

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to First Request for Information of the  
Louisville/Jefferson County Metro Government  
Dated November 13, 2018**

**Case No. 2018-00295**

**Question No. 74**

**Responding Witness: Adrien M. McKenzie**

- Q-74. With reference to pages 53-55 of Mr. McKenzie's testimony, provide the theoretical and empirical studies that support the use of the size premium.
- A-74. Copies of the source documents cited in Mr. McKenzie's testimony pertaining to the modification of the CAPM results to account for firm size are contained in his workpapers provided in response to DOD 1-21.

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**Case No. 2018-00295**

**Question No. 75**

**Responding Witness: Adrien M. McKenzie**

- Q-75. With reference to page 56 of Mr. McKenzie's testimony, provide the theoretical and empirical studies that support the use of the ECAPM with the .25/.75 weights versus the traditional CAPM.
- A-75. Copies of the source documents cited on page 56 of Mr. McKenzie's testimony with respect to the ECAPM equation and the referenced weighting factors are contained in his workpapers provided in response to DOD 1-21.

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**Case No. 2018-00295**

**Question No. 76**

**Responding Witness: Adrien M. McKenzie**

- Q-76. With reference to page 57-58 of Mr. McKenzie's testimony, provide any and all sources or studies relied upon or which demonstrate how the Staff of the Maryland Public Service Commission, the Regulatory Commission of Alaska, or the Colorado Public Utilities Commission are similarly or dissimilarly situated to the Kentucky Public Service Commission, why their commentary on ECAPM should be relied upon in Kentucky, and if these states are in the majority or minority of states that follow this approach.
- A-76. Mr. McKenzie did not undertake any research studies to compare the specific policies, organization, operations or other characteristics of Staff of the Maryland Public Service Commission, the Regulatory Commission of Alaska, or the Colorado Public Utilities Commission with the Kentucky Public Service Commission; nor was such a study necessary or relevant to support the recommendations and conclusions presented in his direct testimony. Moreover, the geographic location of a utility or the characteristics of the Staff of a particular regulatory agency has no bearing on the relevance of the ECAPM model and the question of how Staff might be "similarly or dissimilarly situated" has no bearing on the application of financial models to estimate the cost of equity for public utilities.

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**Question No. 77**

**Responding Witness: Adrien M. McKenzie**

- Q-77. With reference to pages 59-62 of Mr. McKenzie's testimony and Exhibit No. 9, provide the following: (1) the individual authorized ROEs that are used in computing the annual Allowed ROEs in Column (a); (2) for each of the individual ROEs, include all of the following: the order or docket number, the state, the utility, the decision date, the authorized ROE, the authorized common equity ratio, whether the rate case was fully litigated or settled, and whether the authorized included any specific ROE adders and/or penalties; and (3) the data and work papers for (1) and (2) in both hard copy and electronic formats (Microsoft Excel), with all data and formulas intact. Also include electronic copies (Microsoft Excel) of the Schedule, leaving all data and formulas intact.
- A-77. As stated in Mr. McKenzie's testimony at page 60, the risk premium study shown on Exhibit No. 9 was based on the annual average allowed ROEs for electric utilities reported by Regulatory Research Associates in each year between 1974 and 2017. See the response to DOD 1-21 for copies of the source documents. Mr. McKenzie did not undertake a study to identify the case-by-case information requested in this question as it was not necessary or relevant to his analysis; nor does he have the information necessary to compile the requested information over the study period encompassed by his risk premium analysis.

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**Case No. 2018-00295**

**Question No. 78**

**Responding Witness: Adrien M. McKenzie**

- Q-78. With reference to pages 62-66 of Mr. McKenzie's testimony, provide any and all sources or studies relied upon by Mr. McKenzie to form his opinion that allowed returns published by RRA are not adequate to consider or are circular in nature.
- A-78. Mr. McKenzie's conclusions regarding the relevance and appropriate use of allowed ROEs reported by RRA were fully articulated in his direct testimony and were not based on sources or studies.

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**Question No. 79**

**Responding Witness: Adrien M. McKenzie**

Q-79. With reference to page 72, provide: (1) the details of the 3.1% flotation cost and how much is associated with the underwriting spread, company issuance costs, market pressure, and other expenses; and (2) the equity floatation costs paid by Kentucky Utilities and Louisville Gas & electric over the past two years.

A-79.

- (1) Refer to Exhibit No. 11 to Mr. McKenzie's direct testimony, with the underlying calculations being included in the Excel file provided in response to DOD 1-20. The 3.1% flotation cost includes only underwriting spread and offering expenses identified in the prospectus for each individual issuance.
- (2) Kentucky Utilities and Louisville Gas & Electric are wholly owned subsidiaries and do not issue common stock. As a result, they do not incur common equity flotation costs directly.

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**Case No. 2018-00295**

**Question No. 80**

**Responding Witness: Adrien M. McKenzie**

- Q-80. With reference to page 73 of Mr. McKenzie's testimony, provide any sources relied upon by Mr. McKenzie to form his opinion that flotation costs should be allowed based on other jurisdictions implementation of allowance, and the prevalence of allowing flotation costs in the utilities market.
- A-80. Copies of the source documents cited on page 70 of Mr. McKenzie's testimony supporting the need to incorporate an adjustment for flotation costs when evaluating a fair ROE are included in his workpapers provided in response to DOD 1-21. The fact that other regulatory agencies recognize the impact of flotation costs when establishing allowed ROEs for utilities under their jurisdiction provides additional support for Mr. McKenzie's recommendation that a flotation cost adjustment should be included in establishing a fair ROE for LGE/KU in this case.

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**Case No. 2018-00295**

**Question No. 81**

**Responding Witness: Adrien M. McKenzie**

Q-81. With reference to pages 74-78 of Mr. McKenzie's testimony:

- a. list the screens applied to the Value Line database in establishing the Non-Utility Proxy Group;
- b. indicate the justification for each of the screens applied to the companies in the Value Line Investment Survey in establishing the Non-Utility Proxy Group;
- c. identify the companies eliminated from the group from each of the five screens; and
- d. explain the reasons that each of the companies were eliminated.

A-81.

- a. Refer to page 76 of Mr. McKenzie's testimony.
- b. As indicated in Mr. McKenzie's testimony, consistent with the principles underlying the *Hope* and *Bluefield* standards, the purpose of the Non-Utility Group was to apply the opportunity cost standard by developing estimates of investors' required return for a low-risk group of firms in the competitive sector of the economy. Accordingly, the screening criteria identified in Mr. McKenzie's testimony at page 76 were applied in order to restrict the Non-Utility Group to firms with exceedingly conservative risk profiles. As noted on pages 76-77 of Mr. McKenzie's testimony, a review of objective risk indicators suggests that this select group of non-regulated firms have comparable or less risk than LGE or Mr. McKenzie's utility proxy group.
- c. See attachment being provided in Excel format which contains the requested information.
- d. See the response to subpart (c).



The attachment is being provided in a separate file in Excel format.

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**Question No. 82**

**Responding Witness: Daniel K. Arbough**

- Q-82. Provide copies of all presentations made to rating agencies and/or investment firms by PPL, Louisville Gas & Electric, and Kentucky Utilities between January 1, 2017 and the present.
- A-82. See attached for copies of the presentations to rating agencies. Portions of the rating agencies presentations that are nonresponsive to the request have been redacted. See the link below for presentations to investors.

Presentations to Investors:

<https://pplweb.investorroom.com/events>



PPL CORPORATION

Poised for growth.

Investing in our future.



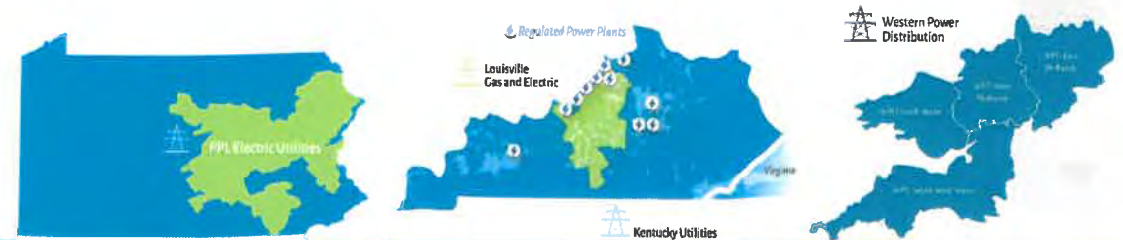
Standard and Poor's • Rating Agency Discussion • August 09, 2017

# PPL Strategy Focuses on Sustainable, Competitive Growth



- Operate high-performing utilities in premium jurisdictions
- Deliver industry-leading customer service and reliability
- Invest responsibly in the future
- Effectively manage O&M
- Earn ROEs near authorized levels and recover investments in a timely manner
- Maintain strong financial metrics

# PPL Offers Leading Energy Delivery Platform with Scale and Diversity

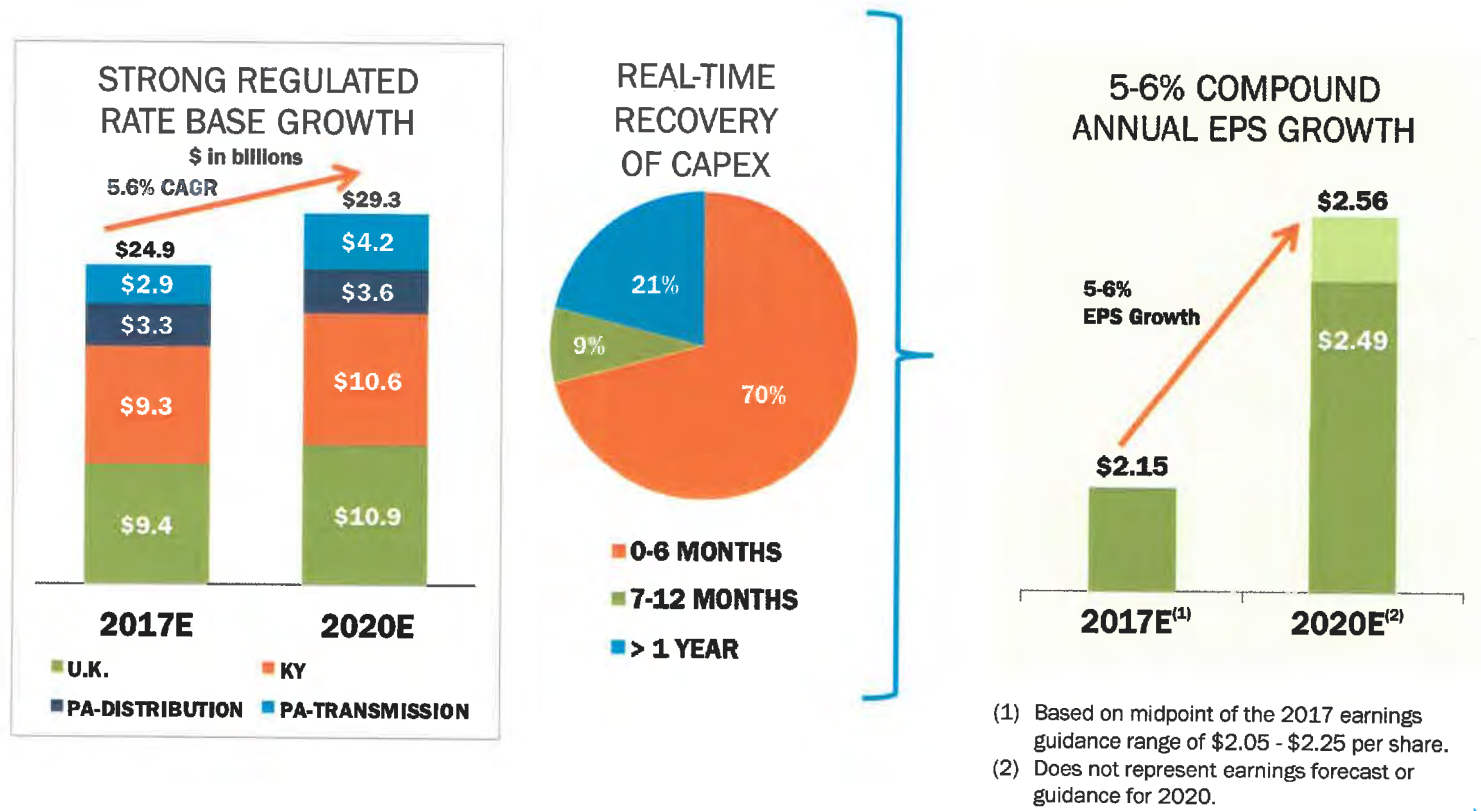


	PENNSYLVANIA	KENTUCKY	UNITED KINGDOM
Customers	1.4M	1.3M (1.0M electric; 0.3M gas)	7.8M
Return on Equity	No stated ROE for D base rates; 11.68% <sup>(1)</sup> for T	9.7% <sup>(1)</sup> stated ROE for base rates; 9.7% <sup>(1)</sup> for ECR	Average expected earned ROE of 13-15% <sup>(2)</sup>
Rate Base as of 12/31/16	\$6.1B	\$8.9B	\$8.5B
2017-2020 Rate Base CAGR	13.1% T; 2.9% D	4.5%	5.1%
Generation	None	8GW (regulated capacity)	None
% of EPS <sup>(3)</sup>	23%	26%	56%

D = Distribution      T = Transmission      ECR = Environmental Cost Recovery

- (1) Allowed return on equity.
- (2) Based on 2017-2020 Segment earnings projections. Capital structure adjusted to include debt of \$750 million allocated for Segment reporting purposes.
- (3) Based on \$2.15 midpoint of revised 2017 earnings forecast. Corporate and Other, not shown, accounts for -5% of 2017 EPS forecast.

# Investment Opportunity and Timely Rate Recovery Drive EPS Growth



# Summary of Drivers to Achieve 5-6% EPS Growth 2017 through 2020

## **Key Earnings Growth Assumptions:**

- Dividend secure with targeted growth of about 4% through 2020<sup>(1)</sup>
- Equity issuances of approximately \$350 million annually

## **4 - 6% Domestic Utilities EPS Growth:**

- Net income growth of 5 - 7%
- Domestic rate base CAGR of 5.9% from 2017 through 2020
- No load growth
- PA Transmission Cap Ex of \$2.1 billion at 11.68% base ROE; Project Compass not in the plan
- KY investment of \$3.3 billion at 9.7% ROE

## **6 - 8% U.K. Regulated EPS Growth:**

- Net income growth of 8 - 10%
- No volumetric risk
- \$1.30/£ foreign currency rate assumed for all unhedged positions
- Expected RAV CAGR of 5.1% from 2017 through 2020
- Average expected segment ROE's of 13 - 15%<sup>(2)</sup>
- Incentive revenue assumptions: 2017: \$85M; 2018: \$100M; 2019: \$90M - \$110M; 2020: \$95M - \$115M
- RPI (inflation rate) - 3.0% for 2017; 3.2% for 2018; and 3.0% for 2019-2020
- Annual repatriation of between \$100M - \$200M
- Effective tax rate of approximately 11% in 2017; ~17% thereafter

(1) Subject to approval by the Board of Directors.

(2) Based on 2017-2020 Segment earnings projections. Capital structure adjusted to include debt of \$750 million that is allocated for Segment reporting purposes.



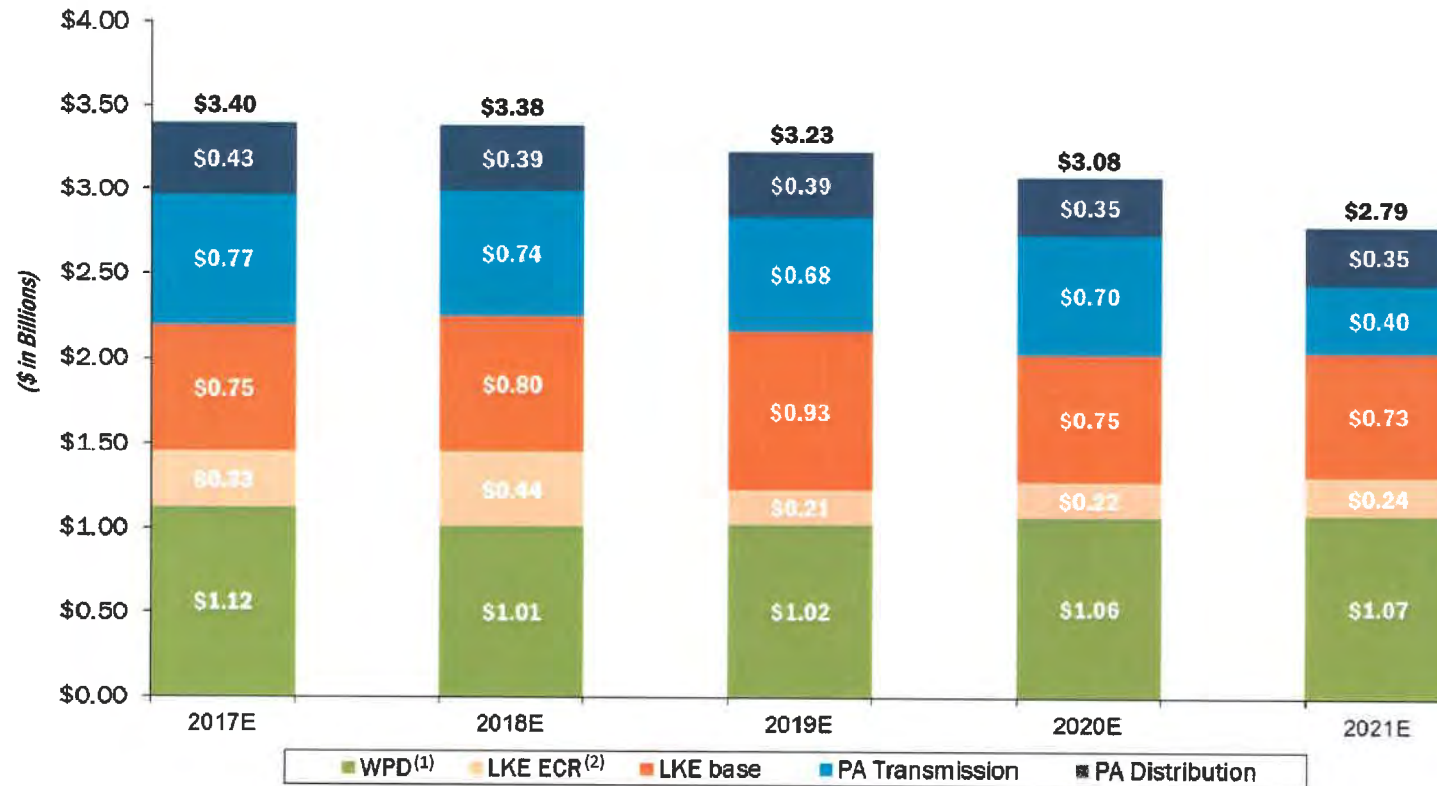
## Investments Focus on Delivering a Sustainable Energy future

- Expanding, reinforcing and modernizing the grid
- Adding smart grid technology and automation
- Connecting more renewable energy
- Expanding solar offerings to customers
- Strengthening physical and cyber security
- Enhancing environmental controls
- Improving efficiency





# \$16 Billion in Capital Expenditures Planned through 2021

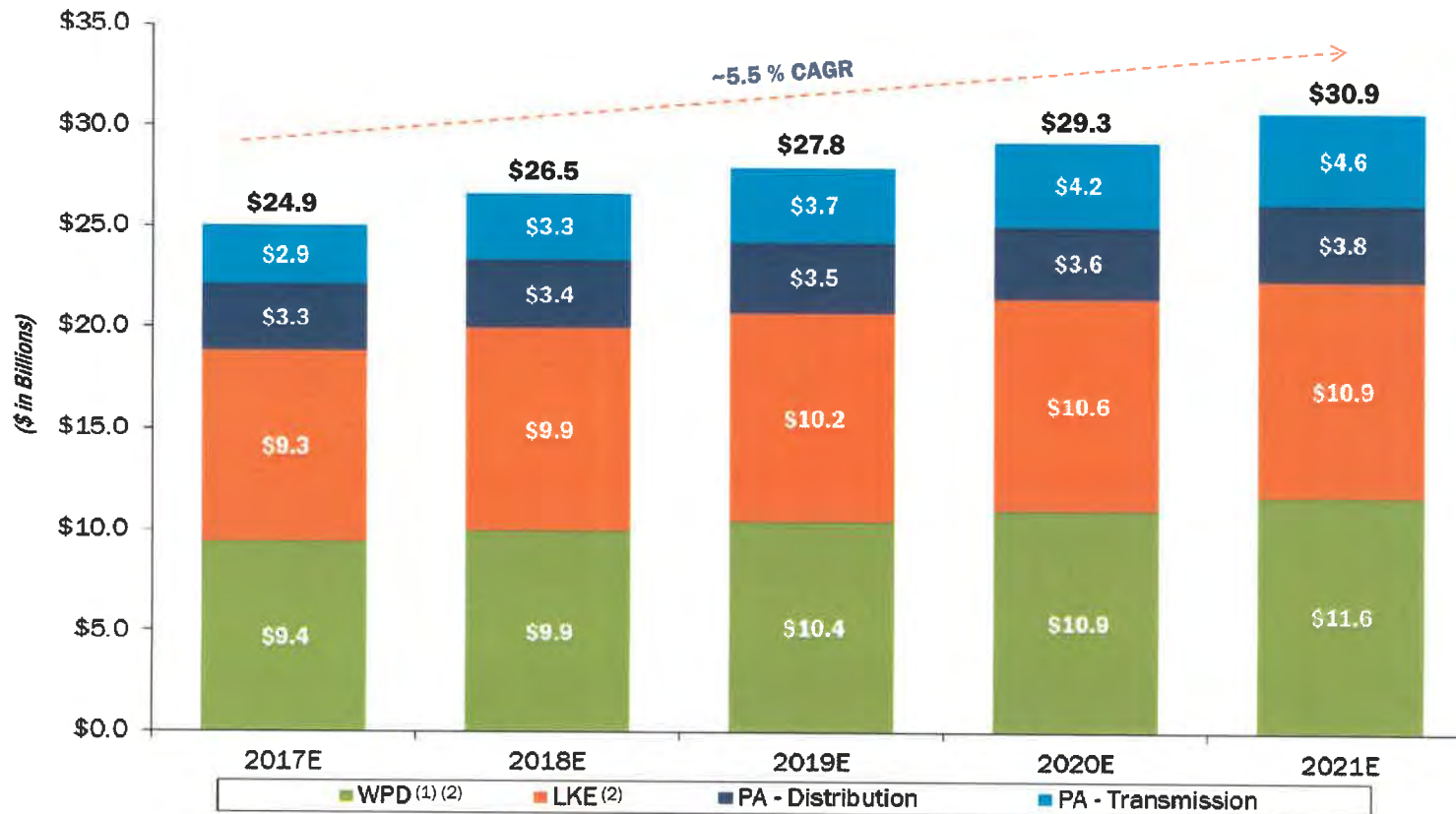


(1) Based on assumed exchange rate of \$1.30/£ for all years.

(2) Expect between 80% and 90% to receive timely returns via ECR mechanism based on historical experience and future projections.



# Strong Rate Base Growth Drives EPS Growth



(1) Based on assumed exchange rate of \$1.30/£ for all years.

