents constitute the valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms.

2. It was not necessary in connection with the offering, issuance, sale and delivery of the Notes, under the circumstances contemplated by the Note Purchase Agreement, to register said Notes under the Securities Act of 1933, as amended, or to qualify an indenture in respect of said Notes under the Trust Indenture Act of 1939, as amended.

3. Neither the execution or delivery by the Issuer of the Transaction Documents nor the performance by the Issuer of its obligations thereunder requires the consent or approval of, or any filing or registration with, any governmental body, agency or authority of the State of New York or the United States of America other than any consents, approvals or filings required in connection with the exercise by any Purchaser of certain remedies under the Transaction Documents to the extent required pursuant to the terms thereof.

4. The opinion letter dated today of internal counsel to American Electric Power Service Corporation, an affiliate of the Issuer and delivered to you pursuant to Section 4.4(a) of the Note Purchase Agreement is satisfactory to us in form and scope with respect to the matters covered thereby and in our opinion you are justified in relying thereon.

The opinions as expressed herein are subject to the following qualifications, limitations and comments:

(a) the enforceability of the Transaction Documents and the obligations of the Issuer under the Transaction Documents and the availability of certain rights and remedial provisions provided for in the Transaction Documents are subject to (1) judicial action giving effect to foreign governmental actions or foreign laws, in either case, affecting creditors' rights, (2) the effect of bankruptcy, fraudulent conveyance or transfer, insolvency, reorganization, arrangement, liquidation, conservatorship, and moratorium laws, (3) limitations imposed by other laws and judicial decisions relating to or affecting the rights of creditors or secured creditors generally, and (4) general principles of equity (regardless of whether enforcement is considered in proceedings at law or in equity), upon the availability of injunctive relief or other equitable remedies, including, without limitation, where (A) the breach of such covenants or provisions imposes restrictions or burdens upon a debtor and it cannot be demonstrated that the enforcement of such remedies, restrictions or burdens is reasonably necessary for the protection of a creditor; (B) a creditor's enforcement of such remedies, covenants or provisions under the circumstances, or the manner of such enforcement, would violate such creditor's implied covenant of good faith and fair dealing, or would be commercially unreasonable; or (C) a court having jurisdiction finds that such remedies, covenants or provisions were, at the time made, or are in application, unconscionable as a matter of law or contrary to public policy;

(b) as to our opinions set forth in paragraph 1 hereof, we express no opinion as to the enforceability of cumulative remedies to the extent such cumulative remedies purport to or would have the effect of compensating the party entitled to the benefits thereof in amounts in excess of the actual loss suffered by such party;

(c) we express no opinion as to the validity, binding effect or enforceability of any indemnification provisions of the Transaction Documents to the extent such obligations are contrary to applicable law or public policy or require an indemnification of a party for its own actions or inactions, to the extent such action or inaction involves gross negligence, recklessness, willful misconduct or unlawful conduct;

(d) requirements in the Transaction Documents specifying that provisions thereof may only be waived in writing may not be valid, binding or enforceable to the extent that an oral agreement or an implied agreement by trade practice or course of conduct has been created modifying any provision of such documents;

(e) we express no opinion with respect to the validity, binding effect or enforceability of any purported waiver, release or disclaimer under any of the Transaction Documents relating to statutory or equitable rights and defenses of the parties which are not subject to waiver, release or disclaimer;

(f) we express no opinion with respect to the applicability or effect of federal or state anti-trust, tax, and except as to matters covered in paragraph 2, securities or “blue sky” laws with respect to the transactions contemplated by the Transaction Documents;

(g) we express no opinion regarding the severability of any provision contained in the Transaction Documents;

(h) we express no opinion with respect to the validity, binding effect or enforceability of any provision of the Transaction Documents (i) purporting to establish consent to jurisdiction, insofar as it purports to confer subject matter jurisdiction on a United States District Court to adjudicate any controversy relating to such Transaction Documents in any circumstance in which such court would not have subject matter jurisdiction, (ii) the waiver of inconvenient forum with respect to proceedings in such United States District Court or (iii) the waiver of the right to jury trial;

(i) in rendering the opinions expressed in paragraph 2 hereof, we have assumed the accuracy of the representations and warranties of the Purchasers in the Note Purchase Agreement and representations by Keybank Capital Markets Inc.. and RBS Securities Inc.. as to, *inter alia*, the number of offerees of the Notes. Further, we have assumed that no form of general solicitation or general advertising was used or will be used in connection with the offering of the Notes;

(j) our opinion with respect to the enforceability of the choice of law provisions of the Transaction Documents in paragraph 1 above is rendered in reliance on Section 5-1401 of the New York General Obligations Law and is subject to the qualifications that such enforceability (i) may be limited by public policy considerations of any jurisdiction, other than the State of New York, in which enforcement of such provisions, or of a judgment upon an agreement containing such provisions, is sought and (ii) does not apply to the extent provided in Section 1-105(2) of the Uniform Commercial Code as in effect in New York. Accordingly, we express no opinion as to the effect of the law of any jurisdiction (other than the State of New York) as to the choice of law in the Transaction Documents (including, without limitation, whether any court outside the State of New York would honor the choice of New York law as the governing law of the Transaction Documents);

(k) we express no opinion as to the effect of the law of any jurisdiction (other than New York) wherein any party seeking enforcement of any Transaction Document may be located or wherein the enforcement of any Transaction Document may be sought that limits the rates of interest legally chargeable or collectable; and

(m) we express no opinion with respect to the enforceability of any indemnity against loss in converting into a specified currency the proceeds or amount of a court judgment in another currency.

The opinions expressed herein are based upon and are limited to the laws of the State of New York and the laws of the United States of America and we express no opinion with respect to the laws of any other state, jurisdiction or political subdivision. The opinions expressed herein

based on the laws of the State of New York and the United States of America are limited to the laws generally applicable in transactions of the type covered by the Transaction Documents.

Our opinions set forth in this letter are based upon the facts in existence and laws in effect on the date hereof and we expressly disclaim any obligation to update our opinions herein, regardless of whether changes in such facts or laws come to our attention after the delivery hereof.

This opinion letter is rendered only to the Purchasers and is solely for their benefit in connection with the execution and delivery of the Notes and for the benefit of any institutional investor transferee of the Notes; *provided* that any such transfer of the Notes is made and consented to in accordance with the express provisions of Section 13.2 of the Note Purchase Agreement, on the condition and understanding that (i) this opinion letter speaks only as of the date hereof, (ii) we have no responsibility or obligation to update this letter, to consider its applicability or correctness to other than its addressees, or to take into account changes in law, facts or any other developments of which we may later become aware, and (iii) any such reliance by a future transferee must be actual and reasonable under the circumstances existing at the time of transfer, including any changes in law, facts or any other developments known to or reasonably knowable by the transferee at such time. This opinion letter may not be relied upon in any manner by any other person and may not be disclosed, quoted, filed with a governmental agency or otherwise referred to without our prior written consent, except that the Purchasers (i) may deliver a copy of this opinion letter to such institutional investor transferee and (ii) may furnish a copy of this opinion letter to the National Association of Insurance Commissioners, applicable regulatory authorities or as may otherwise be required by law, court order or subpoena.

Very truly yours,