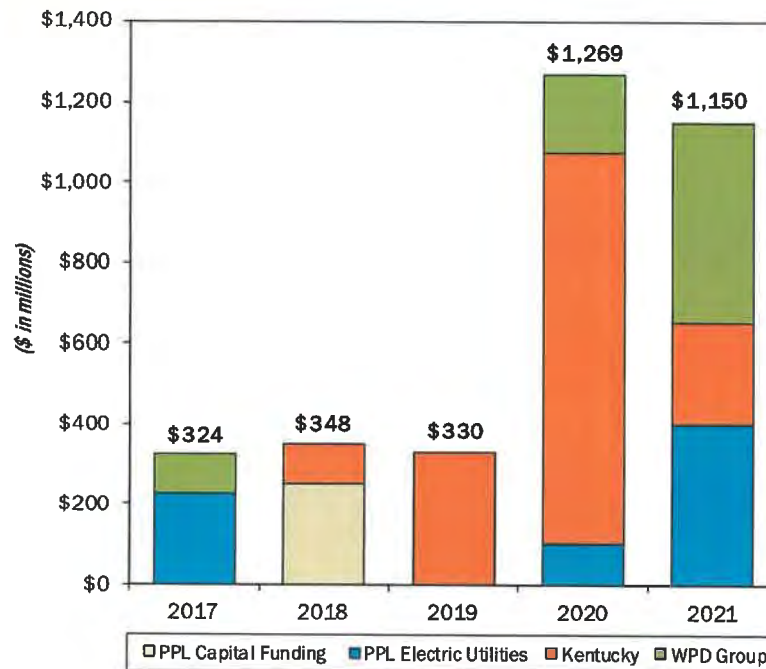
(2) Represents Regulatory Asset Value (RAV) for WPD. Represents utility capitalization for LKE.



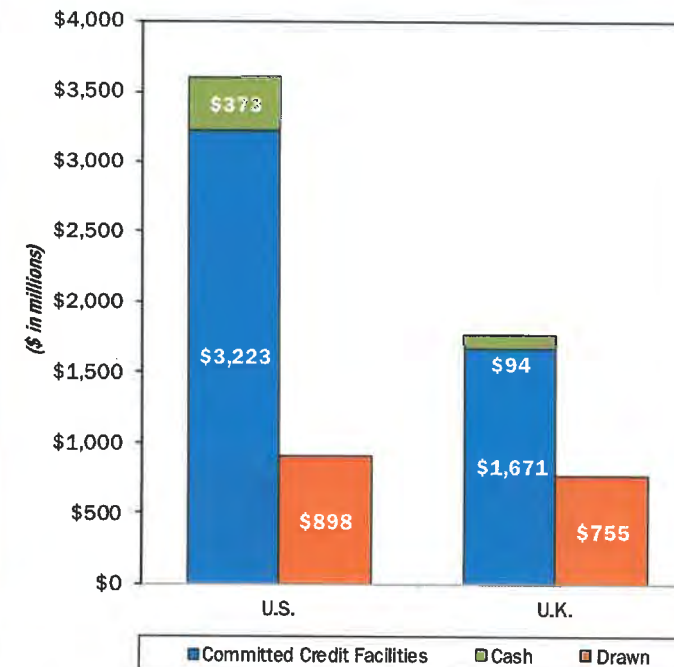
# Strong Financial Foundation

*Manageable maturity schedule and strong liquidity profile provide financial flexibility.*

**Debt Maturity Distribution 2017 - 2021  
 as of June 30, 2017**



**Liquidity Profile as of  
 June 30, 2017**



Note: GBP debt maturities and credit facilities converted at GBP/USD rate of \$1.30/£.



# The U.K.: a Premium Regulatory Jurisdiction – RIIO-ED1

The U.K. Ofgem’s RIIO framework (Revenue = Incentives + Innovation + Outputs) allows Distribution Network Operators (DNOs) to earn premium returns for strong performance and innovation.



Regulatory cycle
Inflation – adjusted revenues
Incentive regulation
Fast track incentive
Benefit sharing
Funding & leverage

## RIIO-ED1 Framework

- Base revenues set for 8 year period, commencing April 2015 through March 2023
- No volumetric risk in amount of electricity delivered
- Retail Price Index (RPI) Indexation of allowed revenues and Regulatory Asset Value (RAV)
- Incentive revenues available for exceeding customer service and reliability targets
- Ability to collect additional annual revenue equivalent to 2.5% of total annual expenditures
- Ability to retain 50% - 70% of cost efficiencies; with benefits shared with customers
- Regulation requires funding to support investment grade credit ratings
- Debt leverage set at 65% of Debt/RAV at the DNO level

## WPD Investment Advantage

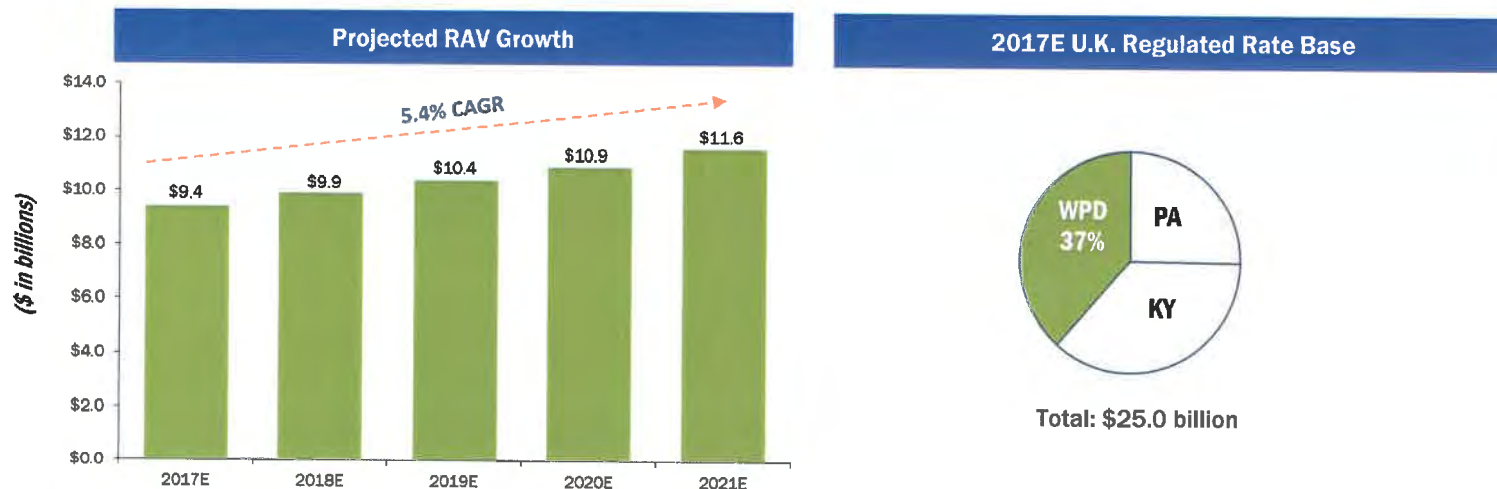
- Provides certainty and visibility
- Ofgem accepted business plan spend over 8 years drives RAV growth
- RPI plan assumptions – 3.4% for 2017/18; 3.1% for 2018/19; 3.0% for 2019/20 (20 year historical average for RPI is ~3%)
- WPD has a proven track record of outperformance
- Additional opportunity to improve earned ROEs; 13-15% earned ROEs<sup>(1)</sup> expected from 2017 through 2020
- WPD only 4 DNOs awarded fast-track status
- Estimated \$35 million of annual fast-track revenue
- Fast-track status allows WPD to retain 70% of cost efficiencies (O&M and Capital savings), compared to only 53% to 58% for the slow track DNOs
- U.K. is a self-funding operation; does not require any equity from PPL
- Holding company structure provides for higher earned ROEs
- Target WPD consolidated Debt/RAV below 85% to maintain investment grade credit ratings
- Repatriation back to the U.S. in a tax efficient manner

(1) Based on 2017-2020 Segment earnings projections. Capital structure is adjusted to include the debt of \$750 million that is allocated for Segment reporting.  
 © PPL Corporation 2017



# WPD: Top Performing Electricity Distribution Business in the U.K.

- Highly attractive regulated business
  - Expected earned Segment ROEs in the [redacted] range from 2017 through 2020, including holding company leverage
  - Total spend of ~\$17 billion over 8-year RII0-ED1, of which ~\$9 billion will drive growth in RAV
  - Annual financial adjustments to base revenues covering inflation, tax, pension and cost of debt
  - Real-time return of and return on capital investment
  - No volumetric risk
- Earned more than \$725<sup>(2)</sup> million in annual performance awards over the past decade
- Annually repatriates \$100 million - \$200 million in tax-efficient manner



Note: Based on assumed exchange rate of \$1.30/£ for all years.

(1) Based on 2017-2020 Segment earnings projections. Capital structure adjusted to include debt of \$750 million that is allocated for Segment reporting purposes.

(2) 2007/08 - 2016/17 regulatory years.



## “Leading the Way” in the U.K.



- Connected or offered to connect 20 GW of renewable energy
- Connected approximately 200,000 private solar installations
- Offering innovative demand-side response solutions
- Conducting the world’s largest electric vehicle trial
- Adapting to role as a more active network operator

## Foreign Currency Hedging Status

*Based on current exchange rates the EPS growth rate would be at the high end of our 5-6% growth range with additional hedge value available to mitigate risk beyond 2020.*


GBP Foreign Currency	Current Hedge Status			
	2017	2018	2019	2020
Percentage Hedged	98%	99%	99%	7%
Hedged Rate (GBP/USD) <sup>(1)</sup>	1.18	1.37	1.35	1.48

*By leveraging the value above our budgeted rate of \$1.30/£ for 2018 - 2020, we have the ability to achieve the low end of our 5-6% EPS growth rate even if the market rate for the GBP hits parity with the US dollar.*

Note: FX hedging status as of 08/2/2017.

(1) Budgeted rate on open positions of \$1.30/£ for all years.

# Constructive U.S. Regulatory Framework Supports Robust Financial Performance

	Equity Ratio <sup>(1)</sup>	Allowed ROE
PPL Electric Utilities	54.50%	D: N/A T: 11.68% <sup>(2)</sup>
LG&E	53.27%	9.70%
Kentucky Utilities	53.28%	9.70%

Tracker/Mechanism	EU	LG&E	KU
Forward test year methodology	✓	✓	✓
Environmental Cost Recovery		✓	✓
DSIC	✓		
Smart Meter Rider	✓		
CWIP included in rate base <sup>(3)(4)</sup>	✓	✓	✓
Gas Line Tracker		✓	
Pass through of Purchased Power	✓	✓	✓
Fuel and Gas Supply Adj. Clause		✓	✓
Storm Recovery <sup>(5)</sup>	✓		
Energy Efficiency/DSM	✓	✓	✓
Transmission Formula Rate	✓	✓	✓
Transmission Incentive Adder <sup>(2)</sup>	✓		

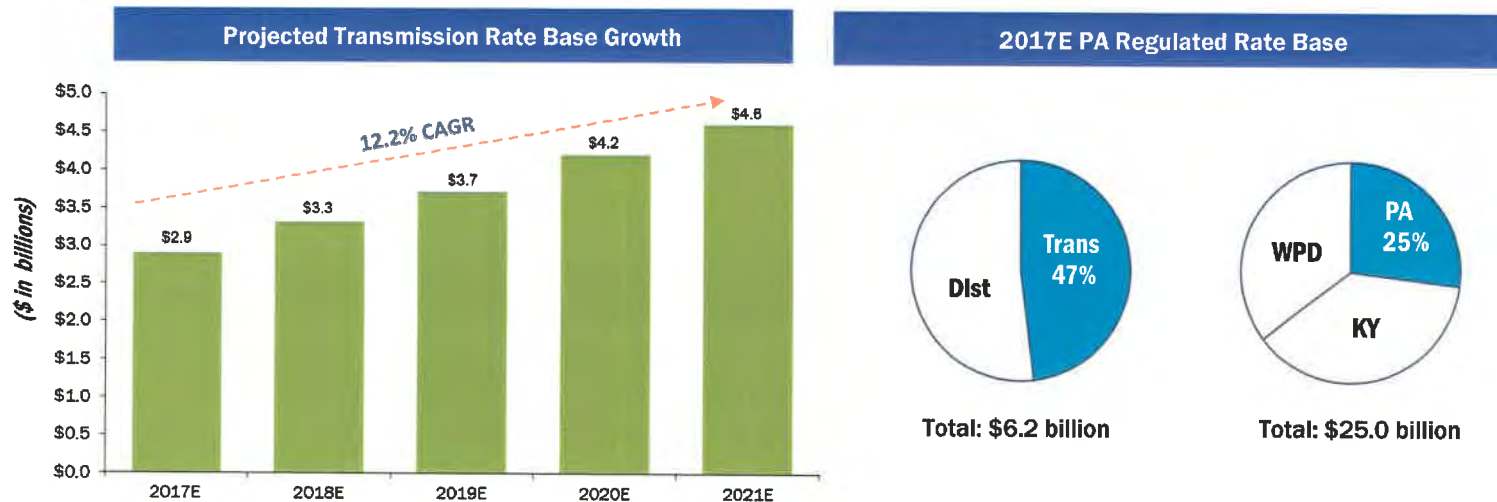
- (1) As filed in most recent completed filings and rate cases.
- (2) Allowed ROE of 12.93% for Susquehanna-Roseland project.
- (3) CWIP included in forward test year rate base for LG&E and KU.
- (4) For PPL EU Transmission, return on CWIP for approved projects.
- (5) LG&E and KU have historically been able to recover costs from extraordinary storms, but no formal tracker is in place.





# Pennsylvania: Transmission

- Projected 12.2% CAGR in transmission rate base through 2021
- Base ROE of 11.68% and return on CWIP for approved projects
- Minimal volumetric risk
- Project Compass offers potential incremental opportunity beyond 2020<sup>(1)</sup>



(1) Subject to regulatory approvals.



# Pennsylvania: Distribution

- Projected 3.6% CAGR in distribution rate base through 2021
- Constructive jurisdiction reduces regulatory lag; should extend rate case cycles
  - \$471 million Smart Meter replacement project (<6 months lag on qualifying investments)
  - No projected base rate cases through 2020
  - ~50% of distribution gross margin subject to minimal or no volumetric risk



# Kentucky Regulated

- Constructive jurisdiction provides a timely return on planned Cap Ex
  - Revenue increase of \$116 million with a 9.7% ROE, with new rates going into effect July 1, 2017
  - Environmental Cost Recovery (ECR): \$1.4 billion estimated spend with a 9.7% ROE on projects approved – virtually no regulatory lag
  - Other supportive recovery mechanisms
    - Return mechanisms include CWIP for ECR and Gas Line Tracker
    - Pass through clauses include Purchased Power, Fuel and Gas Supply Adjustment and Energy Efficiency/Demand Side Management recovery
- Cap Ex plans exclude spending that may be required under the Clean Power Plan



# Tax Reform

- PPL is uniquely advantaged with operations in the U.K.
  - With over half of our earnings in the U.K., tax reform would only impact our domestic utilities
  - We have the flexibility on domestic vs. international financings to optimize the capital structure relative to interest deductibility
  - Incremental tax on foreign earnings or deemed repatriation would be manageable
- PPL supports simplifying tax law and advancing the U.S. to be more competitive globally
- Our industry has worked successfully with policy makers to shape meaningful tax related legislation to minimize downside impacts, for example the 1986 tax reform and more recently the debate over taxes on dividend and capital gains
- We expect the benefits of tax reform realized by the regulated utilities to ultimately flow through to customers
- We have a significant pipeline of capital projects to enhance reliability and security that could help offset some of the potential rate base impacts resulting from tax reform

## Summary

- Growing, pure-play regulated business operating in premium jurisdictions
- 5-6% projected earnings growth from 2017 - 2020, with above-average dividend yield
- Strong dividend growth potential
- Targeting 9 - 10% total annual returns<sup>(1)</sup>
- Investing in the future and improving efficiency
- Confident in our ability to deliver on commitments to shareowners and customers

(1) Total annual return is the combination of annual EPS growth and dividend yield.

# APPENDIX A: FINANCIAL METRICS AND DETAILS



# Financial Metrics

	2017	2018	2019
<b>PPL Corporation (PPL)</b>			
FFO / Total Debt	13.0%	13.4%	13.6%
Total Debt / EBITDA	5.6x	5.4x	5.3x
EBITDA / Interest	4.4x	4.5x	4.5x
<b>PPL Electric Utilities Corporation (EU)</b>			
[REDACTED]			
<b>LG&amp;E and KU Energy LLC (LKE)</b>			
FFO / Total Debt	17.2%	18.2%	18.1%
Total Debt / EBITDA	4.5x	4.5x	4.2x
EBITDA / Interest	6.7x	6.7x	6.6x
<b>Kentucky Utilities Company (KU)</b>			
FFO / Total Debt	26.9%	27.7%	27.2%
Total Debt / EBITDA	3.2x	3.1x	2.9x
EBITDA / Interest	8.6x	9.1x	9.1x
<b>Louisville Gas and Electric Company (LG&amp;E)</b>			
FFO / Total Debt	26.8%	27.6%	28.0%
Total Debt / EBITDA	3.3x	3.1x	3.0x
EBITDA / Interest	9.0x	9.2x	9.2x



# Financial Metrics Details

## PPL Corporation

(Millions of Dollars)	2017	2018	2019
<b><u>Funds from Operations (FFO) / Total Debt</u></b>			
EBITDA - Unadjusted	\$ 4,065	\$ 4,500	\$ 4,804
Current Income Taxes	(96)	(128)	(143)
Net Interest Expense	(900)	(962)	(1,018)
Adjustments	(264)	(318)	(374)
<i>FFO - Adjusted</i>	\$ 2,804	\$ 3,091	\$ 3,269
Long-term Debt	\$ 19,629	\$ 20,532	\$ 21,429
Short-term Debt	933	1,494	1,619
Adjustments	1,087	984	909
<i>Total Debt - Adjusted</i>	\$ 21,649	\$ 23,010	\$ 23,957
<b>FFO / Total Debt</b>	<b>13.0%</b>	<b>13.4%</b>	<b>13.6%</b>
<b><u>Total Debt / EBITDA</u></b>			
<i>Total Debt - Adjusted</i>	\$ 21,649	\$ 23,010	\$ 23,957
EBITDA - Unadjusted	\$ 4,065	\$ 4,500	\$ 4,804
Adjustments	(182)	(248)	(312)
<i>EBITDA - Adjusted</i>	\$ 3,883	\$ 4,251	\$ 4,493
<b>Total Debt / EBITDA</b>	<b>5.6x</b>	<b>5.4x</b>	<b>5.3x</b>
<b><u>EBITDA / Interest</u></b>			
<i>EBITDA - Adjusted</i>	\$ 3,883	\$ 4,251	\$ 4,493
Interest	\$ 890	\$ 955	\$ 1,007
<b>EBITDA / Interest</b>	<b>4.4x</b>	<b>4.5x</b>	<b>4.5x</b>





# Financial Metrics Details

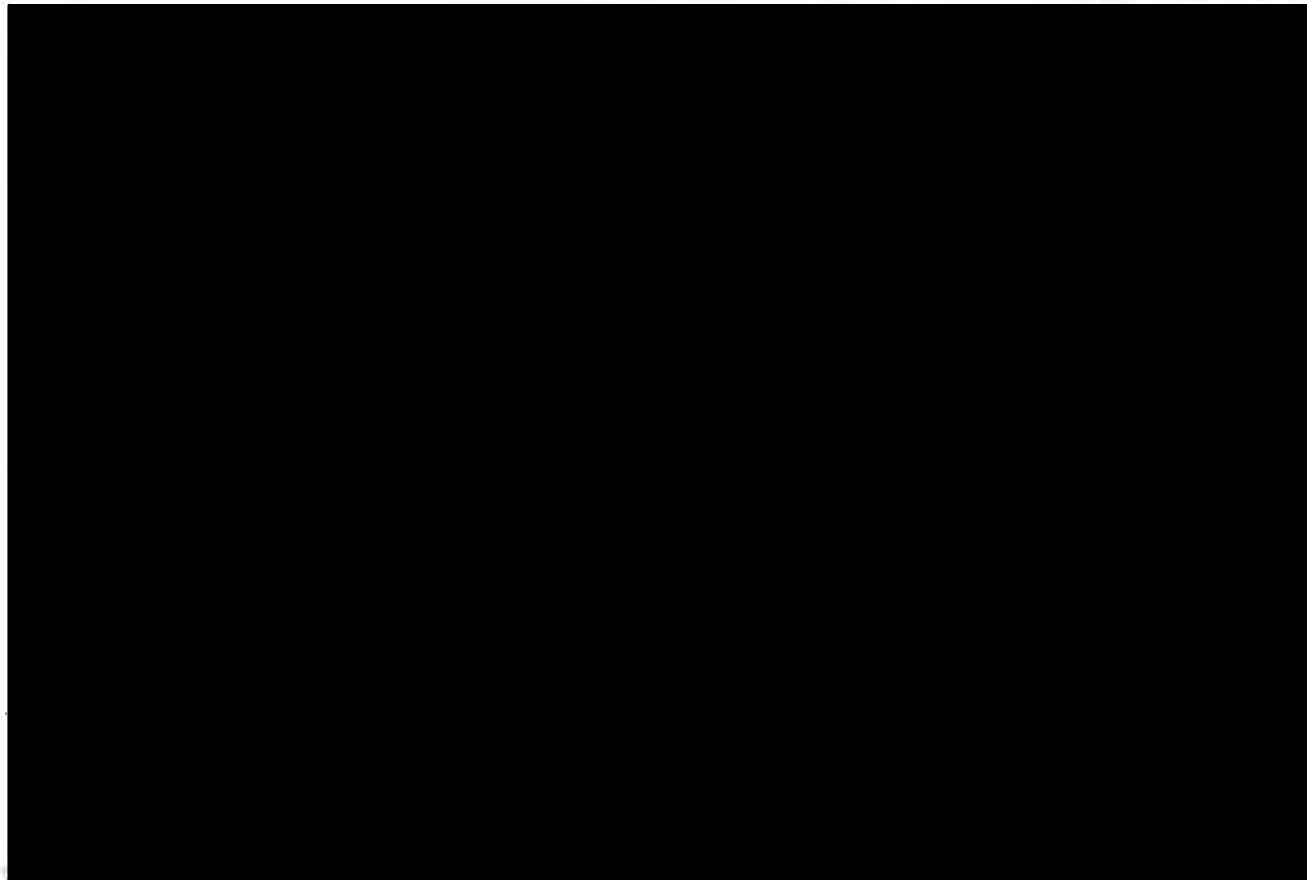
## PPL Electric Utilities Corporation

(Millions of Dollars)

2017

2018

2019



# Financial Metrics Details

## LG&E and KU Energy LLC

(Millions of Dollars)	2017	2018	2019
<b><u>Funds from Operations (FFO) / Total Debt</u></b>			
EBITDA - Unadjusted	\$ 1,428	\$ 1,541	\$ 1,654
Current Income Taxes	(97)	(26)	(121)
Net Interest Expense	(216)	(232)	(250)
Adjustments	(9)	(17)	(17)
<i>FFO - Adjusted</i>	\$ 1,105	\$ 1,266	\$ 1,266
Long-term Debt	\$ 4,920	\$ 4,927	\$ 5,433
Short-term Debt	74	336	38
Intercompany Debt	833	1,171	1,123
Adjustments	604	524	394
<i>Total Debt - Adjusted</i>	\$ 6,431	\$ 6,957	\$ 6,987
<b>FFO / Total Debt</b>	<b>17.2%</b>	<b>18.2%</b>	<b>18.1%</b>
<b><u>Total Debt / EBITDA</u></b>			
<i>Total Debt - Adjusted</i>	\$ 6,431	\$ 6,957	\$ 6,987
EBITDA - Unadjusted	\$ 1,428	\$ 1,541	\$ 1,654
Adjustments	11	10	6
<i>EBITDA - Adjusted</i>	\$ 1,439	\$ 1,551	\$ 1,660
<b>Total Debt / EBITDA</b>	<b>4.5x</b>	<b>4.5x</b>	<b>4.2x</b>
<b><u>EBITDA / Interest</u></b>			
<i>EBITDA - Adjusted</i>	\$ 1,439	\$ 1,551	\$ 1,660
Interest	\$ 216	\$ 232	\$ 250
<b>EBITDA / Interest</b>	<b>6.7x</b>	<b>6.7x</b>	<b>6.6x</b>



# Financial Metrics Details

## Kentucky Utilities Company

(Millions of Dollars)	2017	2018	2019
<b><u>Funds from Operations (FFO) / Total Debt</u></b>			
EBITDA - Unadjusted	\$ 822	\$ 874	\$ 934
Current Income Taxes	(10)	(26)	(89)
Net Interest Expense	(96)	(96)	(102)
Adjustments	(8)	(6)	(6)
<i>FFO - Adjusted</i>	\$ 708	\$ 745	\$ 737
Long-term Debt	\$ 2,329	\$ 2,332	\$ 2,585
Short-term Debt	56	156	-
Adjustments	245	202	124
<i>Total Debt - Adjusted</i>	\$ 2,630	\$ 2,690	\$ 2,708
<b>FFO / Total Debt</b>	<b>26.9%</b>	<b>27.7%</b>	<b>27.2%</b>
<b><u>Total Debt / EBITDA</u></b>			
<i>Total Debt - Adjusted</i>	\$ 2,630	\$ 2,690	\$ 2,708
EBITDA - Unadjusted	\$ 822	\$ 874	\$ 934
Adjustments	1	(0)	(1)
<i>EBITDA - Adjusted</i>	\$ 823	\$ 873	\$ 933
<b>Total Debt / EBITDA</b>	<b>3.2x</b>	<b>3.1x</b>	<b>2.9x</b>
<b><u>EBITDA / Interest</u></b>			
<i>EBITDA - Adjusted</i>	\$ 823	\$ 873	\$ 933
Interest	\$ 96	\$ 96	\$ 102
<b>EBITDA / Interest</b>	<b>8.6x</b>	<b>9.1x</b>	<b>9.1x</b>

# Financial Metrics Details

## Louisville Gas and Electric Company

(Millions of Dollars)	2017	2018	2019
<b><u>Funds from Operations (FFO) / Total Debt</u></b>			
EBITDA - Unadjusted	\$ 623	\$ 683	\$ 741
Current Income Taxes	(6)	(8)	(33)
Net Interest Expense	(70)	(75)	(81)
Adjustments	4	(1)	(1)
<i>FFO - Adjusted</i>	\$ 551	\$ 599	\$ 625
Long-term Debt	\$ 1,869	\$ 1,872	\$ 2,124
Short-term Debt	6	143	-
Adjustments	183	155	112
<i>Total Debt - Adjusted</i>	\$ 2,058	\$ 2,170	\$ 2,236
<b>FFO / Total Debt</b>	<b>26.8%</b>	<b>27.6%</b>	<b>28.0%</b>
<b><u>Total Debt / EBITDA</u></b>			
<i>Total Debt - Adjusted</i>	\$ 2,058	\$ 2,170	\$ 2,236
EBITDA - Unadjusted	\$ 623	\$ 683	\$ 741
Adjustments	8	9	7
<i>EBITDA - Adjusted</i>	\$ 632	\$ 692	\$ 748
<b>Total Debt / EBITDA</b>	<b>3.3x</b>	<b>3.1x</b>	<b>3.0x</b>
<b><u>EBITDA / Interest</u></b>			
<i>EBITDA - Adjusted</i>	\$ 632	\$ 692	\$ 748
Interest	\$ 70	\$ 75	\$ 81
<b>EBITDA / Interest</b>	<b>9.0x</b>	<b>9.2x</b>	<b>9.2x</b>



## APPENDIX B: FINANCING REQUIREMENTS AND SOURCES



## 2017 Financing Requirements and Sources

<i>(Millions of Dollars)</i>	PPL Consolidated	Corporate & Other	PPL Global	PPL Electric Utilities	LKE Consolidated	KU	LG&E
Net Income (As Reported)	\$ 1,488				\$ 435	\$ 270	\$ 208
Depreciation & Amortization	1,141				511	291	217
Deferred Income Taxes	439				169	155	122
Pension Funding	(590)				(10)	(18)	3
Other	20				17	-	8
<b>Cash from Operations</b>	<b>2,498</b>				<b>1,122</b>	<b>697</b>	<b>558</b>
Capital Expenditures	(3,397)				(1,077)	(530)	(547)
Other Investing Activities	1				-	-	-
Free Cash Flow before Dividends	(898)				45	168	11
Dividends Received / (Paid)	(1,071)				(467)	(174)	(130)
Free Cash Flow after Dividends	(1,969)				(422)	(6)	(118)
Less: Security Maturities	(78)				-	-	-
Less: Other Financing Needs	(8)				-	-	-
<b>Total Financing Requirements</b>	<b>\$ (2,055)</b>				<b>\$ (422)</b>	<b>\$ (6)</b>	<b>\$ (118)</b>
Debt Issuances	\$ 1,375				\$ 250	\$ -	\$ 250
Issuance of Common Stock <sup>(1)</sup>	330				-	-	-
Capital Contributions from / (to) Parent	-				-	(41)	26
Change in Intercompany Debt	-				269	-	-
Decrease / (Increase) in Cash on Hand	340				13	7	5
Change in Short-term Debt	9				(110)	40	(162)
<b>Total Financing Sources</b>	<b>\$ 2,055</b>				<b>\$ 422</b>	<b>\$ 6</b>	<b>\$ 118</b>
Unrestricted Cash & Equivalents - Beginning	\$ 341				\$ 13	\$ 7	\$ 5
Unrestricted Cash & Equivalents - Ending	\$ 1				\$ -	\$ -	\$ -
Short-term debt - Beginning	\$ 923				\$ 185	\$ 16	\$ 169
Short-term debt - Ending	\$ 933				\$ 74	\$ 56	\$ 6

Note: Totals may not sum due to rounding  
(1) Excludes \$20 million of non-cash equity.



## 2018 Financing Requirements and Sources

<i>(Millions of Dollars)</i>	PPL Consolidated	Corporate & Other	PPL Global	PPL Electric Utilities	LKE Consolidated	KU	LG&E
Net Income (As Reported)	\$ 1,624				\$ 447	\$ 274	\$ 223
Depreciation & Amortization	1,249				587	338	248
Deferred Income Taxes	536				248	139	129
Pension Funding	(554)				(38)	(13)	(14)
Other	(53)				(72)	(67)	(14)
Cash from Operations	2,802				1,172	671	572
Capital Expenditures	(3,409)				(1,276)	(627)	(649)
Other Investing Activities	1				-	-	-
Free Cash Flow before Dividends	(606)				(104)	44	(76)
Dividends Received / (Paid)	(1,129)				(495)	(179)	(143)
Free Cash Flow after Dividends	(1,735)				(599)	(135)	(219)
Less: Security Maturities	(250)				-	-	-
Less: Other Financing Needs	(10)				-	-	-
<b>Total Financing Requirements</b>	<b>\$ (1,995)</b>				<b>\$ (599)</b>	<b>\$ (135)</b>	<b>\$ (219)</b>
Debt Issuances	\$ 1,145				\$ -	\$ -	\$ -
Issuance of Common Stock <sup>(1)</sup>	330				-	-	-
Capital Contributions from / (to) Parent	-				-	35	82
Change in Intercompany Debt	-				338	-	-
Decrease / (Increase) in Cash on Hand	(41)				-	-	-
Change in Short-term Debt	561				261	100	137
<b>Total Financing Sources</b>	<b>\$ 1,995</b>				<b>\$ 599</b>	<b>\$ 135</b>	<b>\$ 219</b>
Unrestricted Cash & Equivalents - Beginning	\$ 1				\$ -	\$ -	\$ -
Unrestricted Cash & Equivalents - Ending	\$ 42				\$ -	\$ -	\$ -
Short-term debt - Beginning	\$ 933				\$ 74	\$ 56	\$ 6
Short-term debt - Ending	\$ 1,494				\$ 336	\$ 156	\$ 143

Note: Totals may not sum due to rounding  
(1) Excludes \$20 million of non-cash equity.



## 2019 Financing Requirements and Sources

<i>(Millions of Dollars)</i>	PPL Consolidated	Corporate & Other	PPL Global	PPL Electric Utilities	LKE Consolidated	KU	LG&E
Net Income (As Reported)	\$ 1,741				\$ 467	\$ 291	\$ 237
Depreciation & Amortization	1,347				649	370	277
Deferred Income Taxes	555				166	81	113
Pension Funding	(593)				(35)	(13)	(11)
Other	(55)				(55)	(54)	(5)
Cash from Operations	2,995				1,192	676	610
Capital Expenditures	(3,141)				(1,061)	(522)	(539)
Other Investing Activities	1				-	-	-
Free Cash Flow before Dividends	(145)				131	154	71
Dividends Received / (Paid)	(1,193)				(301)	(185)	(151)
Free Cash Flow after Dividends	(1,338)				(170)	(31)	(80)
Less: Security Maturities	-				-	-	-
Less: Other Financing Needs	-				-	-	-
<b>Total Financing Requirements</b>	<b>\$ (1,338)</b>				<b>\$ (170)</b>	<b>\$ (31)</b>	<b>\$ (80)</b>
Debt Issuances	\$ 890				\$ 500	\$ 250	\$ 250
Issuance of Common Stock <sup>(1)</sup>	330				-	-	-
Capital Contributions from / (to) Parent	-				63	(33)	(9)
Change in Intercompany Debt	-				(48)	-	-
Decrease / (Increase) in Cash on Hand	(7)				(48)	(30)	(18)
Change in Short-term Debt	125				(297)	(156)	(143)
<b>Total Financing Sources</b>	<b>\$ 1,338</b>				<b>\$ 170</b>	<b>\$ 31</b>	<b>\$ 80</b>
Unrestricted Cash & Equivalents - Beginning	\$ 42				\$ -	\$ -	\$ -
Unrestricted Cash & Equivalents - Ending	\$ 49				\$ 48	\$ 30	\$ 18
Short-term debt - Beginning	\$ 1,494				\$ 336	\$ 156	\$ 143
Short-term debt - Ending	\$ 1,619				\$ 38	\$ -	\$ -

Note: Totals may not sum due to rounding  
(1) Excludes \$20 million of non-cash equity.

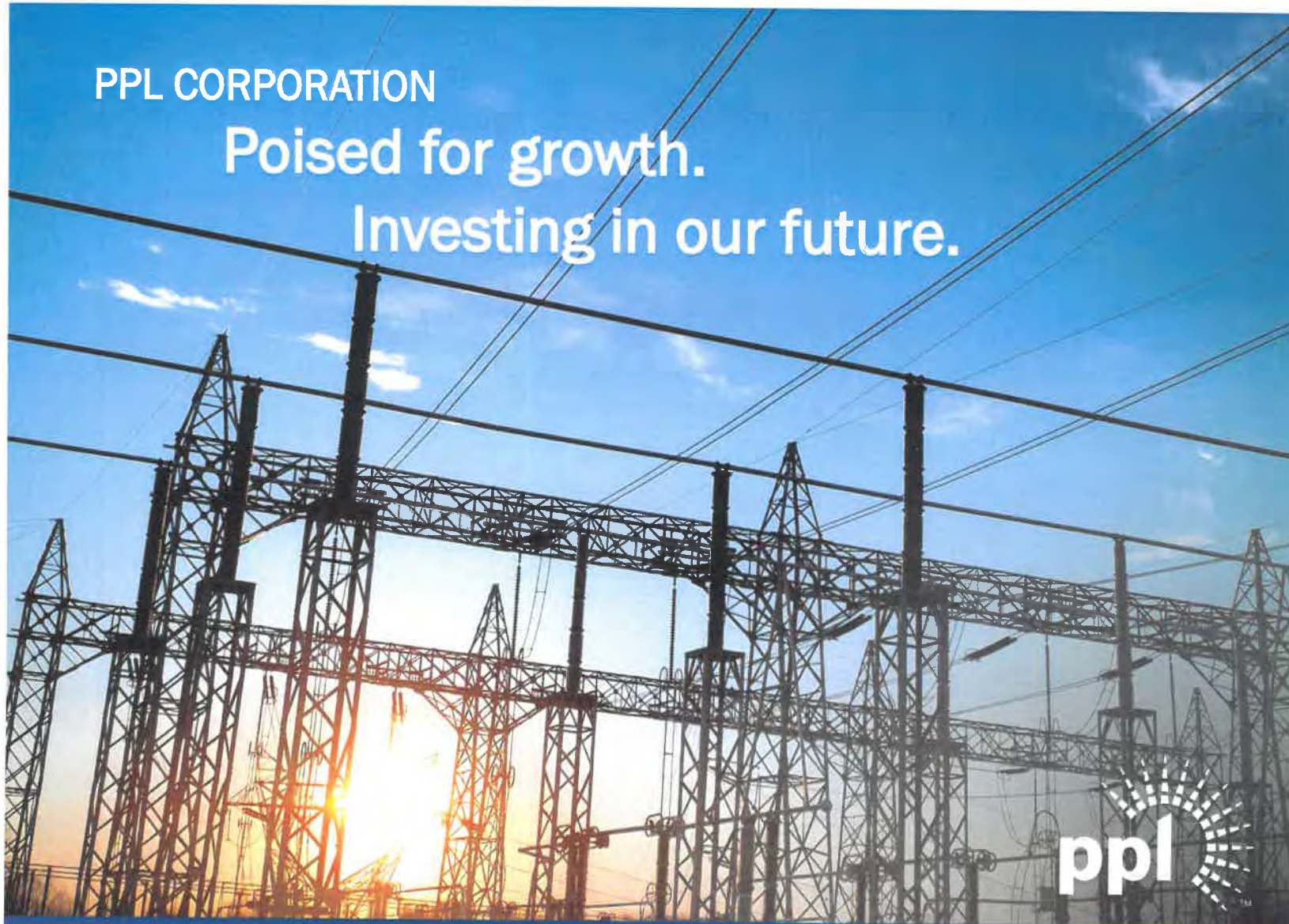




PPL CORPORATION

Poised for growth.

Investing in our future.



Moody's Investors Service • Rating Agency Discussion • June 6, 2017

# PPL Strategy Focuses on Sustainable, Competitive Growth



- Operate high-performing utilities in premium jurisdictions
- Deliver industry-leading customer service and reliability
- Invest responsibly in the future
- Effectively manage O&M
- Earn ROEs near authorized levels and recover investments in a timely manner
- Maintain strong financial metrics

# PPL Offers Leading Energy Delivery Platform with Scale and Diversity



	PENNSYLVANIA	KENTUCKY	UNITED KINGDOM
Customers	1.4M	1.3M (1.0M electric; 0.3M gas)	7.8M
Return on Equity	No stated ROE for D base rates; 11.68% for T	No stated ROE for base rates; 10% and 9.8% for ECR <sup>(1)</sup>	Average expected earned ROE of 13-15% <sup>(2)</sup>
Rate Base as of 12/31/16	\$6.1B	\$8.9B	\$8.5B
2017-2020 Rate Base CAGR	13.1% T; 2.9% D	3.5%	5.1%
Generation	None	8GW (regulated capacity)	None
% of EPS <sup>(3)</sup>	23%	27%	55%

D = Distribution    T = Transmission    ECR = Environmental Cost Recovery

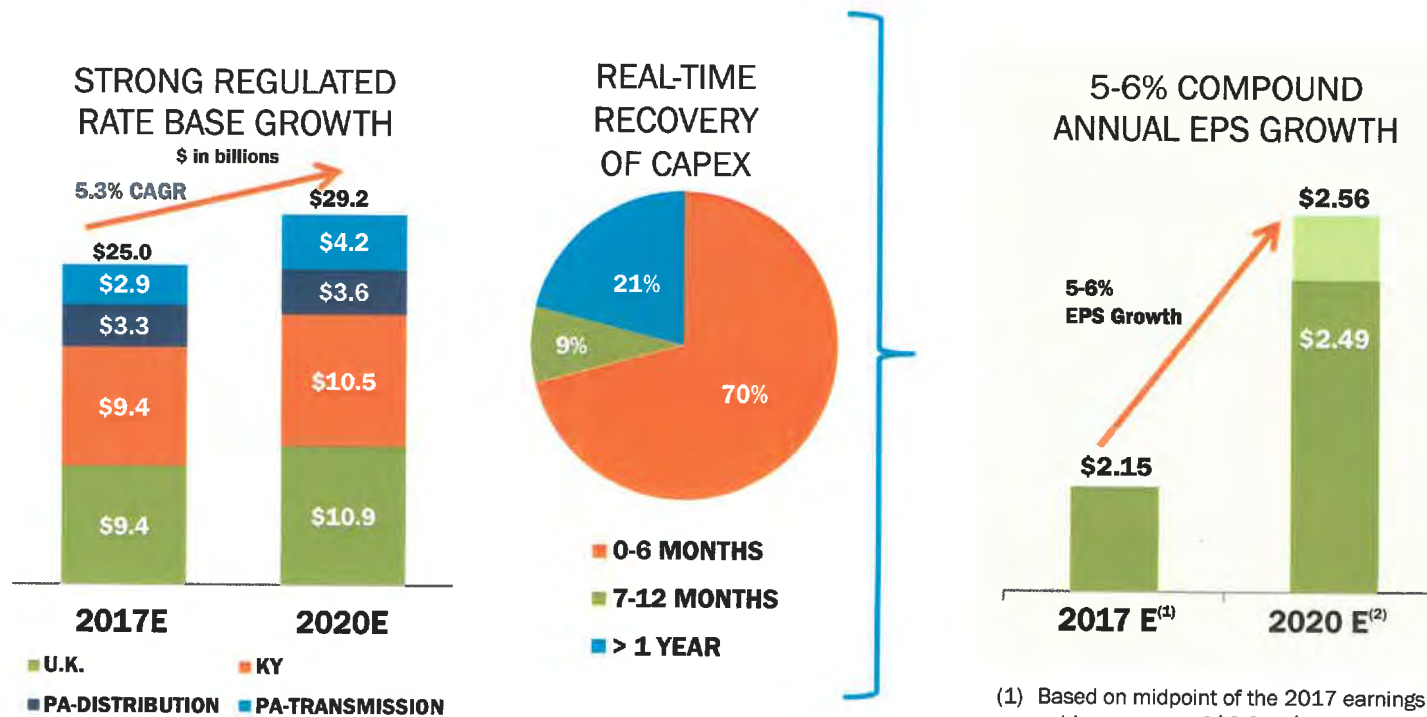
(1) The existing Environmental Cost Recovery Mechanism and Gas Line Tracker were awarded a 10% ROE. The environmental plan approved in August 2016 was awarded a 9.8% ROE.

(2) Based on 2017-2020 Segment earnings projections. Capital structure adjusted to include debt of \$750 million allocated for Segment reporting purposes.

(3) Based on \$2.15 midpoint of 2017 earnings forecast. Corporate and Other, not shown, accounts for -5% of 2017 EPS forecast.



# Investment Opportunity and Timely Rate Recovery Drive EPS Growth



(1) Based on midpoint of the 2017 earnings guidance range of \$2.05 - \$2.25 per share.  
 (2) Does not represent earnings forecast or guidance for 2020.

# Summary of Drivers to Achieve 5-6% EPS Growth 2017 through 2020

## Key Earnings Growth Assumptions:

- Dividend secure with targeted growth of about 4% through 2020<sup>(1)</sup>
- Equity issuances of approximately \$350 million annually

## 4 - 6% Domestic Utilities EPS Growth:

- Net income growth of 5 – 7%
- Domestic rate base CAGR of 5.3% from 2017 through 2020
- No load growth
- PA Transmission Cap Ex of \$2.1 billion at 11.68% base ROE; Project Compass not in the plan
- KY investment of \$3.3 billion at ~10% ROE

## 6 - 8% U.K. Regulated EPS Growth:

- Net income growth of 8 - 10%
- No volumetric risk
- \$1.30/£ foreign currency rate assumed for all unhedged positions
- Expected RAV CAGR of 5.1% from 2017 through 2020
- Average expected segment ROE's of 13 – 15%<sup>(2)</sup>
- Incentive revenue assumptions: 2017: \$85M; 2018: \$95M - \$105M; 2019–2020: \$95M - \$115M
- RPI (inflation rate) – 3.0% for 2017; 3.2% for 2018; and 3.0% for 2019–2020
- Annual repatriation of between \$100M - \$200M
- Effective tax rate of approximately 11% in 2017; ~17% thereafter

(1) Subject to approval by the Board of Directors.

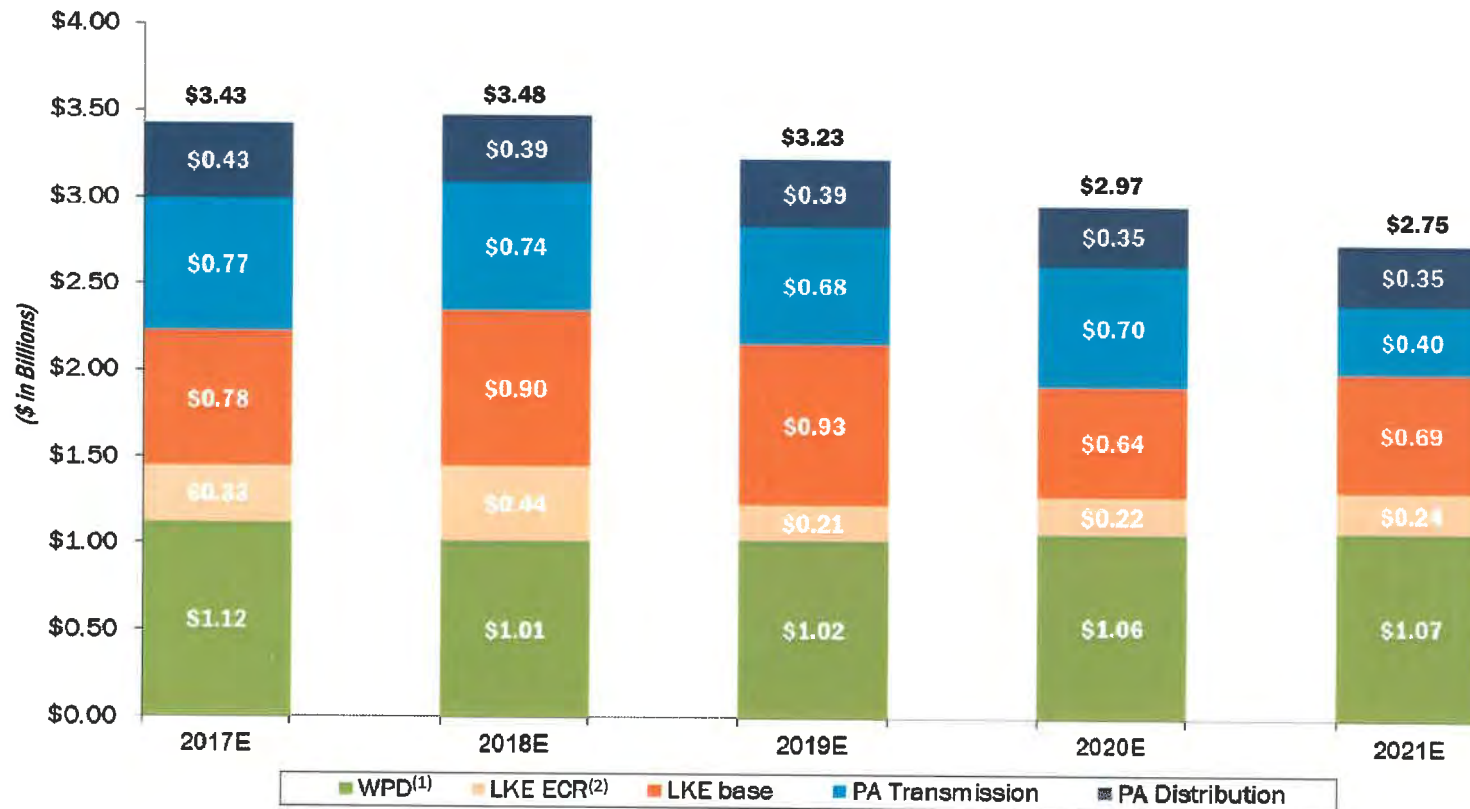
(2) Based on 2017-2020 Segment earnings projections. Capital structure adjusted to include debt of \$750 million that is allocated for Segment reporting purposes.

## Investments Focus on Delivering a Sustainable Energy future

- Expanding, reinforcing and modernizing the grid
- Adding smart grid technology and automation
- Connecting more renewable energy
- Expanding solar offerings to customers
- Strengthening physical and cyber security
- Enhancing environmental controls
- Improving efficiency



# \$16 Billion in Capital Expenditures Planned

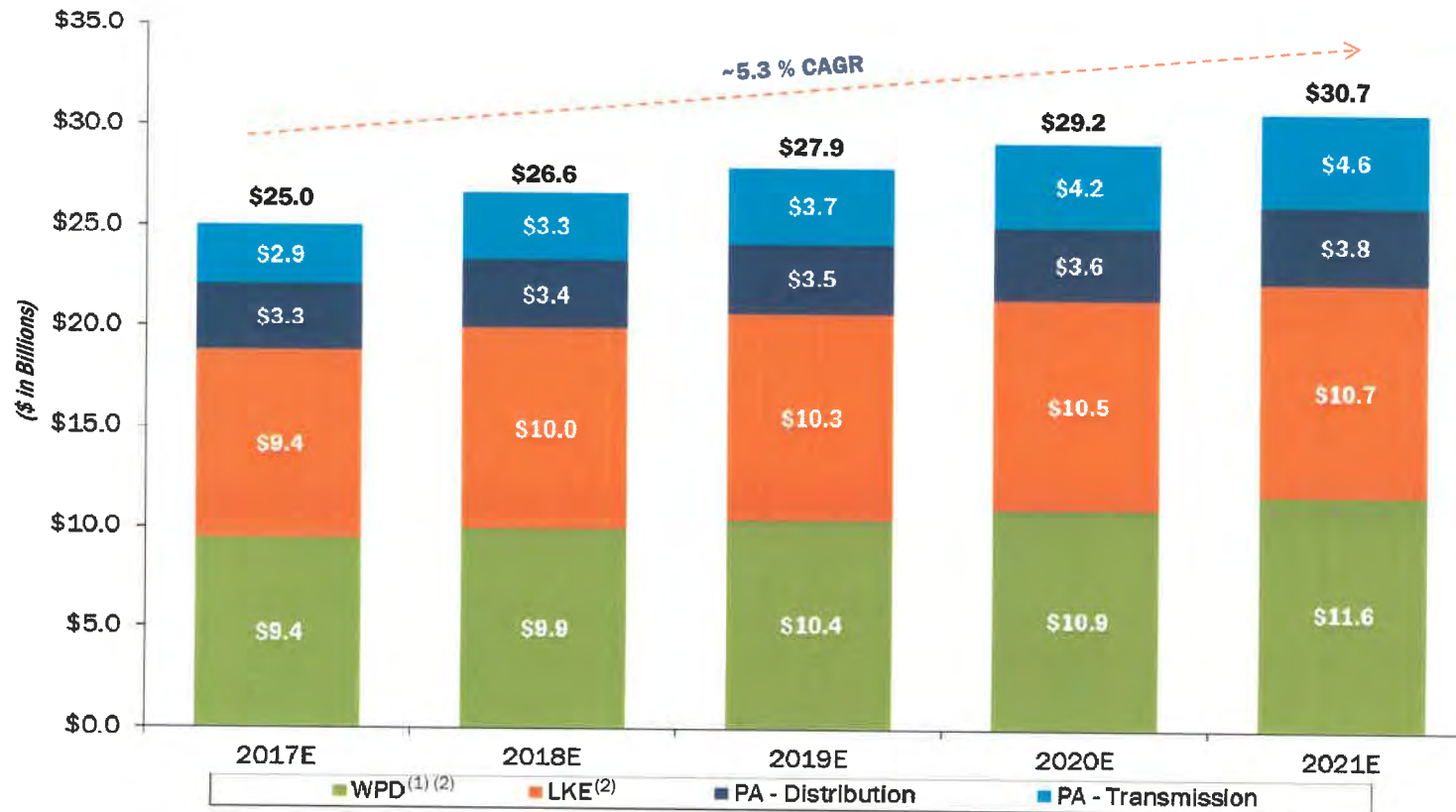


(1) Based on assumed exchange rate of \$1.30/£ for all years.

(2) Expect between 80% and 90% to receive timely returns via ECR mechanism based on historical experience and future projections.



# Strong Rate Base Growth Drives EPS Growth



(1) Based on assumed exchange rate of \$1.30/£ for all years.

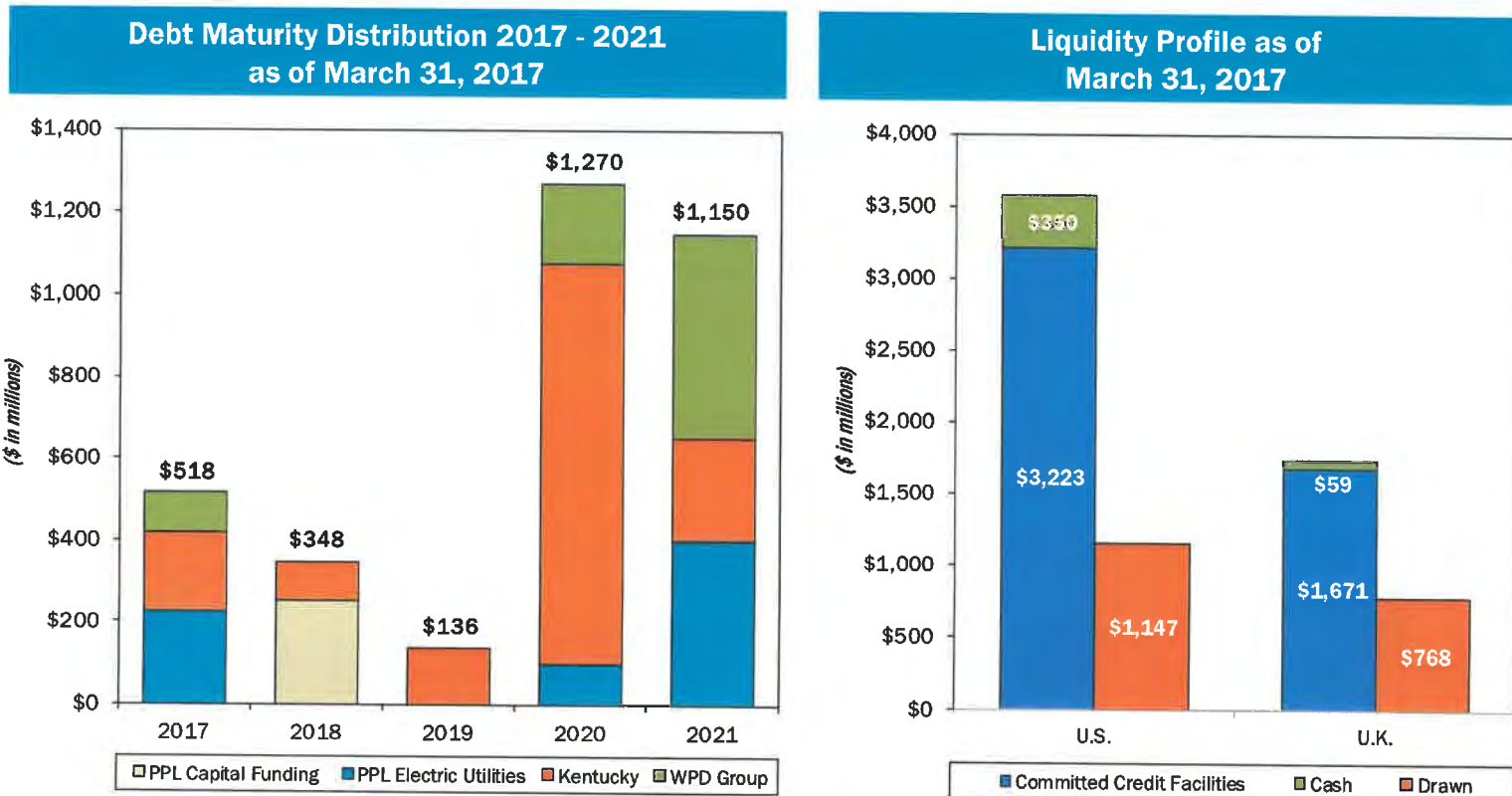
(2) Represents utility capitalization for LKE. Represents Regulatory Asset Value (RAV) for WPD.





# Strong Financial Foundation

*Manageable maturity schedule and strong liquidity profile provide financial flexibility.*



Note: GBP debt maturities and credit facilities converted at GBP/USD rate of \$1.30/£.



# The U.K.: a Premium Regulatory Jurisdiction

The U.K. Ofgem's RIIO framework (Revenue = Incentives + Innovation + Outputs) allows Distribution Network Operators (DNOs) to earn premium returns for strong performance and innovation.



Regulatory cycle
Inflation – adjusted revenues
Incentive regulation
Fast track incentive
Benefit sharing
Funding & leverage

## RIIO-ED1 Framework

- Base revenues set for 8 year period, commencing April 2015 through March 2023
- No volumetric risk in amount of electricity delivered
- Retail Price Index (RPI) Indexation of allowed revenues and Regulatory Asset Value (RAV)
- Incentive revenues available for exceeding customer service and reliability targets
- Ability to collect additional annual revenue equivalent to 2.5% of total annual expenditures
- Ability to retain 50% - 70% of cost efficiencies; with benefits shared with customers
- Regulation requires funding to support investment grade credit ratings
- Debt leverage set at 65% of Debt/RAV at the DNO level

## WPD Investment Advantage

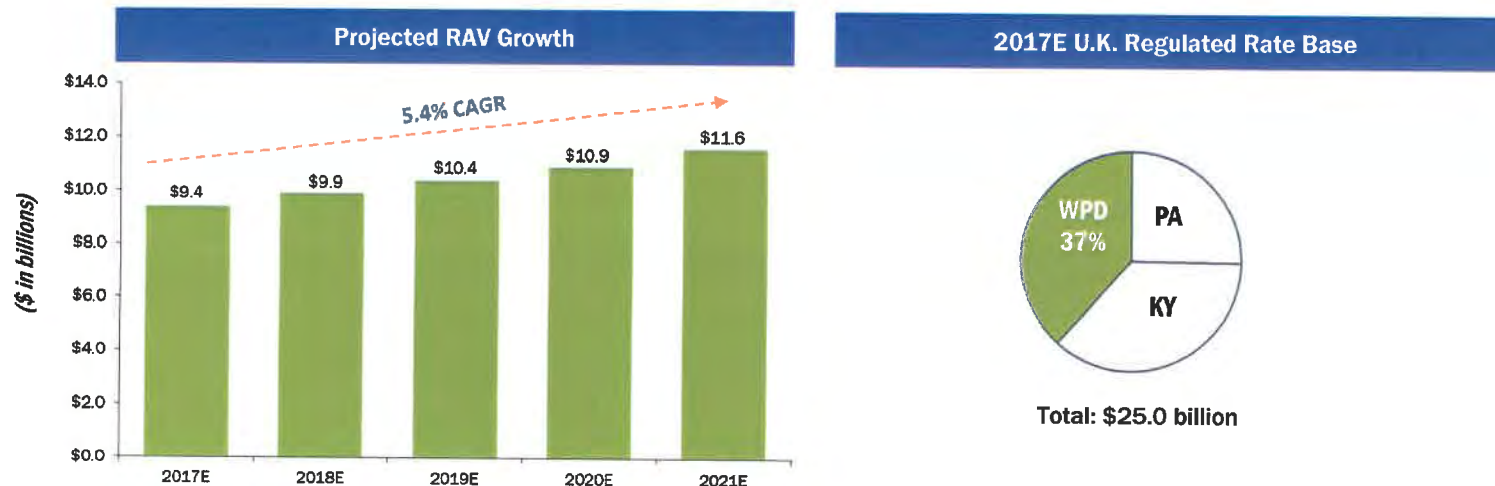
- Provides certainty and visibility
- Ofgem accepted business plan spend over 8 years drives RAV growth
- RPI plan assumptions – 2.2% for 2016/17; 3.4% for 2017/18; 3.1% for 2018/19; 3.0% for 2019/20 (20 year historical average for RPI is ~3%)
- WPD has a proven track record of outperformance
- Additional opportunity to improve earned ROEs; 13-15% earned ROEs<sup>(1)</sup> expected from 2017 through 2020
- WPD only 4 DNOs awarded fast-track status
- Estimated \$35 million of annual fast-track revenue
- Fast-track status allows WPD to retain 70% of cost efficiencies (O&M and Capital savings), compared to only 53% to 58% for the slow track DNOs
- U.K. is a self-funding operation; does not require any equity from PPL
- Holding company structure provides for higher earned ROEs
- Target WPD consolidated Debt/RAV below 85% to maintain investment grade credit ratings
- Repatriation back to the U.S. in a tax efficient manner

(1) Based on 2017-2020 Segment earnings projections. Capital structure is adjusted to include the debt of \$750 million that is allocated for Segment reporting.  
 © PPL Corporation 2017



# WPD: Top Performing Electricity Distribution Business in the U.K.

- Highly attractive regulated business
  - Expected earned Segment ROEs in the [REDACTED] range from 2017 through 2020, including holding company leverage
  - Total spend of ~\$17 billion over 8-year RIIO-ED1, of which ~\$9 billion will drive growth in RAV
  - Annual financial adjustments to base revenues covering inflation, tax, pension and cost of debt
  - Real-time return of and return on capital investment
  - No volumetric risk
- Earned more than \$725<sup>(2)</sup> million in annual performance awards over the past decade
- Annually repatriates \$100 million - \$200 million in tax-efficient manner



Note: Based on assumed exchange rate of \$1.30/£ for all years.

(1) Based on 2017-2020 Segment earnings projections. Capital structure adjusted to include debt of \$750 million that is allocated for Segment reporting purposes.

(2) 2007/08 – 2016/17 regulatory years.

## “Leading the Way” in the U.K.



- Connected or offered to connect 20 GW of renewable energy
- Connected approximately 200,000 private solar installations
- Offering innovative demand-side response solutions
- Conducting the world’s largest electric vehicle trial
- Adapting to role as a more active network operator

## Foreign Currency Hedging Status

*Based on current exchange rates the EPS growth rate would be at the high end of our 5-6% growth range with additional hedge value available to mitigate risk beyond 2020.*

GBP Foreign Currency	Current Hedge Status			
	2017	2018	2019	2020
Percentage Hedged	100%	99%	99%	0%
Hedged Rate (GBP/USD) <sup>(1)</sup>	1.21	1.41	1.32	-


*By leveraging the value above our budgeted rate of \$1.30/£ in 2018 and 2019, we have the ability to hedge 100% of 2020 earnings even if the rate falls as low as \$1.05/£ and achieve the low end of our 5-6% EPS growth range.*

Market Rate (GBP/USD)	Hedge Attainment			
	2017	2018	2019	2020
1.05	100%	100%	100%	100%
0.98	100%	100%	100%	75%

Note: FX hedging status as of 04/20/2017.

(1) Budgeted rate on open positions of \$1.30/£ for all years.

# Constructive U.S. Regulatory Framework Supports Robust Financial Performance

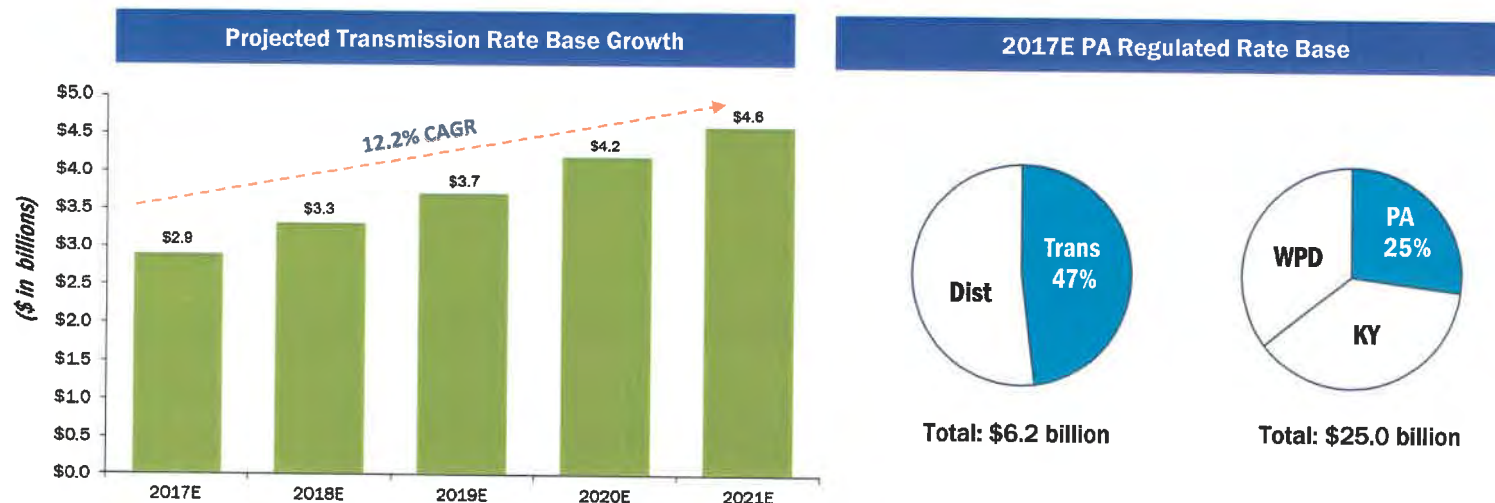
	Equity Ratio <sup>(1)</sup>	Allowed ROE	Tracker/Mechanism	EU	LG&E	KU
<b>PPL Electric Utilities</b>	51.66%	D: N/A T: 11.68% <sup>(2)</sup>	Forward test year methodology	✓	✓	✓
<b>LG&amp;E</b>	52.75%	10.00% <sup>(3)</sup> 9.80% <sup>(3)</sup>	Environmental Cost Recovery		✓	✓
<b>Kentucky Utilities</b>	53.02%	10.00% <sup>(3)</sup> 9.80% <sup>(3)</sup>	DSIC	✓		
			Smart Meter Rider	✓		
			CWIP included in rate base <sup>(4)(5)</sup>	✓	✓	✓
			Gas Line Tracker		✓	
			Pass through of Purchased Power	✓	✓	✓
			Fuel and Gas Supply Adj. Clause		✓	✓
			Storm Recovery <sup>(6)</sup>	✓		
			Energy Efficiency/DSM	✓	✓	✓
			Transmission Formula Rate	✓	✓	✓
			Transmission Incentive Adder <sup>(2)</sup>	✓		

- (1) As filed in most recent completed rate cases.
- (2) Allowed ROE of 12.93% for Susquehanna-Roseland project.
- (3) No stated ROE for Kentucky base rates. The existing Environmental Cost Recovery Mechanism and Gas Line Tracker were awarded a 10% ROE. The environmental plan approved in August 2016 was awarded a 9.8% ROE.
- (4) CWIP included in forward test year rate base for LG&E and KU.
- (5) For PPL EU Transmission, return on CWIP for approved projects.
- (6) LG&E and KU have historically been able to recover costs from extraordinary storms, but no formal tracker is in place.



# Pennsylvania: Transmission

- Projected 12.2% CAGR in transmission rate base through 2021
- Base ROE of 11.68% and return on CWIP for approved projects
- Minimal volumetric risk
- Project Compass offers potential incremental opportunity beyond 2020<sup>(1)</sup>

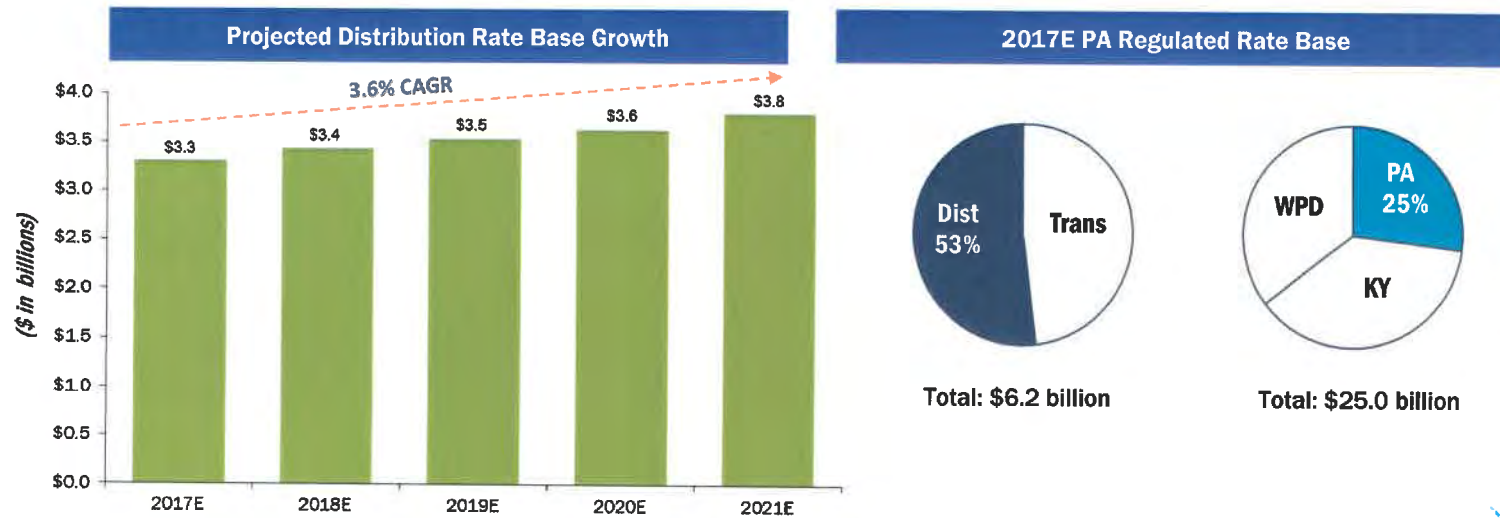


(1) Subject to regulatory approvals.



# Pennsylvania: Distribution

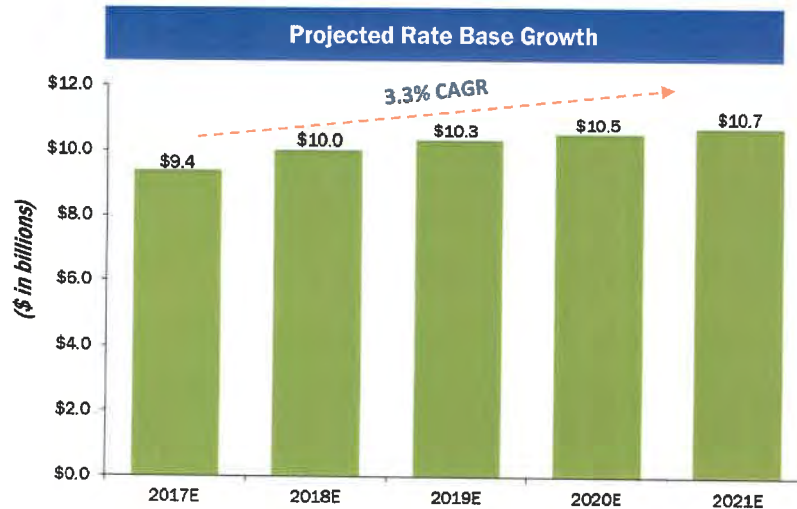
- Projected 3.6% CAGR in distribution rate base through 2021
- Constructive jurisdiction reduces regulatory lag; should extend rate case cycles
  - \$471 million Smart Meter replacement project (<6 months lag on qualifying investments)
  - No projected base rate cases through 2020
  - ~50% of distribution gross margin subject to minimal or no volumetric risk



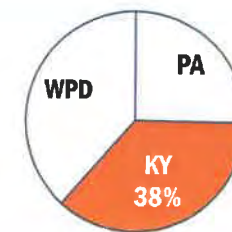


# Kentucky Regulated

- Constructive jurisdiction provides a timely return on planned Cap Ex
  - Environmental Cost Recovery (ECR): \$1.4 billion estimated spend on projects approved, or subject to KPSC approval; \$0.7 billion with 10.0% ROE and \$0.7 billion with 9.8% ROE – virtually no regulatory lag
  - Other supportive recovery mechanisms
    - Return mechanisms include CWIP for ECR and Gas Line Tracker
    - Pass through clauses include Purchased Power, Fuel and Gas Supply Adjustment and Energy Efficiency/Demand Side Management recovery
- Cap Ex plans exclude spending that may be required under the Clean Power Plan



2017E KY Regulated Rate Base



Total: \$25.0 billion



## Kentucky Rate Review

	KU	LG&E	
Terms of Settlement Agreement	Electric	Electric	Gas
Revenue Increase	\$54.9 million	\$59.4 million	\$7.5 million
Test Year	12-months ended 6/30/2018	12-months ended 6/30/2018	12-months ended 6/30/2018
ROE	9.75%	9.75%	9.75%
Equity Ratio	53.28%	53.27%	53.27%

Withdraw request for deployment of smart meters - approximately \$300 million of capital.  
All other projects approved, including two new programs through the gas line tracker.  
Revised timing of cost recovery for plant outage expenses and changed depreciation rates.

Rates become effective July 1 with an order expected from the KPSC by the end of June.

Complete filings are available at [www.lge-ku.com/regulatory.asp](http://www.lge-ku.com/regulatory.asp).

# Tax Reform

- PPL is uniquely advantaged with operations in the U.K.
  - With over half of our earnings in the U.K., tax reform would only impact our domestic utilities
  - We have the flexibility on domestic vs. international financings to optimize the capital structure relative to interest deductibility
  - Incremental tax on foreign earnings or deemed repatriation would be manageable
- PPL supports simplifying tax law and advancing the U.S. to be more competitive globally
- Our industry has worked successfully with policy makers to shape meaningful tax related legislation to minimize downside impacts, for example the 1986 tax reform and more recently the debate over taxes on dividend and capital gains
- We expect the benefits of tax reform realized by the regulated utilities to ultimately flow through to customers
- We have a significant pipeline of capital projects to enhance reliability and security that could help offset some of the potential rate base impacts resulting from tax reform

## Summary

- Growing, pure-play regulated business operating in premium jurisdictions
- 5-6% projected earnings growth from 2017 - 2020, with above-average dividend yield
- Strong dividend growth potential
- Targeting 9 - 10% total annual returns<sup>(1)</sup>
- Investing in the future and improving efficiency
- Confident in our ability to deliver on commitments to shareowners and customers

(1) Total annual return is the combination of annual EPS growth and dividend yield.

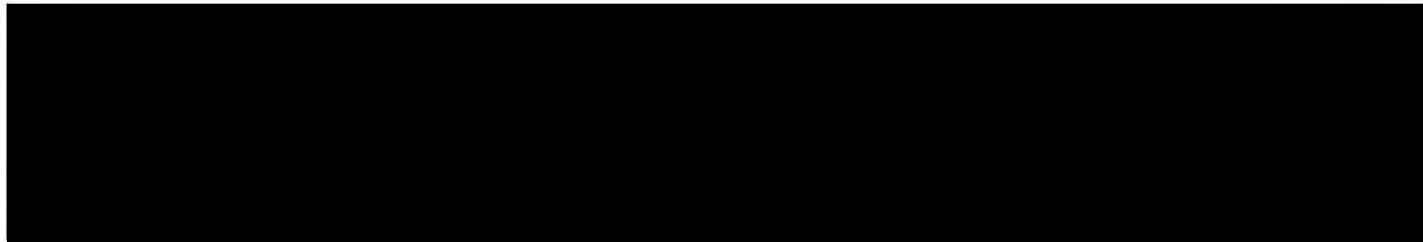
# APPENDIX A: FINANCIAL METRICS AND DETAILS



# Financial Metrics

	2017	2018	2019
<b>PPL Corporation (PPL)</b>			
CFO / Total Debt	13.1%	13.3%	13.4%
CFO - Dividends / Total Debt	8.1%	8.4%	8.5%
CFO + Interest / Interest	3.9x	4.0x	4.0x
Total Debt / Total Capital	58.5%	58.0%	57.0%

## PPL Electric Utilities Corporation (EU)



## Financial Metrics, continued

	2017	2018	2019
<b>LG&amp;E and KU Energy (LKE)</b>			
CFO / Total Debt	17.4%	17.7%	17.2%
CFO - Dividends / Total Debt	10.0%	10.5%	12.9%
CFO + Interest / Interest	5.7x	5.9x	5.6x
Total Debt / Total Capital	48.7%	50.0%	48.9%
<b>Kentucky Utilities (KU)</b>			
CFO / Total Debt	28.0%	27.1%	25.5%
CFO - Dividends / Total Debt	21.0%	20.1%	18.5%
CFO + Interest / Interest	8.0x	8.0x	7.5x
Total Debt / Total Capital	34.1%	33.6%	33.6%
<b>Louisville Gas and Electric (LG&amp;E)</b>			
CFO / Total Debt	27.4%	28.3%	28.4%
CFO - Dividends / Total Debt	21.0%	21.5%	21.4%
CFO + Interest / Interest	8.3x	8.6x	8.5x
Total Debt / Total Capital	35.0%	34.5%	34.1%

# Financial Metrics Details

## PPL Corporation

(Millions of Dollars)	2017	2018	2019
<b><u>Cash from Operations (CFO) / Total Debt</u></b>			
Cash from Operations	\$ 2,498	\$ 2,802	\$ 2,995
Adjustments	331	253	234
<i>CFO - Adjusted</i>	\$ 2,828	\$ 3,055	\$ 3,229
Long-term Debt	\$ 19,629	\$ 20,532	\$ 21,429
Short-term Debt	933	1,494	1,619
Adjustments	1,063	1,022	959
<i>Total Debt - Adjusted</i>	\$ 21,625	\$ 23,048	\$ 24,007
<b>CFO / Total Debt</b>	<b>13.1%</b>	<b>13.3%</b>	<b>13.4%</b>
<b><u>CFO - Dividends / Total Debt</u></b>			
<i>CFO - Adjusted</i>	\$ 2,828	\$ 3,055	\$ 3,229
Less: Common Dividends	(1,071)	(1,129)	(1,193)
<i>CFO - Dividends</i>	\$ 1,758	\$ 1,926	\$ 2,036
<i>Total Debt - Adjusted</i>	\$ 21,625	\$ 23,048	\$ 24,007
<b>CFO - Dividends / Total Debt</b>	<b>8.1%</b>	<b>8.4%</b>	<b>8.5%</b>
<b><u>CFO + Interest / Interest</u></b>			
<i>CFO - Adjusted</i>	\$ 2,828	\$ 3,055	\$ 3,229
Interest	960	1,014	1,064
<i>CFO + Interest</i>	\$ 3,789	\$ 4,069	\$ 4,292
<b>CFO + Interest / Interest</b>	<b>3.9x</b>	<b>4.0x</b>	<b>4.0x</b>
<b><u>Total Debt / Total Capital</u></b>			
<i>Total Debt - Adjusted</i>	\$ 21,625	\$ 23,048	\$ 24,007
Common Equity	10,658	11,493	12,380
Adjustments	4,663	5,198	5,753
<i>Total Capital</i>	\$ 36,945	\$ 39,739	\$ 42,140
<b>Total Debt / Total Capital</b>	<b>58.5%</b>	<b>58.0%</b>	<b>57.0%</b>





# Financial Metrics Details

## PPL Electric Utilities Corporation

(Millions of Dollars)

	2017	2018	2019

# Financial Metrics Details

## LG&E and KU Energy LLC

(Millions of Dollars)	2017	2018	2019
<b><u>Cash from Operations (CFO) / Total Debt</u></b>			
Cash from Operations	\$ 1,122	\$ 1,172	\$ 1,192
Adjustments	(19)	46	4
<i>CFO - Adjusted</i>	\$ 1,103	\$ 1,218	\$ 1,196
Long-term Debt	\$ 4,920	\$ 4,927	\$ 5,433
Short-term Debt	74	336	38
Intercompany Debt	833	1,171	1,123
Adjustments	502	443	363
<i>Total Debt - Adjusted</i>	\$ 6,329	\$ 6,876	\$ 6,956
<b>CFO / Total Debt</b>	<b>17.4%</b>	<b>17.7%</b>	<b>17.2%</b>
<b><u>CFO - Dividends / Total Debt</u></b>			
<i>CFO - Adjusted</i>	\$ 1,103	\$ 1,218	\$ 1,196
Less: Dividends to Parent	(467)	(495)	(301)
<i>CFO - Dividends</i>	\$ 636	\$ 723	\$ 894
<i>Total Debt - Adjusted</i>	\$ 6,329	\$ 6,876	\$ 6,956
<b>CFO - Dividends / Total Debt</b>	<b>10.0%</b>	<b>10.5%</b>	<b>12.9%</b>
<b><u>CFO + Interest / Interest</u></b>			
<i>CFO - Adjusted</i>	\$ 1,103	\$ 1,218	\$ 1,196
Interest	233	247	263
<i>CFO + Interest</i>	\$ 1,336	\$ 1,465	\$ 1,458
<b>CFO + Interest / Interest</b>	<b>5.7x</b>	<b>5.9x</b>	<b>5.6x</b>
<b><u>Total Debt / Total Capital</u></b>			
<i>Total Debt - Adjusted</i>	\$ 6,329	\$ 6,876	\$ 6,956
Common Equity	4,635	4,587	4,816
Adjustments	2,036	2,284	2,449
<i>Total Capital</i>	\$ 12,999	\$ 13,747	\$ 14,222
<b>Total Debt / Total Capital</b>	<b>48.7%</b>	<b>50.0%</b>	<b>48.9%</b>



# Financial Metrics Details

## Kentucky Utilities Company

(Millions of Dollars)	2017	2018	2019
<b><u>Cash from Operations (CFO) / Total Debt</u></b>			
Cash from Operations	\$ 697	\$ 671	\$ 676
Adjustments	(0)	25	(2)
<i>CFO - Adjusted</i>	\$ 697	\$ 696	\$ 674
Long-term Debt	\$ 2,329	\$ 2,332	\$ 2,585
Short-term Debt	56	156	-
Adjustments	102	81	60
<i>Total Debt - Adjusted</i>	\$ 2,487	\$ 2,569	\$ 2,644
<b>CFO / Total Debt</b>	<b>28.0%</b>	<b>27.1%</b>	<b>25.5%</b>
<b><u>CFO - Dividends / Total Debt</u></b>			
<i>CFO - Adjusted</i>	\$ 697	\$ 696	\$ 674
Less: Dividends to Parent	(174)	(179)	(185)
<i>CFO - Dividends</i>	\$ 523	\$ 517	\$ 489
<i>Total Debt - Adjusted</i>	\$ 2,487	\$ 2,569	\$ 2,644
<b>CFO - Dividends / Total Debt</b>	<b>21.0%</b>	<b>20.1%</b>	<b>18.5%</b>
<b><u>CFO + Interest / Interest</u></b>			
<i>CFO - Adjusted</i>	\$ 697	\$ 696	\$ 674
Interest	99	99	104
<i>CFO + Interest</i>	\$ 796	\$ 795	\$ 778
<b>CFO + Interest / Interest</b>	<b>8.0x</b>	<b>8.0x</b>	<b>7.5x</b>
<b><u>Total Debt / Total Capital</u></b>			
<i>Total Debt - Adjusted</i>	\$ 2,487	\$ 2,569	\$ 2,644
Common Equity	3,379	3,510	3,583
Adjustments	1,421	1,560	1,641
<i>Total Capital</i>	\$ 7,287	\$ 7,639	\$ 7,869
<b>Total Debt / Total Capital</b>	<b>34.1%</b>	<b>33.6%</b>	<b>33.6%</b>

# Financial Metrics Details

## Louisville Gas and Electric Company

(Millions of Dollars)	2017	2018	2019
<b><u>Cash from Operations (CFO) / Total Debt</u></b>			
Cash from Operations	\$ 558	\$ 572	\$ 610
Adjustments	(9)	24	6
<i>CFO - Adjusted</i>	\$ 549	\$ 597	\$ 616
Long-term Debt	\$ 1,869	\$ 1,872	\$ 2,124
Short-term Debt	6	143	-
Adjustments	125	95	45
<i>Total Debt - Adjusted</i>	\$ 2,000	\$ 2,111	\$ 2,169
<b>CFO / Total Debt</b>	<b>27.4%</b>	<b>28.3%</b>	<b>28.4%</b>
<b><u>CFO - Dividends / Total Debt</u></b>			
<i>CFO - Adjusted</i>	\$ 549	\$ 597	\$ 616
Less: Dividends to Parent	(130)	(143)	(151)
<i>CFO - Dividends</i>	\$ 419	\$ 454	\$ 465
<i>Total Debt - Adjusted</i>	\$ 2,000	\$ 2,111	\$ 2,169
<b>CFO - Dividends / Total Debt</b>	<b>21.0%</b>	<b>21.5%</b>	<b>21.4%</b>
<b><u>CFO + Interest / Interest</u></b>			
<i>CFO - Adjusted</i>	\$ 549	\$ 597	\$ 616
Interest	75	79	83
<i>CFO + Interest</i>	\$ 624	\$ 675	\$ 698
<b>CFO + Interest / Interest</b>	<b>8.3x</b>	<b>8.6x</b>	<b>8.5x</b>
<b><u>Total Debt / Total Capital</u></b>			
<i>Total Debt - Adjusted</i>	\$ 2,000	\$ 2,111	\$ 2,169
Common Equity	2,581	2,742	2,820
Adjustments	1,133	1,262	1,375
<i>Total Capital</i>	\$ 5,714	\$ 6,115	\$ 6,364
<b>Total Debt / Total Capital</b>	<b>35.0%</b>	<b>34.5%</b>	<b>34.1%</b>



## APPENDIX B: FINANCING REQUIREMENTS AND SOURCES



## 2017 Financing Requirements and Sources

<i>(Millions of Dollars)</i>	PPL Consolidated	Corporate & Other	PPL Global	PPL Electric Utilities	LKE Consolidated	KU	LG&E
Net Income (As Reported)	\$ 1,488				\$ 435	\$ 270	\$ 208
Depreciation & Amortization	1,141				511	291	217
Deferred Income Taxes	439				169	155	122
Pension Funding	(590)				(10)	(18)	3
Other	20				17	-	8
<b>Cash from Operations</b>	<b>2,498</b>				<b>1,122</b>	<b>697</b>	<b>558</b>
Capital Expenditures	(3,397)				(1,077)	(530)	(547)
Other Investing Activities	1				-	-	-
Free Cash Flow before Dividends	(898)				45	168	11
Dividends Received / (Paid)	(1,071)				(467)	(174)	(130)
Free Cash Flow after Dividends	(1,969)				(422)	(6)	(118)
Less: Security Maturities	(78)				-	-	-
Less: Other Financing Needs	(8)				-	-	-
<b>Total Financing Requirements</b>	<b>\$ (2,055)</b>				<b>\$ (422)</b>	<b>\$ (6)</b>	<b>\$ (118)</b>
Debt Issuances	\$ 1,375				\$ 250	\$ -	\$ 250
Issuance of Common Stock <sup>(1)</sup>	330				-	-	-
Capital Contributions from / (to) Parent	-				-	(41)	26
Change in Intercompany Debt	-				269	-	-
Decrease / (Increase) in Cash on Hand	340				13	7	5
Change in Short-term Debt	9				(110)	40	(162)
<b>Total Financing Sources</b>	<b>\$ 2,055</b>				<b>\$ 422</b>	<b>\$ 6</b>	<b>\$ 118</b>
Unrestricted Cash & Equivalents - Beginning	\$ 341				\$ 13	\$ 7	\$ 5
Unrestricted Cash & Equivalents - Ending	\$ 1				\$ -	\$ -	\$ -
Short-term debt - Beginning	\$ 923				\$ 185	\$ 16	\$ 169
Short-term debt - Ending	\$ 933				\$ 74	\$ 56	\$ 6

Note: Totals may not sum due to rounding  
(1) Excludes \$20 million of non-cash equity.



## 2018 Financing Requirements and Sources

<i>(Millions of Dollars)</i>	PPL Consolidated	Corporate & Other	PPL Global	PPL Electric Utilities	LKE Consolidated	KU	LG&E
Net Income (As Reported)	\$ 1,624				\$ 447	\$ 274	\$ 223
Depreciation & Amortization	1,249				587	338	248
Deferred Income Taxes	536				248	139	129
Pension Funding	(554)				(38)	(13)	(14)
Other	(53)				(72)	(67)	(14)
<b>Cash from Operations</b>	<b>2,802</b>				<b>1,172</b>	<b>671</b>	<b>572</b>
Capital Expenditures	(3,409)				(1,276)	(627)	(649)
Other Investing Activities	1				-	-	-
Free Cash Flow before Dividends	(606)				(104)	44	(76)
Dividends Received / (Paid)	(1,129)				(495)	(179)	(143)
Free Cash Flow after Dividends	(1,735)				(599)	(135)	(219)
Less: Security Maturities	(250)				-	-	-
Less: Other Financing Needs	(10)				-	-	-
<b>Total Financing Requirements</b>	<b>\$ (1,995)</b>				<b>\$ (599)</b>	<b>\$ (135)</b>	<b>\$ (219)</b>
Debt Issuances	\$ 1,145				\$ -	\$ -	\$ -
Issuance of Common Stock <sup>(1)</sup>	330				-	-	-
Capital Contributions from / (to) Parent	-				-	35	82
Change in Intercompany Debt	-				338	-	-
Decrease / (Increase) in Cash on Hand	(41)				-	-	-
Change in Short-term Debt	561				261	100	137
<b>Total Financing Sources</b>	<b>\$ 1,995</b>				<b>\$ 599</b>	<b>\$ 135</b>	<b>\$ 219</b>
Unrestricted Cash & Equivalents - Beginning	\$ 1				\$ -	\$ -	\$ -
Unrestricted Cash & Equivalents - Ending	\$ 42				\$ -	\$ -	\$ -
Short-term debt - Beginning	\$ 933				\$ 74	\$ 56	\$ 6
Short-term debt - Ending	\$ 1,494				\$ 336	\$ 156	\$ 143

Note: Totals may not sum due to rounding  
(1) Excludes \$20 million of non-cash equity.


## 2019 Financing Requirements and Sources

<i>(Millions of Dollars)</i>	PPL Consolidated	Corporate & Other	PPL Global	PPL Electric Utilities	LKE Consolidated	KU	LG&E
Net Income (As Reported)	\$ 1,741				\$ 467	\$ 291	\$ 237
Depreciation & Amortization	1,347				649	370	277
Deferred Income Taxes	555				166	81	113
Pension Funding	(593)				(35)	(13)	(11)
Other	(55)				(55)	(54)	(5)
<b>Cash from Operations</b>	<b>2,995</b>				<b>1,192</b>	<b>676</b>	<b>610</b>
Capital Expenditures	(3,141)				(1,061)	(522)	(539)
Other Investing Activities	1				-	-	-
Free Cash Flow before Dividends	(145)				131	154	71
Dividends Received / (Paid)	(1,193)				(301)	(185)	(151)
Free Cash Flow after Dividends	(1,338)				(170)	(31)	(80)
Less: Security Maturities	-				-	-	-
Less: Other Financing Needs	-				-	-	-
<b>Total Financing Requirements</b>	<b>\$ (1,338)</b>				<b>\$ (170)</b>	<b>\$ (31)</b>	<b>\$ (80)</b>
Debt Issuances	\$ 890				\$ 500	\$ 250	\$ 250
Issuance of Common Stock <sup>(1)</sup>	330				-	-	-
Capital Contributions from / (to) Parent	-				63	(33)	(9)
Change in Intercompany Debt	-				(48)	-	-
Decrease / (Increase) in Cash on Hand	(7)				(48)	(30)	(18)
Change in Short-term Debt	125				(297)	(156)	(143)
<b>Total Financing Sources</b>	<b>\$ 1,338</b>				<b>\$ 170</b>	<b>\$ 31</b>	<b>\$ 80</b>
Unrestricted Cash & Equivalents - Beginning	\$ 42				\$ -	\$ -	\$ -
Unrestricted Cash & Equivalents - Ending	\$ 49				\$ 48	\$ 30	\$ 18
Short-term debt - Beginning	\$ 1,494				\$ 336	\$ 156	\$ 143
Short-term debt - Ending	\$ 1,619				\$ 38	\$ -	\$ -

Note: Totals may not sum due to rounding  
(1) Excludes \$20 million of non-cash equity.







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Moody's Investors Service  
U.S. Tax Reform Update  
April 9, 2018



# Business Overview

## **Strong financial performance:**

- Delivered strong 2017 financial results of \$2.25 per share
  - 2017 guidance range of \$2.10 - \$2.25 per share
- Continue to outperform midpoint of ongoing earnings forecast
- (CFO pre-WC / Debt) metric continues to exceed budgeted levels
- Expect to maintain capital plan of over \$15 billion over next 5 years
- Strong 2018 year-to-date financial results

## **Key events contributing to business plan updates:**

- U.S. tax reform
- Kentucky 2017 rate case
- Foreign currency exposure and hedging strategy
- No material impact expected from RII0-ED1 Mid-Period Review (MPR)

## U.S. Tax Reform

**On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (TCJA). The more significant changes that impact PPL are:**

- The reduction in the U.S. federal corporate income tax rate from a top marginal rate of 35% to a flat rate of 21%, effective January 1, 2018;
- The exclusion from U.S. federal taxable income of dividends from foreign subsidiaries and the associated "transition tax;"
- Limitations on the tax deductibility of interest expense, with an exception to these limitations for regulated public utilities;
- Full current year expensing of capital expenditures with an exception for regulated public utilities that qualify for the exception to the interest expense limitation; and
- The continuation of certain rate normalization requirements for accelerated depreciation benefits.

# Impacts of U.S. Tax Reform on PPL

## **Policy Impacts:**

- No “transition tax” expected for PPL
- Future impacts of transitioning to a territorial system are positive on U.K. repatriation strategy
- Domestic rate base expected to grow faster with lower deferred tax liabilities going forward

## **Credit Impacts:**

- Expect cash flows at the domestic utilities to decline as the benefit of the lower tax rate is passed through to utility customers
- No immediate cash benefit associated with the lower tax rate due to PPL’s current NOL position, resulting in degradation of credit metrics

# Tax Reform Impact on the Business Plan

## **Credit:**

- The impact of tax reform on the business plan approved in December was a reduction in FFO/Debt of about 125 bps per year (which yielded FFO/Debt metrics in the low 12% range for all years of the plan)
- The Business Plan included significant debt issuances at PPL Capital Funding (\$2.1B over the 4 years); which are eliminated in the tax reform plan update
- In order to improve the credit metrics, we have added significant equity to the plan
- Publicly communicated \$1.0B in 2018 and \$500M - \$1.0B in 2019 and 2020

## **Earnings:**

- The EPS impact of tax reform was about 2 cents per share from the lower deduction on holding company interest partially offset by higher rate base at domestic utilities due to lower tax rate

- [REDACTED]

## **Dividends:**

- [REDACTED]
- [REDACTED]

# Business Plan Assumptions (2018-2020)

## **Key Corporate-level Assumptions:**

- EPS growth of 5-6%
- Continued dividend growth through 2020 with 4% increase from 2017 to 2018
- Equity issuances of \$1.0B in 2018; \$500M in 2019 and 2020
- Significant reduction in debt issuances at PPL Capital Funding

## **Domestic Growth Assumptions:**

- Net income growth of 7-8%
- Domestic rate base CAGR of 7.1% through 2020
- No projected load growth
- PA transmission CAPEX of \$1.4B at 11.68% base ROE
- Project Compass not in plan
- KY investment of \$2.2B at 9.7% ROE

Note: Growth rates off of midpoint of 2018 ongoing earnings forecast of \$2.30 per share.

# Business Plan Assumptions (2018-2020)

## **U.K. Growth Assumptions:**

- Net income growth of 7-9%
- Expect earnings hedges to settle in respective years to help mitigate earnings and cash flow impacts
- Open foreign currency exposure budgeted at \$1.40/£
- Expected rate base (RAV) CAGR of 5.2%
- Higher pension income from annual contributions to pension plans
- Incentive revenue: \$100M (2018); \$90-\$110M (2019); \$100-\$120M (2020)
- RPI (inflation rate): 3.3% (2018); 3.0% (2019 and 2020)
- Annual cash repatriation between \$300 – \$500M (80% Debt/RAV Target)

## **Tax Reform Regulatory Assumptions:**

- PA PUC: Tax savings returned to customers in full, effective 1/1/2018
- PA FERC: Portion of tax savings returned to customers, effective 6/1/2018
- Kentucky: Tax savings returned to customers in full, effective 1/1/2018

Note: Growth rates off of midpoint of 2018 ongoing earnings forecast of \$2.30 per share.

# Summary Financing Plan

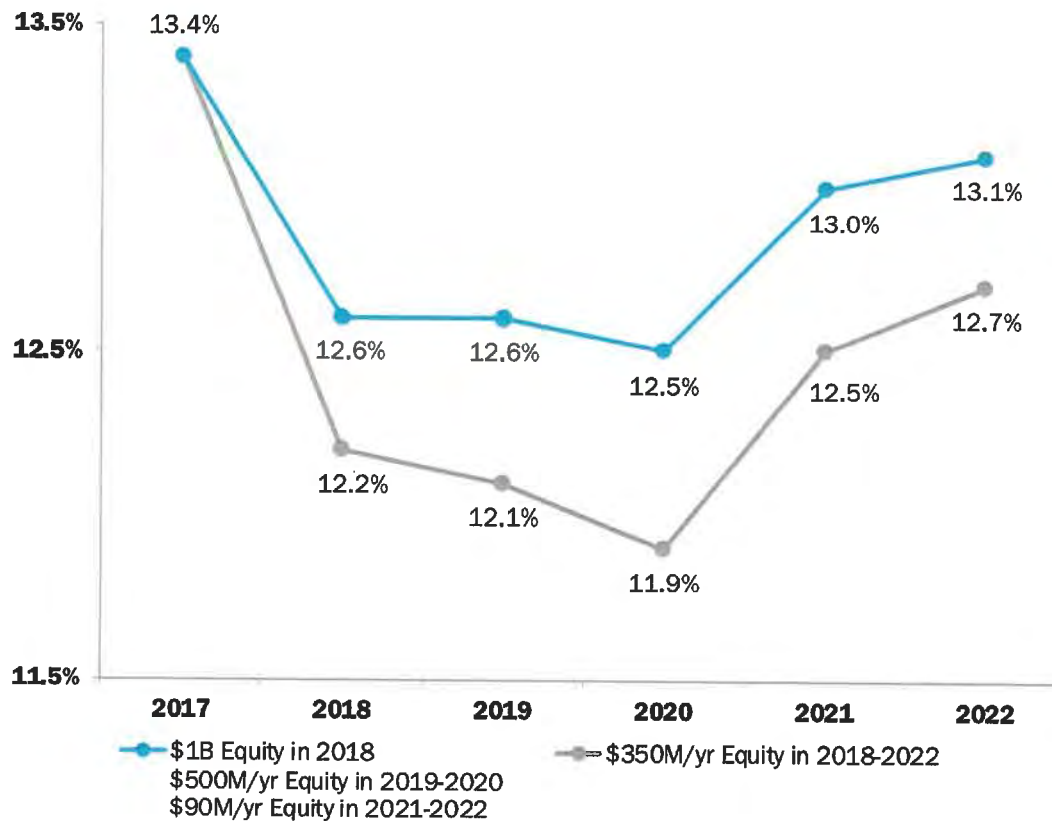
<i>\$ in millions</i>	2018	2019	2020	2021	2022
PPL Capital Funding	\$ (250)	\$ -	\$ -	\$ -	\$ (800)
PPL Electric Utilities	-	-	(100)	(400)	(474)
LG&E and KU Energy	-	-	(475)	(250)	-
Louisville Gas & Electric	(98)	(434)	-	-	-
Kentucky Utilities	-	(96)	(500)	-	-
WPD	-	-	(210)	(430)	-
<b>Debt Maturities</b>	<b>\$ (348)</b>	<b>\$ (530)</b>	<b>\$ (1,285)</b>	<b>\$ (1,080)</b>	<b>\$ (1,274)</b>

<i>\$ in millions</i>	2018	2019	2020	2021	2022
PPL Capital Funding	\$ -	\$ -	\$ -	\$ 650	\$ -
PPL Electric Utilities	400	-	400	550	450
Louisville Gas & Electric	100	500	-	-	-
Kentucky Utilities	-	300	500	-	-
WPD	608	378	798	616	280
<b>Debt Issuances</b>	<b>\$ 1,108</b>	<b>\$ 1,178</b>	<b>\$ 1,698</b>	<b>\$ 1,816</b>	<b>\$ 730</b>
PPL Corporation	\$ 1,000	\$ 500	\$ 500	\$ 90	\$ 90
<b>Equity Issuances</b>	<b>\$ 1,000</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 90</b>	<b>\$ 90</b>





## Projected Financial Metrics: CFO pre-WC / Debt

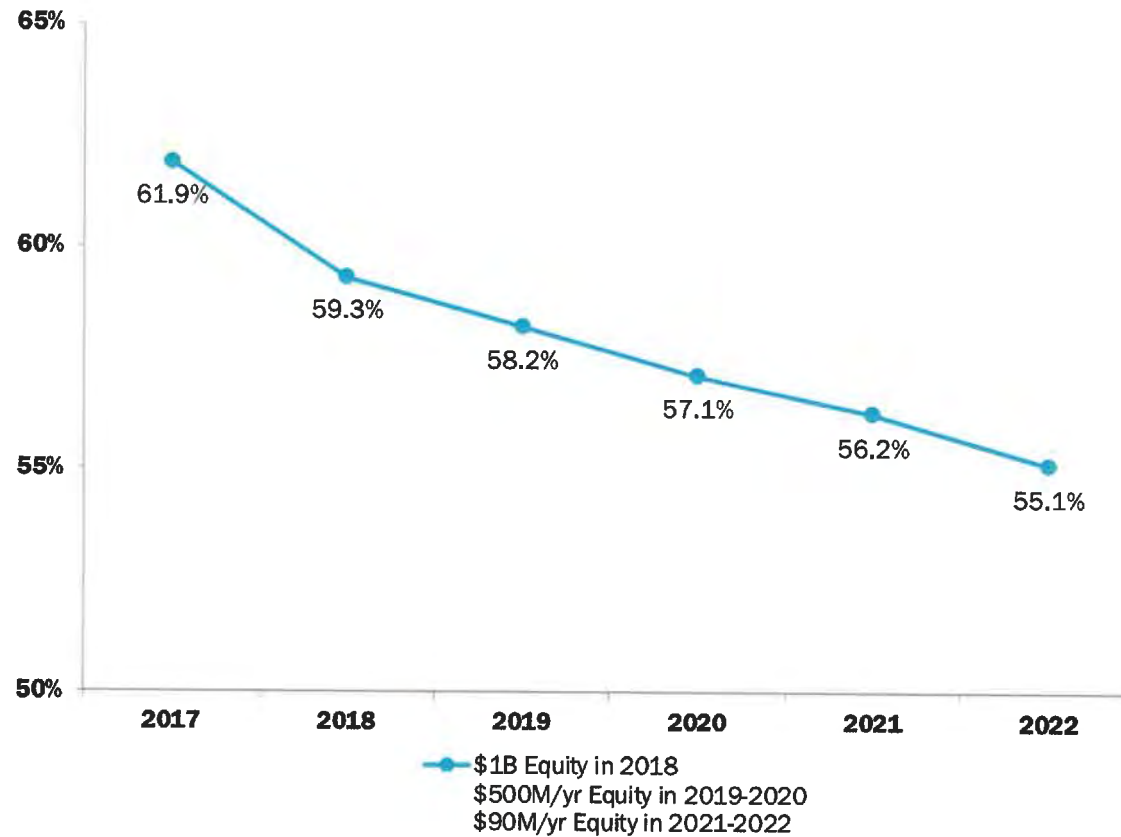


### Potential FFO Drivers:

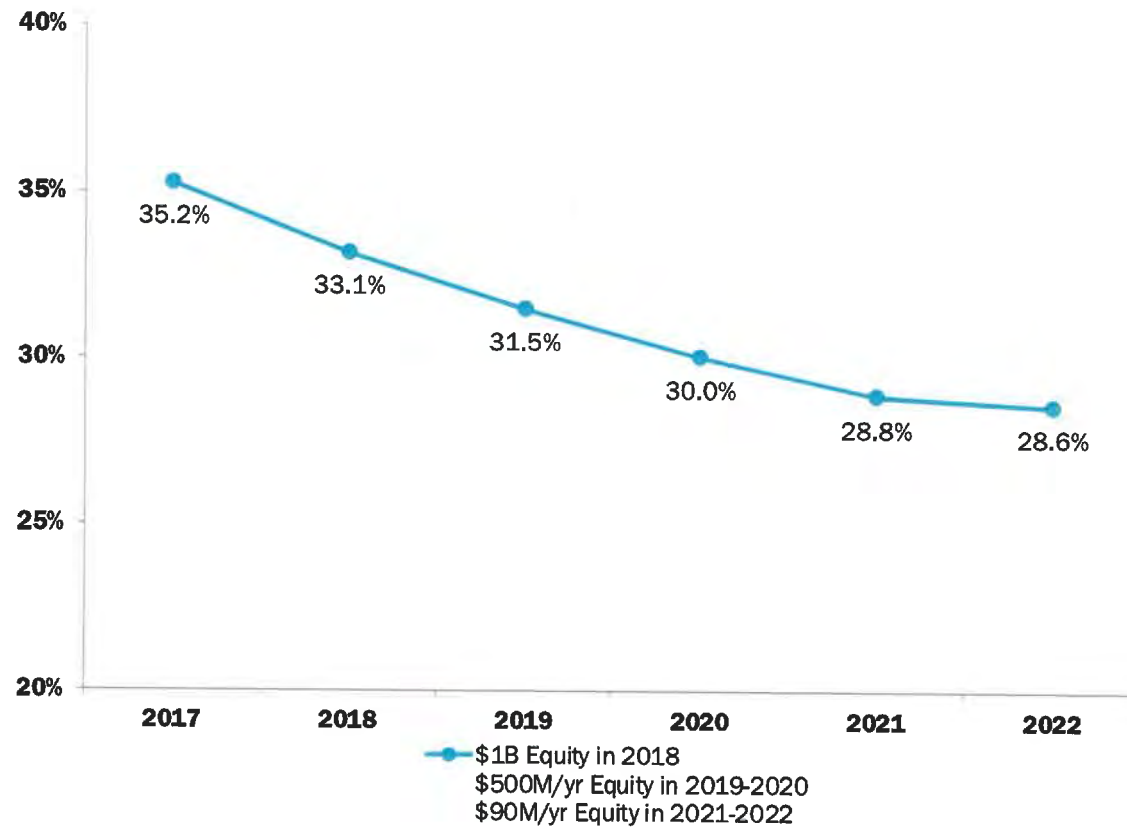
- PA PUC and FERC Outcomes in PA
- [REDACTED] KY Rate Cases
- Conservative Business Plan:
  - ✓ Timing of Equity
  - ✓ Interest Rates
  - ✓ Flat Load
- O&M Spending
- EU Distribution CapEx



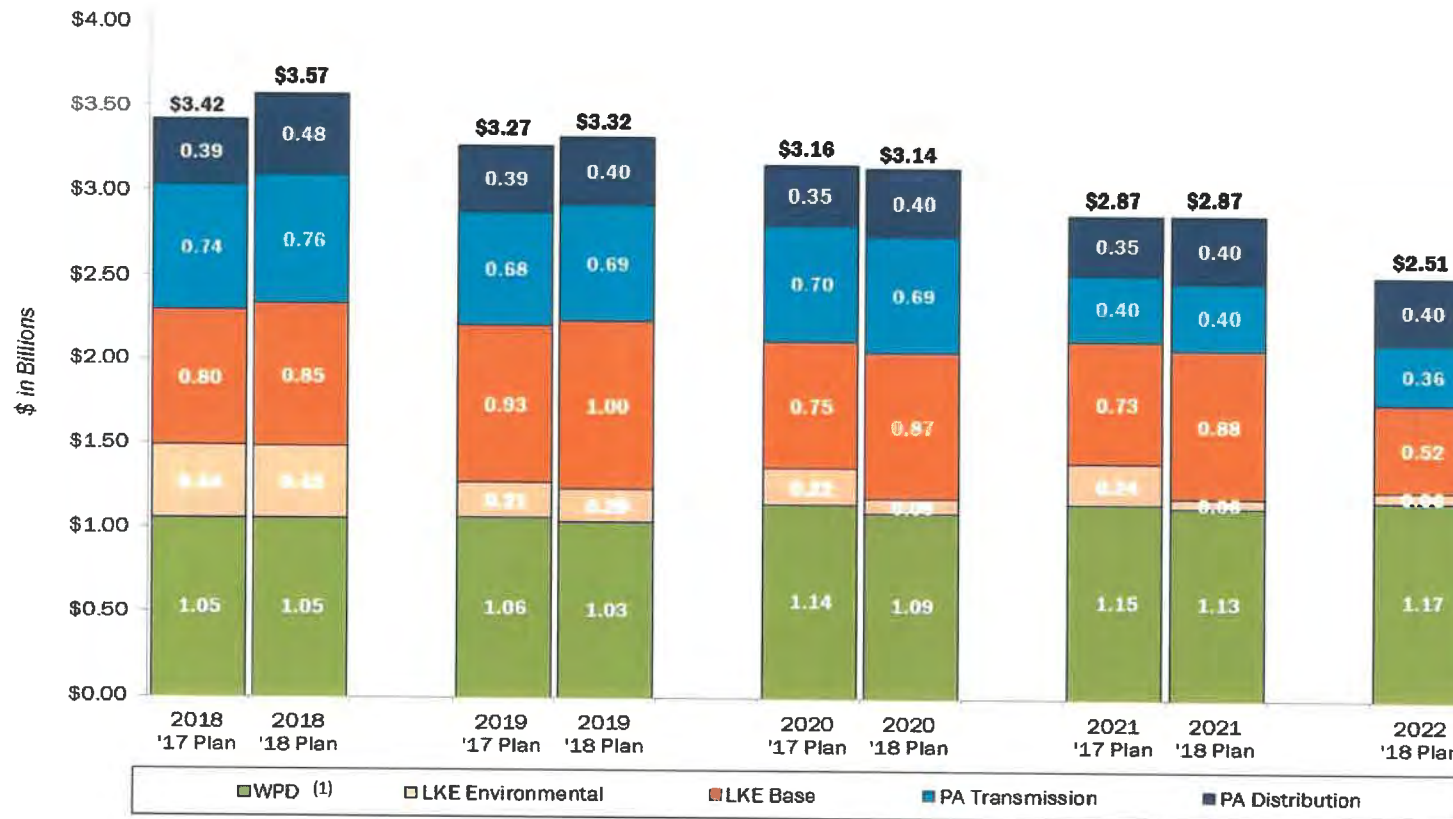
## Projected Financial Metrics: Debt / Capitalization



## Projected Financial Metrics: Holding Company Debt as % of Total Debt



# 2018 – 2022 Capital Plan and Comparison to Prior Year Capital Plan



(1) Capital plans are based on assumed exchange rate of \$1.35/£ for 2018-2019 and \$1.40/£ for 2020-2022.



# U.S. Regulatory Update

## **Impact of Tax Reform on Kentucky Customer Rates:**

- On March 20, 2018, the KPSC issued an order which commences the return of a combined \$204 million associated with the federal tax rate reduction compared to \$177 million reached in a settlement agreement.
- On March 28, 2018, the KPSC granted the reconsideration and hearing of the KY companies' exception with its modifications to the settlement agreement.
- Bill credits will begin April 1, 2018 and run through April 30, 2019, based on the settlement agreement amount.

## **Impact of Tax Reform on Pennsylvania Customer Rates:**

- In February 2018, the PA PUC issued a Secretarial Letter requesting comments relating to reduced tax obligations due to the lower federal tax rate:
  - Whether current customer rates should be adjusted;
  - The appropriate methodology to apply; and
  - Whether any refunds are due to customers.
- On March 9, 2018, PPL EU issued its comments and responses to the PA PUC.
- Effective March 15, 2018, the PA PUC made PPL EU's rates temporary.

## U.K. Regulatory Update

### **Mid-Period Review (MPR) not expected to materially impact WPD's plans:**

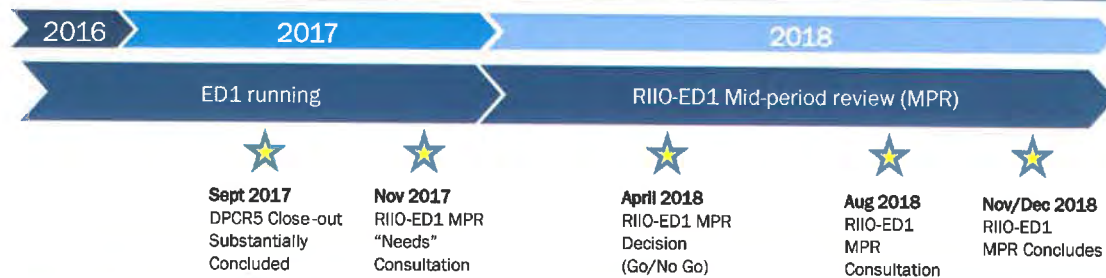
- PPL and WPD have responded to the MPR consultation citing concerns for both investors and customers if scope of MPR is expanded.
- Ofgem to determine if an MPR will even occur, as the original intent of the mechanism was to be very limited in scope and no issues have been identified that meet the specified scope definition; decision expected in April/May 2018.
- PPL does not anticipate a material impact from the MPR process.

### **Ofgem Issues RIIO-2 Framework Consultation Document:**

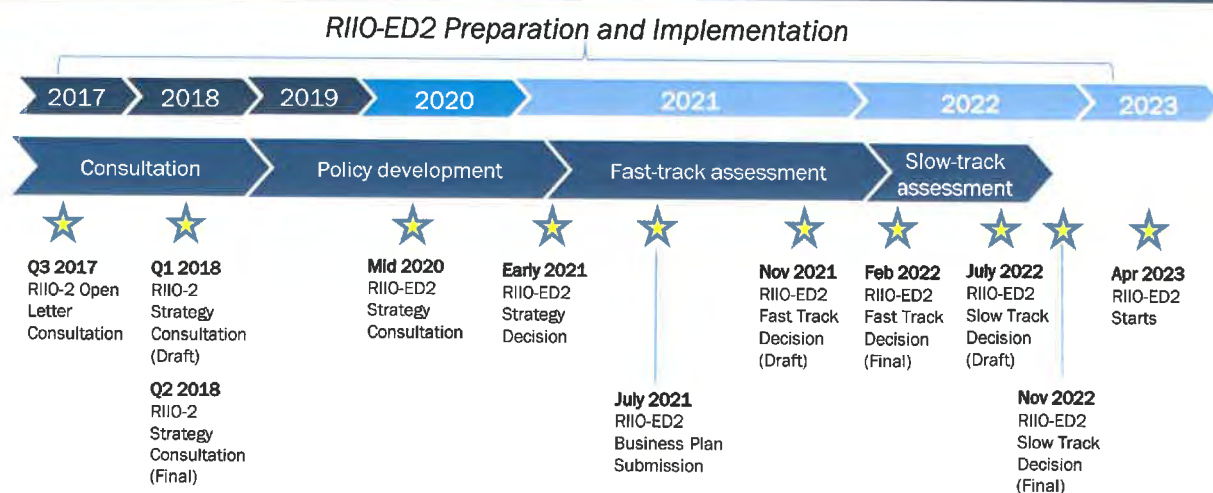
- On March 7, 2018, Ofgem launched their consultation on the RIIO-2 Framework Review, which marks the beginning of the consultation process for setting the next price controls beginning in April 2023 (2021 for Transmission).
- The consultation period ends on May 2, 2018, with the general framework expected to be finalized in the summer of 2018.
- DNO's are expected to submit their business plans in the second half of 2021.
- Ofgem's final view on the price control allowances for DNO's is expected to be published in 2022.

# U.K. Regulatory Update: Expected Ofgem RIIO Timelines

## RIIO-ED1 Indicative Timetable



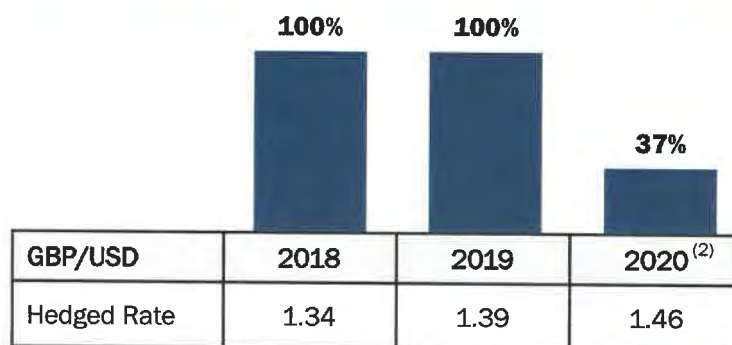
## RIIO-ED2 Indicative Timetable



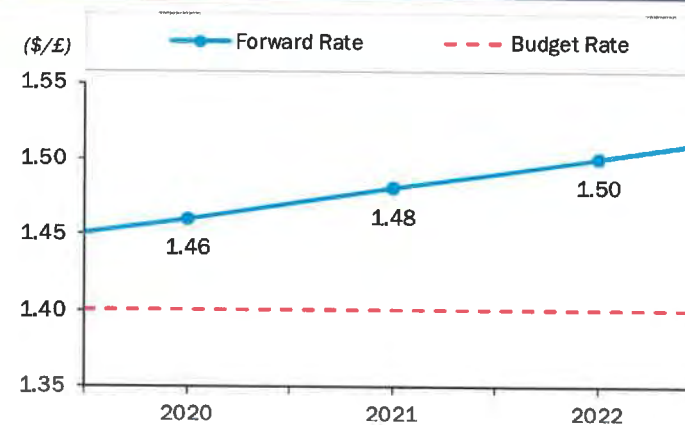
# Foreign Currency Hedging

Currency hedging strategy positions PPL to achieve 5-6% EPS growth target

Managing Foreign Currency Risk <sup>(1)</sup>



Forward FX Rates vs. Budgeted FX Rates



- Expect hedges to settle in respective years, helping to offset earnings and credit degradation from U.S. tax reform
- Increased our budgeted rate on open positions to \$1.40/£ for 2020, conservative to forward rates

Note: Forward FX rates sourced from Bloomberg as of 04/03/2018.  
 (1) PPL's foreign currency hedge status as of 04/03/18.  
 (2) Budgeted rate of \$1.40/£ on open positions for 2020.





# Sustainability Strategy and Commitments

The following sustainability commitments provide a framework for PPL to grow and innovate in a responsible, reliable way that benefits customers, shareowners, employees and society as a whole.



## Create extraordinary shareowner value

Create long-term value for shareowners through fiscal discipline, continuous improvement, environmental stewardship and enduring strategic investments



## Drive best-in-sector operational performance

Excel in safety, reliability, customer responsiveness and energy efficiency while maintaining a culture that cultivates innovation



## Advance a cleaner energy future

Encourage responsible stewardship in partnership with our customers and stakeholders to have a sustainable environmental impact



## Build tomorrow's energy infrastructure

Invest in tomorrow's energy infrastructure by developing a more reliable, resilient and efficient grid that fosters continued progress and a cleaner energy future



## Exceed customer expectations

Provide affordable, reliable, safe and environmentally responsible energy



## Foster an exceptional workplace

Cultivate success by energizing an inclusive, respectful and diverse workplace that rewards performance, enables professional development, encourages employee engagement and enables employees to achieve their full potential



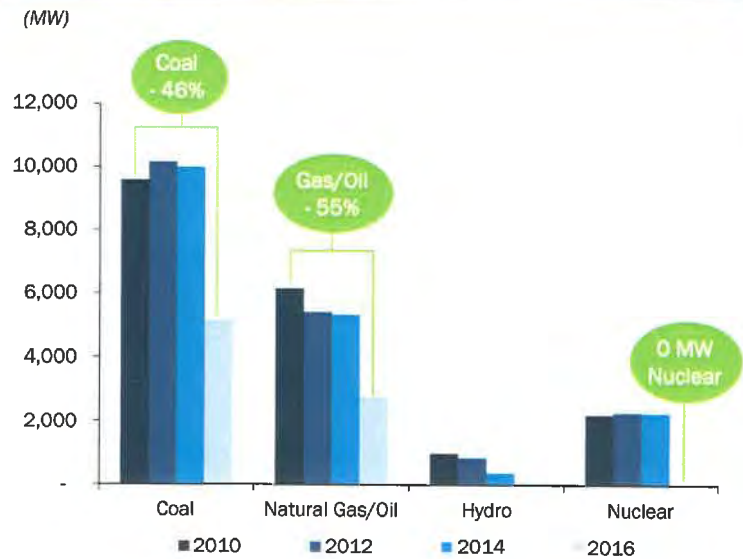
## Strengthen communities

Empower the success of future generations by helping to build strong communities today

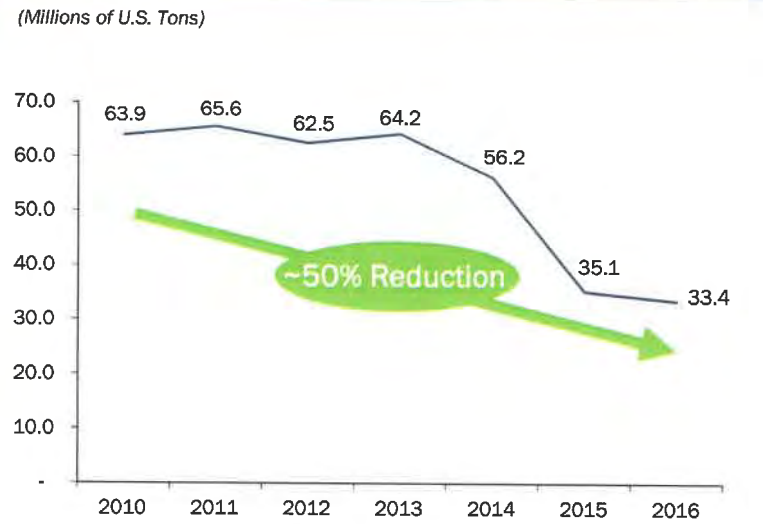
# PPL's Environmental Stewardship

*Significantly reduced coal intensity and carbon emissions via the strategic spin-off of our competitive generation and coal retirements in Kentucky*

**PPL's Power Generation Capacity <sup>(1)</sup>**



**PPL's CO<sub>2</sub> Emissions from 2010-2016**



(1) Megawatt (MW) capacity represents PPL's ownership interest.

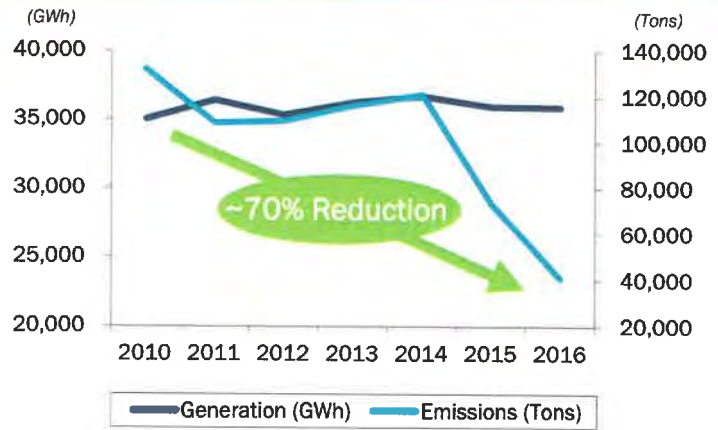


# Advancing a Cleaner Energy Future

*PPL's Kentucky operations have made important investments that have significantly reduced emissions and water consumption*

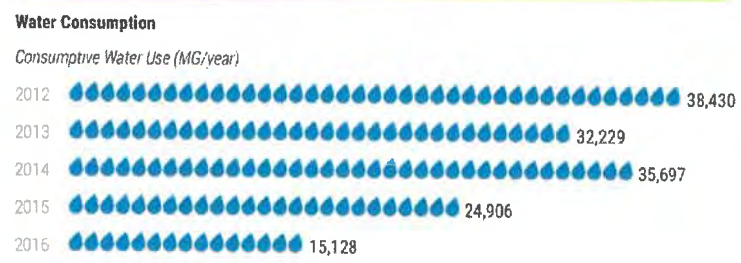
## Power Generation vs. Total Tons Emittted<sup>(1)</sup>

**-70% reduction in emissions from 2010 to 2016**



## Meaningful Water Conservation in Kentucky<sup>(1)</sup>

**Consumed 61% less water in 2016 than 2012**



Note: Emissions include sum of Particulates, SO<sub>2</sub>, NO<sub>x</sub> and Mercury.  
 (1) Excludes PPL Energy Supply, LLC for periods prior to its June 2015 spin-off.



# Climate Assessment Report

## **PPL published its scenario-based climate assessment report in November 2017:**

- Assessment of the potential impacts resulting from future requirements and technological advances aimed at limiting global warming to 2° Celsius over pre-industrial levels.
- Describes PPL's approach to manage climate-related risks and outlines new opportunities:
  - Continued investments across transmission and distribution operations to mitigate weather-related climate risks and make the grid more reliable and resilient, and
  - Leveraging smart grid technologies to actively manage our system and integrate distributed energy resources.

## **Analysis Results and Targets:**

- Expect CO<sub>2</sub> emissions from Kentucky generation assets to decline 45%-90% from 2005 levels by 2050.
- Anticipate that the financial risk of continuing to operate the existing coal units will be minimal so long as they are operated under approved regulatory frameworks.

# Continued Commitment to Sustainability

## **Issued completed Edison Electric Institute (EEI) environmental, social and governance reporting template (December 2017)**

- PPL was one of a number of EEI member companies that helped to develop the template to provide investors a condensed, consistent look at sustainability metrics across our sector.

## **Established goal in January 2018 to reduce CO2 emissions by 70% by 2050 from a 2010 baseline (or 45% counting only PPL's current business mix) through various actions:**

- Replacing Kentucky coal-fired generation over time with a mix of renewables and natural gas while meeting obligations to provide least-cost and reliable service.
- Improving energy efficiency, reducing greenhouse gas emissions from substations and reducing vehicle fleet emissions across PPL's U.S. and U.K. operations.

## **PPL also announced the intent to respond to CDP's annual climate survey**

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to First Request for Information of the  
Louisville/Jefferson County Metro Government  
Dated November 13, 2018**

**Case No. 2018-00295**

**Question No. 83**

**Responding Witness: Daniel K. Arbough**

- Q-83. Provide copies of all prospectuses for any security issuances by PPL, Louisville Gas & Electric, and Kentucky Utilities between January 1, 2015 and the present.
- A-83. See attached for copies of the LG&E and KU tax-exempt bond. See the links below to prospectuses for PPL securities and LG&E and KU first mortgage bonds.

PPL Common Stock - November 16, 2018

<https://www.sec.gov/Archives/edgar/data/922224/000119312518328688/d652088d424b3.htm>

PPL Common Stock - May 10, 2018

<https://www.sec.gov/Archives/edgar/data/922224/000119312518157765/d582029d424b2.htm>

PPL Common Stock - February 23, 2018

<https://www.sec.gov/Archives/edgar/data/922224/000119312518055990/d521353d424b5.htm>

PPL Senior Notes - September 7, 2017

<https://www.sec.gov/Archives/edgar/data/922224/000119312517279376/d434777d424b2.htm>

PPL Senior Notes - May 13, 2016

<https://www.sec.gov/Archives/edgar/data/922224/000119312516590561/d154647d424b2.htm>

PPL Common Stock – February 26, 2015

<https://www.sec.gov/Archives/edgar/data/922224/000119312515064881/d877557d424b5.htm>

LG&E First Mortgage Bonds – September 28, 2015

<https://www.sec.gov/Archives/edgar/data/60549/000119312515325559/d28490d424b2.htm>

KU First Mortgage Bonds – September 28, 2015

<https://www.sec.gov/Archives/edgar/data/55387/000119312515325551/d24100d424b2.htm>

NEW ISSUE

BOOK-ENTRY-ONLY

*Subject to the conditions and exceptions set forth under the heading "Tax Treatment," Bond Counsel is of the opinion that, under current law, interest on the Bonds offered hereby will be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" or a "related person" of the Project as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the branch profits tax on a portion of such interest. Bond Counsel is further of the opinion that interest on the Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, the principal of the Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of the Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of the Bonds. See "Tax Treatment" herein.*

**\$125,000,000**

**County of Trimble, Kentucky  
Pollution Control Revenue Refunding Bonds,  
2016 Series A, Due September 1, 2044  
(Louisville Gas and Electric  
Company Project)**

**Dated: Date of Original Issuance**

The County of Trimble, Kentucky, Pollution Control Revenue Refunding Bonds, 2016 Series A (Louisville Gas and Electric Company Project) (the "Bonds") will be special and limited obligations of the County of Trimble, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to a Loan Agreement with Louisville Gas and Electric Company (the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds will not constitute general obligations of the Issuer or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky.

Principal of, and interest on, the Bonds are further secured by the delivery to U.S. Bank National Association, as Trustee, of First Mortgage Bonds of

**LOUISVILLE GAS AND ELECTRIC COMPANY**

From and after the date of the issuance and delivery of the Bonds, the Bonds will bear interest at a Weekly Rate, determined by the Remarketing Agent, J.P. Morgan Securities LLC, in accordance with the Indenture, payable on the first Business Day of each calendar month. The interest rate period, interest rate and interest rate mode will be subject to change under certain conditions, as described in this Official Statement. The Bonds will be subject to optional redemption, extraordinary optional redemption and mandatory redemption following a determination of taxability prior to maturity, as described in this Official Statement. The Bonds are subject to optional purchase on the demand of the owner and to mandatory purchase on any date on which the Bonds are converted to a different Interest Rate Mode, in each case as described in this Official Statement.

PRICE: 100%

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Purchases of beneficial ownership interests in the Bonds will be made in book-entry only form in denominations of \$100,000 and multiples thereof. Purchasers will not receive certificates representing their beneficial interests in the Bonds. See the information contained under the heading "Summary of the Bonds — Book-Entry-Only System" in this Official Statement. The principal or redemption price of and interest on the Bonds will be paid by U.S. Bank National Association, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described herein.

Liquidity to pay the purchase price of the Bonds that are tendered and not remarketed will be provided by the Company. It is not anticipated that a liquidity or credit facility will be provided by any other party. Prospective purchasers of the Bonds should rely solely on the ability of the Company to provide for the purchase of the Bonds that are tendered and not remarketed. The failure of the Company to pay the purchase price of any Bond tendered by the holder thereof and not remarketed is an Event of Default under the Indenture.

*The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Stoll Keenon Ogden PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois and Gerald A. Reynolds, General Counsel, Chief Compliance Officer and Corporate Secretary of the Company, for the Issuer by its County Attorney, and for the Underwriter by its counsel, McGuireWoods LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about September 15, 2016.*

**J.P. Morgan**

September 7, 2016



The Bonds are exempt from registration under the Securities Act of 1933, as amended.

No dealer, broker, salesman or other person has been authorized by the Issuer, the Company or the Underwriter to give any information or to make any representation with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the completeness of such information. The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

**In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of such Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.**

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**OFFICIAL STATEMENT**

**\$125,000,000**  
**County of Trimble, Kentucky**  
**Pollution Control Revenue Refunding Bonds,**  
**2016 Series A, Due September 1, 2044**  
**(Louisville Gas and Electric**  
**Company Project)**

**Introductory Statement**

This Official Statement, including the cover page and Appendices, is provided to furnish information in connection with the offer and sale by the County of Trimble, Kentucky (the "Issuer") of its Pollution Control Revenue Refunding Bonds, 2016 Series A (Louisville Gas and Electric Company Project), in the aggregate principal amount of \$125,000,000 (the "Bonds") to be issued pursuant to an Indenture of Trust dated as of September 1, 2016 (the "Indenture") between the Issuer and U.S. Bank National Association (the "Trustee"), as Trustee, Paying Agent and Bond Registrar.

Pursuant to a Loan Agreement by and between Louisville Gas and Electric Company (the "Company") and the Issuer, dated as of September 1, 2016, (the "Loan Agreement"), proceeds from the sale of the Bonds, other than accrued interest, if any, paid by the initial purchasers thereof, will be loaned by the Issuer to the Company.

The proceeds of the Bonds (other than any accrued interest) will be applied in full, together with other moneys made available by the Company, to pay and discharge (i) \$83,335,000 in outstanding principal amount of "County of Trimble, Kentucky, Pollution Control Revenue Bonds, 2000 Series A (Louisville Gas and Electric Company Project)," dated August 9, 2000 (the "2000 Bonds") and (ii) \$41,665,000 in outstanding principal amount of "County of Trimble, Kentucky, Pollution Control Revenue Bonds, 2002 Series A (Louisville Gas and Electric Company Project)," dated October 23, 2002 (the "2002 Bonds" and, collectively with the 2000 Bonds, the "Prior Bonds"), previously issued by the Issuer to refinance certain pollution control facilities (the "Project") owned by the Company. For information regarding the pollution control facilities, see "The Project."

It is a condition to the Underwriter's obligation to purchase the Bonds that the Company irrevocably instruct the trustees in respect of the Prior Bonds, on or prior to the date of issuance of the Bonds, to call the Prior Bonds for redemption.

The Company will repay the loan under the Loan Agreement by making payments to the Trustee in sufficient amounts to pay the principal or redemption price of and interest on the Bonds and will further agree under the Loan Agreement to make payments of the purchase price of the Bonds tendered for purchase to the extent funds are not otherwise available under the Indenture. See "Summary of the Loan Agreement — General." Pursuant to the Indenture, the Issuer's rights under the Loan Agreement (other than with respect to certain rights to indemnification, reimbursement, notice and payment of expenses) will be assigned to the Trustee as security for the Bonds.

For the purpose of further securing the Bonds, the Company will issue and deliver to the Trustee a series of the Company's First Mortgage Bonds, Collateral Series 2016TCA (the "First Mortgage Bonds"). The principal amount, maturity date and interest rate (or method of determining interest rates) of such First Mortgage Bonds will correspond to the principal amount, maturity date and interest rate (or method of determining interest rates) of the Bonds. The First Mortgage Bonds will only be payable, and

interest thereon will only accrue, as described herein. See “Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds” and “Summary of the First Mortgage Bonds and the First Mortgage Indenture.” The First Mortgage Bonds will not provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase in accordance with the Indenture.

The First Mortgage Bonds will be issued under, and will be secured by, the Company’s Indenture, dated as of October 1, 2010, as previously supplemented and as to be supplemented by a supplemental indenture to be dated as of September 1, 2016 relating to the Bonds (the “First Mortgage Supplemental Indenture” and the Indenture, as so supplemented, the “First Mortgage Indenture”), between the Company and The Bank of New York Mellon, as trustee (the “First Mortgage Trustee”).

The Company is a wholly-owned subsidiary of LG&E and KU Energy LLC and an indirect wholly-owned subsidiary of PPL Corporation. The Company’s obligations under the Loan Agreement are solely its own, and not those of any of its affiliates. None of PPL Corporation or the Company’s other affiliates will be obligated to make any payments due under the Loan Agreement or First Mortgage Bonds or any other payments of principal, interest, redemption price or purchase price of the Bonds.

**The Bonds will be special and limited obligations of the Issuer, and the Issuer’s obligation to pay the principal or redemption price of and interest on, and purchase price of, the Bonds will be limited solely to the revenues and other amounts received by the Trustee under the Indenture pursuant to the Loan Agreement, including amounts payable on the First Mortgage Bonds. The Bonds will not constitute an indebtedness, general obligation or pledge of the faith and credit or taxing power of the Issuer, the Commonwealth of Kentucky or any political subdivision thereof.**

J.P. Morgan Securities LLC will be appointed in accordance with the Indenture to serve as Remarketing Agent for the Bonds. The Remarketing Agent may resign or be removed and a successor Remarketing Agent may be appointed in accordance with the terms of the Indenture and the Remarketing Agreement for the Bonds between the Remarketing Agent and the Company.

Brief descriptions of the Company, the Issuer, the Bonds, the Loan Agreement, the Indenture, the First Mortgage Bonds and the First Mortgage Indenture are included in this Official Statement. Such descriptions and information do not purport to be complete, comprehensive or definitive and are not to be construed as a representation or a guaranty of completeness. All references in this Official Statement to the documents are qualified in their entirety by reference to such documents, and references in this Official Statement to the Bonds are qualified in their entirety by reference to the definitive form of the Bonds included in the Indenture. Copies of the Loan Agreement and the Indenture will be available for inspection at the principal corporate trust office of the Trustee and, until the issuance of the Bonds, may be obtained from the Underwriter. The First Mortgage Indenture (including the form of the First Mortgage Bonds) is available for inspection at the office of the Company in Louisville, Kentucky, and at the corporate trust office of the First Mortgage Trustee, in Pittsburgh, Pennsylvania. Certain information relating to The Depository Trust Company (“DTC”) and the book-entry-only system has been furnished by DTC. Appendix A to this Official Statement and all information contained under the headings “The Project” and “Use of Proceeds” has been furnished by the Company. The Issuer, Bond Counsel and the Remarketing Agent assume no responsibility for the accuracy or completeness of such Appendix A or such information. The Underwriter has reviewed the information in Appendix A to this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the completeness of such Appendix A or such information. Appendix B to this Official Statement contains the proposed form of opinion of Bond Counsel to be delivered in connection with the issuance and delivery of the Bonds.

*This Official Statement only describes the terms and provisions applicable to the Bonds while accruing interest at the Weekly Rate. In the event of a remarketing of the Bonds on or after a Conversion, a supplement to this Official Statement or a new reoffering circular will be prepared describing the new terms and provisions then applicable to such Bonds.*

#### **The Issuer**

The Issuer is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky. The Issuer is authorized by Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (collectively, the "Act") to (a) issue the Bonds to pay and discharge the Prior Bonds, (b) lend the proceeds from the sale of the Bonds to the Company for such purpose and (c) enter into and perform its obligations under the Loan Agreement and the Indenture. The Issuer, through its legislative body, the Fiscal Court, has adopted one or more ordinances authorizing the issuance of the Bonds and the execution and delivery of the related documents.

THE BONDS WILL BE SPECIAL AND LIMITED OBLIGATIONS PAYABLE SOLELY AND ONLY FROM CERTAIN SOURCES, INCLUDING AMOUNTS TO BE RECEIVED BY OR ON BEHALF OF THE ISSUER UNDER THE LOAN AGREEMENT, INCLUDING AMOUNTS PAYABLE ON THE FIRST MORTGAGE BONDS. THE BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS, GENERAL OBLIGATION OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF, AND WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS.

#### **The Project**

The Project being refinanced with the Bonds has been completed and is the property of the Company, subject to the lien of the First Mortgage Indenture. The Project consists of certain air and water pollution control facilities of the Company at the Company's Trimble County Generating Station located in Trimble County, Kentucky (the "Generating Station"), which facilities are an integral component of the comprehensive system of air and water pollution control and solid waste disposal facilities at the Generating Station (the "Project").

The Department for Natural Resources and Environmental Protection of the Commonwealth of Kentucky (now the Energy and Environment Cabinet), the agency exercising jurisdiction with respect to the Project, has certified that the Project, as designed (which includes the facilities constituting the Project), is in furtherance of the purposes of abating and controlling atmospheric and water pollutants or contaminants, as applicable.

#### **Use of Proceeds**

The proceeds from the sale of the Bonds (other than any accrued interest) will be used, together with funds to be provided by the Company, to pay and discharge at a redemption price of 100% of the principal amount thereof, plus accrued interest, all of the outstanding Prior Bonds, on the date of the issuance of the Bonds. The Prior Bonds currently bear interest at an auction rate and mature on August 1, 2030 and October 1, 2032. For the twelve months ended June 30, 2016, the weighted average interest rate on the Prior Bonds was 0.486%.

### Summary of the Bonds

#### General

The Bonds will be issued in the aggregate principal amount set forth on the cover page of this Official Statement. The Bonds will mature as to principal on September 1, 2044. The Bonds are also subject to redemption prior to maturity as described in this Official Statement.

The Bonds will bear interest at a Weekly Rate, and interest will be payable on the first Business Day of each calendar month, until a Conversion to another Interest Rate Mode is specified by the Company or until the redemption or maturity of the Bonds. The permitted Interest Rate Modes for the Bonds are (i) the Flexible Rate, (ii) the Daily Rate, (iii) the Weekly Rate, (iv) the Semi-Annual Rate, (v) the Annual Rate, (vi) the Long Term Rate, (vii) the LIBOR Index Rate and (viii) the SIFMA-Based Term Rate.

*This Official Statement only describes the terms and provisions applicable to the Bonds while accruing interest at the Weekly Rate. In the event of a remarketing of the Bonds on or after a Conversion to another Interest Rate Mode, a supplement to this Official Statement or a new reoffering circular will be prepared describing the new terms and provisions then applicable to such Bonds.*

During each Weekly Rate Period, the interest rate for the Bonds will be the rate established by the Remarketing Agent no later than 4:00 p.m. (New York City time) on the day preceding such Weekly Rate Period or, if such day is not a Business Day, on the next preceding Business Day, as the minimum rate of interest necessary, in the judgment of the Remarketing Agent taking into account then Prevailing Market Conditions (as defined below), and assuming that all Bonds are then available for sale, to enable the Remarketing Agent to sell the Bonds on such first day at a price equal to the principal amount thereof, plus accrued interest, if any, thereon; provided that the interest rate or rates borne by any Bonds may not exceed the lesser of (i) the maximum interest rate permitted by applicable law or (ii) 12% per annum. If for any reason the interest rate for the Bonds is not determined by the Remarketing Agent, except as described below under "Conversion of Interest Rate Modes — Cancellation of Conversion of Interest Rate Mode," the interest rate for the next succeeding interest rate period will be the interest rate in effect for the Bonds for the preceding interest rate period.

Interest on the Bonds will be computed on the basis of a year of 365 or 366 days, as appropriate, and paid for the actual number of days elapsed. Interest payable on any Interest Payment Date will be payable to the registered owner of the Bond as of the Record Date for such payment. The Record Date will be the close of business on the Business Day immediately preceding each Interest Payment Date.

The Bonds initially will be issued solely in book-entry-only form through DTC (or its nominee, Cede & Co.). So long as the Bonds are held in the book-entry-only system, DTC or its nominee will be the registered owner or holder of the Bonds for all purposes of the Indenture, the Bonds and this Official Statement. See "Book-Entry-Only System" below. Individual purchases of book-entry interests in the Bonds will be made in book-entry-only form in denominations of \$100,000 and multiples thereof.

So long as the Bonds are held in book-entry-only form, the principal or redemption price of and interest on, and purchase price of, the Bonds will be payable by the Trustee, as paying agent (the "Paying Agent"), through the facilities of DTC (or a successor depository).

Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the designated office of the Trustee, as bond registrar (the "Bond Registrar"), accompanied by a written instrument of transfer or authorization for exchange in form

and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond (i) during the fifteen days before any mailing of a notice of redemption of Bonds, (ii) after such Bond has been called for redemption or (iii) for which a registered owner has submitted a demand for purchase (see "Purchases of Bonds — Purchases of Bonds on Demand of Owner" below), or which has been purchased (see "Purchases of Bonds — Payment of Purchase Price" below). Registration of transfers and exchanges will be made without charge to the registered owners of Bonds, except that the Bond Registrar may require any registered owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

#### **Certain Definitions**

As used herein, each of the following terms will have the meaning indicated:

*"Beneficial Owner"* means the person in whose name a Bond is recorded as such by the respective systems of DTC and each Participant (as defined herein) or the registered holder of such Bond if such Bond is not then registered in the name of Cede & Co.

*"Business Day"* means any day other than (i) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city in which the designated office of the Trustee, the Bond Registrar, the Tender Agent, the Paying Agent, the Company or the Remarketing Agent is located are authorized by law or executive order to close or (ii) a day on which the New York Stock Exchange is closed.

*"Conversion"* means any conversion from time to time in accordance with the terms of the Indenture of the Bonds from one Interest Rate Mode to another Interest Rate Mode.

*"Conversion Date"* means initially the date of original issuance of the Bonds, and thereafter means the date on which any Conversion becomes effective.

*"Interest Payment Date"* means the first Business Day of each calendar month and any Conversion Date (including the date of a failed Conversion). In any case, the final Interest Payment Date will be the maturity date of the Bonds.

*"Interest Rate Mode"* means the Flexible Rate, the Daily Rate, the Weekly Rate, the Semi-Annual Rate, the Annual Rate, the Long Term Rate, the LIBOR Index Rate and the SIFMA-Based Term Rate.

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

*"Purchase Date"* means any date on which Bonds are to be purchased on the demand of the registered owners thereof or are subject to mandatory purchase as described in the Indenture.

*"Weekly Rate Period"* means the period beginning on, and including, the date of issuance of the Bonds, and ending on, and including, the next Wednesday, and thereafter the period beginning on, and

including, each Thursday and ending on, and including, the earliest of the next Wednesday, the day preceding the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

#### **Conversion of Interest Rate Modes**

The Interest Rate Mode for the Bonds is subject to Conversion from time to time, in whole but not in part, on the dates specified below at the option of the Company, upon notice from the Bond Registrar to the registered owners of the Bonds, as described below. With any notice of Conversion, the Company must also deliver to the Bond Registrar an opinion of Bond Counsel stating that such Conversion is authorized or permitted by the Act and is authorized by the Indenture and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, other than a Conversion from the Weekly Rate Period to the Daily Rate Period.

Any Conversion of the Interest Rate Mode for the Bonds must be in compliance with the following conditions: (i) the Conversion Date must be a date on which the Bonds are subject to optional redemption (see "Redemptions — Optional Redemption" below); provided that any Conversion from the Weekly Rate Period to the Daily Rate Period must be on a Thursday; (ii) if the proposed Conversion Date would not be an Interest Payment Date but for the Conversion, the Conversion Date must be a Business Day; and (iii) after a determination is made requiring mandatory redemption of all Bonds pursuant to the Indenture (see "Redemptions" below), no change in the Interest Rate Mode may be made prior to such mandatory redemption.

The Bond Registrar will notify each registered owner of the Conversion by first class mail at least 15 days before each Conversion Date. The notice will state those matters required to be set forth therein under the Indenture.

Notwithstanding the foregoing, no Conversion will occur if (A) the Remarketing Agent has not determined the initial interest rate for the new Interest Rate Mode in accordance with the terms of the Indenture, (B) the Bonds that are to be purchased are not remarketed or sold by the Remarketing Agent, or (C) the Bond Registrar receives written notice from Bond Counsel prior to the opening of business on the effective date of Conversion to the effect that the opinion of such Bond Counsel required under the Indenture has been rescinded. If such Conversion fails to occur, the Bonds will remain in the Weekly Rate (with the first period adjusted in length so that the last day of such period will be a Wednesday) at the rate determined by the Remarketing Agent on the failed Conversion Date. If the proposed Conversion of Bonds fails as described herein, any mandatory purchase of such Bonds will remain effective.

#### **Purchases of Bonds**

*Purchases of Bonds on Demand of Owner.* Any Bond will be purchased on the demand of the registered owner thereof on any Business Day during a Weekly Rate Period at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date upon written notice to the Tender Agent at its designated office at or before 5:00 p.m. (New York City time) on a Business Day not later than the seventh day prior to the Purchase Date.

Notwithstanding the foregoing, there will be no purchase of (a) a portion of any Bond unless the portion to be purchased and the portion to be retained each will be in an authorized denomination or (b) any Bond upon the demand of the registered owner if an Event of Default under the Indenture with respect to the payment of principal of, interest on, or purchase price of, the Bonds has occurred and is continuing.

Any written notice delivered to the Tender Agent by an owner demanding the purchase of Bonds must (A) be delivered by the time and dates specified above, (B) state the number and principal amount (or portion thereof) of such Bond to be purchased, (C) state the Purchase Date on which such Bond is to be purchased, (D) irrevocably request such purchase and state that the owner agrees to deliver such Bond, duly endorsed in blank for transfer, with all signatures guaranteed, to the Tender Agent at or prior to 12:00 noon (New York City time) on such Purchase Date.

If the Bonds are in the book-entry-only system, demands for purchase may be made by Beneficial Owners only through such Beneficial Owner's Direct Participant (as defined under the heading "Book-Entry-Only System"). If the Bonds are in certificated form, demands for purchase may be made only by registered owners.

***Mandatory Purchase of Bonds.*** The Bonds will be subject to mandatory purchase at a purchase price equal to the principal amount thereof on each Conversion Date. Such tender and purchase will be required even if the Conversion is canceled pursuant to the Indenture.

Notice to owners of a mandatory purchase of Bonds on a Conversion Date will be given by the Bond Registrar, together with the notice of such Conversion, by first class mail at least 15 days before each Conversion Date. The notice of mandatory purchase will state those matters required to be set forth therein under the Indenture.

***Remarketing and Purchase of Bonds.*** The Indenture provides that, subject to the terms of a Remarketing Agreement with the Company, the Remarketing Agent will use its commercially reasonable best efforts to remarket Bonds purchased upon demand of the owners thereof and, unless otherwise instructed by the Company, upon mandatory purchase, provided that Bonds will not be remarketed upon the occurrence and continuance of certain Events of Default under the Indenture, except in the sole discretion of the Remarketing Agent. Each such sale will be at a price equal to the principal amount thereof, plus interest accrued to the date of sale. The Remarketing Agent, the Trustee, the Paying Agent, the Bond Registrar or the Tender Agent each may purchase any Bonds offered for sale for its own account.

The purchase price of Bonds tendered for purchase will be paid by the Tender Agent from moneys derived from the remarketing of such Bonds by the Remarketing Agent and, if such remarketing proceeds are insufficient, from moneys made available by the Company.

The Company is obligated to purchase any Bonds tendered for purchase to the extent such Bonds have not been remarketed. Any such purchases by the Company will not result in the extinguishment of the purchased Bonds. The Company currently maintains lines of credit or other liquidity facilities in amounts determined by it to be sufficient to meet its current needs and expects to continue to maintain such lines of credit or other liquidity facilities from time to time to the extent determined by it to be necessary to meet its then-current needs. The Trustee, any Paying Agent, the Tender Agent and the owners of the Bonds have no right to draw under any line of credit or other liquidity facility maintained by the Company. There is no provision in the Indenture or the Loan Agreement requiring the Company to maintain such financing arrangements which may be discontinued at any time without notice. The First Mortgage Bonds are not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase pursuant to the Indenture.

Any deficiency in purchase price payments resulting from the Remarketing Agent's failure to deliver remarketing proceeds of all Bonds with respect to which the Remarketing Agent notified the Tender Agent were remarketed will not result in an Event of Default under the Indenture until the opening of business on the next succeeding Business Day unless the Company fails to provide sufficient funds to



pay such purchase price by the opening of business on such next succeeding Business Day. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase of Bonds will be consummated, but failure to consummate such purchase will not be deemed to be an Event of Default under the Indenture if sufficient funds have been provided in a timely manner by the Company to the Tender Agent for such purpose.

**Payment of Purchase Price.** Payment of the purchase price of any Bond will be payable (and delivery of a replacement Bond in exchange for the portion of any Bond not purchased if such Bond is purchased in part will be made) on the Purchase Date upon delivery of such Bond to the Tender Agent on such Purchase Date; provided that such Bond must be delivered to the Tender Agent at or prior to 12:00 noon (New York City time). If the date of such purchase is not a Business Day, the purchase price will be payable on the next succeeding Business Day. When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Tender Agent.

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

If the registered owner of any Bond (or portion thereof) that is subject to purchase pursuant to the Indenture fails to deliver such Bond with an appropriate instrument of transfer to the Tender Agent for purchase on the Purchase Date, and if the Tender Agent is in receipt of the purchase price therefor, such Bond (or portion thereof) nevertheless will be deemed purchased on the Purchase Date thereof. Any owner who so fails to deliver such Bond for purchase on (or before) the Purchase Date will have no further rights thereunder, except the right to receive the purchase price thereof from those moneys deposited with the Tender Agent in the Purchase Fund pursuant to the Indenture upon presentation and surrender of such Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

#### **Special Considerations Relating to the Purchase and Remarketing of the Bonds**

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

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

vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

***Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date.*** Pursuant to the Indenture, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the minimum rate necessary, based on Prevailing Market Conditions, and assuming that all Bonds are then available for sale, for the Remarketing Agent to sell the Bonds on the day the rate is set at their principal amount (without regard to accrued interest). The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). The Indenture requires that the Remarketing Agent use its commercially reasonable best efforts to sell tendered Bonds at par, plus accrued interest, if any. There may or may not be Bonds tendered and remarketed on a day that the interest rate on the Bonds is set, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Bonds at the remarketing price.

***Secondary Market Transactions.*** In the event the Remarketing Agent owns any Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the day that the interest rate on the Bonds is set, at a discount to par to some investors.

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

***Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Bonds, Without a Successor Being Named.*** Under certain circumstances, the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement and the Indenture.

## **Redemptions**

***Optional Redemption.*** The Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on any Business Day.

***Extraordinary Optional Redemption in Whole.*** The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events occur within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

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

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

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

(iv) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station have occurred, which, in the judgment of the Company, render the continued operation of such Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in clean air or other air and water pollution control requirements or solid waste disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable;

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

(vi) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such Generating Station for a period of six months.

***Extraordinary Optional Redemption in Whole or in Part.*** The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project, subject to compliance with the terms of the First Mortgage Indenture and receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See "Summary of the Loan Agreement — Maintenance; Damage, Destruction and Condemnation." Such redemption must occur on a date on which the Bonds are otherwise subject to optional redemption as described above.

***Mandatory Redemption; Determination of Taxability.*** The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the

principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a "Determination of Taxability." As used herein, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user of the Project within the meaning of Section 147 of the Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability will be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company will exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

**General Redemption Terms.** Notice of redemption will be given by mailing a redemption notice conforming to the provisions and requirements of the Indenture by first class mail to the registered owners

of the Bonds to be redeemed not less than 15 days prior to the redemption date. Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. If the provisions for discharging the Indenture set forth below under the heading "Summary of the Indenture — Discharge of Indenture" have not been complied with, any redemption notice may state that it is conditional on there being sufficient moneys to pay the full redemption price for the Bonds to be redeemed and that if sufficient funds have not been received by the Trustee by the opening of business on the redemption date, such notice shall be of no effect. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

### **Security**

Payment of the principal or redemption price of and interest on the Bonds will be secured by an assignment by the Issuer to the Trustee of the Issuer's interest in and to the Loan Agreement and all payments to be made pursuant thereto (other than certain indemnification and expense payments). Pursuant to the Loan Agreement, the Company will agree to pay, among other things, amounts sufficient to pay the aggregate principal amount or redemption price of the Bonds, together with interest thereon as and when the same become due. The Company further will agree to make payments of the purchase price of the Bonds tendered for purchase to the extent that funds are not otherwise available therefor under the provisions of the Indenture.

The payment of the principal or redemption price of and interest on the Bonds will be further secured by the First Mortgage Bonds. The principal amount of the First Mortgage Bonds will equal the principal amount of the Bonds. If the Bonds become immediately due and payable as a result of a default in payment of the principal or redemption price of or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of default under the Loan Agreement and upon receipt by the First Mortgage Trustee of a written demand from the Trustee for redemption of the First Mortgage Bonds ("Redemption Demand"), or if all first mortgage bonds outstanding under the First Mortgage Indenture shall have become immediately due and payable, such First Mortgage Bonds will begin to bear interest at the same interest rate or rates borne by the Bonds and the principal of such First Mortgage Bonds, together with interest accrued thereon from the last date or dates to which interest on the Bonds has been paid in full, will be payable in accordance with the Supplemental Indenture. See "Summary of the First Mortgage Bonds and the First Mortgage Indenture."

The First Mortgage Bonds are not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase in accordance with the Indenture. The Company is not required under the Loan Agreement or Indenture to provide any letter of credit or liquidity support for the Bonds. The First Mortgage Bonds are secured by a lien on certain property owned by the Company. In certain circumstances, the Company is permitted to reduce the aggregate principal amount of its First Mortgage Bonds held by the Trustee, but in no event to an amount lower than the aggregate outstanding principal amount of the Bonds.

### **Book-Entry-Only System**

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

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

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

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

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

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

Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer, the Company, the Tender Agent and the Trustee, or the Issuer, at the request of the Company, may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository for the Bonds). Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be delivered as described in the Indenture (see "— Revision of Book-Entry-Only System; Replacement Bonds" below). The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners. Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Issuer's obligations under the Indenture and the Company's obligations under the Loan Agreement and the First Mortgage Bonds, to the extent of the payments so made. Beneficial Owners will not be, and will not be considered by the Issuer or the Trustee to be, and will not have any rights as, owners of Bonds under the Indenture.

The Trustee and the Issuer, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption or of proposed document amendments requiring consent of registered owners and any other notices required by the document (including notices of Conversion and mandatory purchase) to be sent to registered owners only to DTC (or any successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption, the document amendment, the Conversion, the mandatory purchase or any other action premised on that notice.

The Issuer, the Company, the Trustee and the Underwriter cannot and do not give any assurances that DTC will distribute payments on the Bonds made to DTC or its nominee as the registered owner or any redemption or other notices, to the Participants, or that the Participants or others will distribute such payments or notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

THE ISSUER, THE COMPANY, THE UNDERWRITER, THE REMARKETING AGENT AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A REGISTERED OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OR PURCHASE PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OF ANY NOTICE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

#### **Revision of Book-Entry-Only System; Replacement Bonds**

In the event that DTC determines not to continue as securities depository or is removed by the Issuer, at the direction of the Company, as securities depository, the Issuer, at the direction of the Company, may appoint a successor securities depository reasonably acceptable to the Trustee. If the Issuer does not or is unable to appoint a successor securities depository, the Issuer will issue and the Trustee will authenticate and deliver fully registered Bonds, in authorized denominations, to the assignees of DTC or their nominees.

In the event that the book-entry-only system is discontinued, the following provisions will apply. The Bonds may be issued in denominations of \$100,000 and multiples thereof. Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the designated office of the Bond Registrar, accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond during the fifteen days before any mailing of a notice of redemption, after such Bond has been called for redemption in whole or in part, or after such Bond has been tendered or deemed tendered for optional or mandatory purchase as described under "Purchases of Bonds." Registration of transfers and



exchanges will be made without charge to the owners of Bonds, except that the Bond Registrar may require any owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

### **Summary of the Loan Agreement**

*The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the Loan Agreement. This description is only a summary and does not purport to be complete and definitive. Reference is made to the Loan Agreement, for the detailed provisions thereof.*

#### **General**

The term of the Loan Agreement will commence as of its date and end on the earliest to occur of September 1, 2044, or the date on which all of the Bonds have been fully paid or provision has been made for such payment pursuant to the Indenture. See “Summary of the Indenture — Discharge of Indenture.”

The Company will agree to repay the loan pursuant to the Loan Agreement by making timely payments to the Trustee in sufficient amounts to pay the principal or redemption price of and interest required to be paid on the Bonds on each date upon which any such payments are due. The Company will also agree to pay (a) the agreed upon fees and expenses of the Trustee, the Bond Registrar, the Tender Agent and the Paying Agent and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent and the Tender Agent, as may be applicable, under the Indenture, (b) the expenses in connection with any redemption of the Bonds and (c) the reasonable expenses of the Issuer.

The Company will covenant and agree with the Issuer that it will cause the purchase of tendered Bonds that are not remarketed in accordance with the Indenture and, to that end, the Company will cause funds to be made available to the Tender Agent at the times and in the manner required to effect such purchases in accordance with the Indenture (see “Summary of the Bonds — Purchases of Bonds — Remarketing and Purchase of Bonds”).

All payments to be made by the Company to the Issuer pursuant to the Loan Agreement (except the fees and reasonable out-of-pocket expenses of the Issuer, the Trustee, the Paying Agent, the Bond Registrar and the Tender Agent, and amounts related to indemnification) will be assigned by the Issuer to the Trustee, and the Company will pay such amounts directly to the Trustee. The obligations of the Company to make the payments pursuant to the Loan Agreement are absolute and unconditional.

#### **Maintenance of Tax Exemption**

The Company and the Issuer will agree not to take any action that would result in the interest paid on the Bonds being included in gross income of any Bondholder (other than a holder who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes or that adversely affects the validity of the Bonds.

#### **Issuance and Delivery of First Mortgage Bonds**

For the purpose of providing security for the Bonds, the Company will execute and deliver to the Trustee the First Mortgage Bonds on the date of issuance of the Bonds. The principal amount of the First Mortgage Bonds executed and delivered to the Trustee will equal the aggregate principal amount of the

Bonds. If the Bonds become immediately due and payable as a result of a default in payment of the principal or redemption price of or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of default under the Loan Agreement and upon receipt by the First Mortgage Trustee of a Redemption Demand, or if all first mortgage bonds outstanding under the First Mortgage Indenture shall have become immediately due and payable, such First Mortgage Bonds will then bear interest at the same interest rate or rates borne by the Bonds and the principal of such First Mortgage Bonds, together with interest accrued thereon from the last date to which interest on the Bonds shall have been paid in full, will then be payable. See, however, "Summary of the Indenture — Waiver of Events of Default."

Upon payment of the principal or redemption price of and interest on any of the Bonds, and the surrender to and cancellation thereof by the Trustee, or upon provision for the payment thereof having been made in accordance with the Indenture, First Mortgage Bonds with corresponding principal amounts equal to the aggregate principal amount of the Bonds so surrendered and canceled or for the payment of which provision has been made, will be surrendered by the Trustee to the First Mortgage Trustee and will be canceled by the First Mortgage Trustee. The First Mortgage Bonds will be registered in the name of the Trustee and will be non transferable, except to effect transfers to any successor trustee under the Indenture.

#### **Payment of Taxes**

The Company will agree to pay certain taxes and other governmental charges that may be lawfully assessed, levied or charged against or with respect to the Project (see, however, subparagraph (i) under the heading "Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole"). The Company may contest such taxes or other governmental charges unless the security provided by the Indenture would be materially endangered.

#### **Maintenance; Damage, Destruction and Condemnation**

So long as any Bonds are outstanding, the Company will maintain, preserve and keep the Project or cause the Project to be maintained, preserved and kept in good repair, working order and condition and will make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as air and water pollution control and abatement facilities under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended. However, the Company will have no obligation to maintain, preserve, keep, repair, replace or renew any portion of the Project, the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to the Company because of certain events, including damage or destruction by a cause not within the Company's control, condemnation of the Project, change in government standards and regulations, economic or other obsolescence or termination of operation of generating facilities to the Project.

The Company, at its own expense, may remodel the Project or make substitutions, modifications and improvements to the Project as it deems desirable, which remodeling, substitutions, modifications and improvements are deemed, under the terms of the Loan Agreement to be a part of the Project. The Company may not, however, change or alter the basic nature of the Project or cause it to lose its status under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended.

If, prior to the payment of all Bonds outstanding, the Project or any portion thereof is destroyed, damaged or taken by the exercise of the power of eminent domain and the Issuer, the Company or the First Mortgage Trustee receives net proceeds from insurance or a condemnation award in connection therewith, the Company must, subject to the requirements of the First Mortgage Indenture, (i) cause such net proceeds to be used to repair or restore the Project or (ii) take any other action, including the

redemption of the Bonds in whole or in part at their principal amount, which, by the opinion of Bond Counsel, will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes. See “Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole or in Part.”

**Project Insurance**

The Company will insure the Project in accordance with the provisions of the First Mortgage Indenture.

**Assignment, Merger and Release of Obligations of the Company**

The Company may assign the Loan Agreement, pursuant to an opinion of Bond Counsel that such assignment will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, without obtaining the consent of either the Issuer or the Trustee. Such assignment, however, will not relieve the Company from primary liability for any of its obligations under the Loan Agreement and performance and observance of the other covenants and agreements to be performed by the Company. The Company may dispose of all or substantially all of its assets or consolidate with or merge into another entity, provided the acquirer of the Company’s assets or the entity with which it will consolidate with or merge into is a corporation or other business organization organized and existing under the laws of the United States of America or one of the states of the United States of America or the District of Columbia, is qualified and admitted to do business in the Commonwealth of Kentucky, and assumes in writing all of the obligations and covenants of the Company under the Loan Agreement and delivers a copy of such assumption to the Issuer and the Trustee.

**Release and Indemnification Covenant**

The Company will indemnify and hold the Issuer harmless against any expense or liability incurred, including attorneys’ fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof.

**Events of Default**

Each of the following events constitutes an “Event of Default” under the Loan Agreement:

- (1) failure by the Company to pay the amounts required for payment of the principal of, including purchase price for tendered Bonds and redemption and acceleration prices, and interest accrued, on the Bonds, at the times specified therein taking into account any periods of grace provided in the Indenture and the Bonds for the applicable payment of interest on the Bonds (see “Summary of the Indenture — Defaults and Remedies”), and such failure shall cause an event of default under the Indenture;
- (2) failure by the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraph (1) above, for a period of 30 days after written notice by the Issuer or Trustee, subject to extension by the Issuer and the Trustee, provided, however, that if such failure is capable of being corrected, but cannot be corrected in such 30-day period, the Issuer and the Trustee will not unreasonably withhold their

- consent to an extension of such time if corrective action with respect thereto is instituted within such period and is being diligently pursued;
- (3) certain events of bankruptcy, dissolution, liquidation, reorganization or insolvency of the Company;
  - (4) the occurrence of an Event of Default under the Indenture; or
  - (5) all first mortgage bonds outstanding under the First Mortgage Indenture, if not already due, shall have become immediately due and payable, whether by declaration or otherwise, and such acceleration shall not have been rescinded by the First Mortgage Trustee;

Under the Loan Agreement, certain of the Company's obligations (other than the Company's obligations, among others, (i) not to permit any action which would result in interest paid on the Bonds being included in gross income for federal and Kentucky income taxes, (ii) to execute and deliver the First Mortgage Bonds to the Trustee on or before the date of issuance of the Bonds in an amount equal to the principal amount of the Bonds; (iii) to maintain its corporate existence and good standing, and to neither dispose of all or substantially all of its assets or consolidate with or merge into another entity unless certain provisions of the Loan Agreement are satisfied; and (iv) to make loan payments and certain other payments under the provisions of the Loan Agreement) may be suspended if by reason of force majeure (as defined in the Loan Agreement) the Company is unable to carry out such obligations.

#### **Remedies**

Upon the happening and continuance of an Event of Default under the Loan Agreement, the Trustee, on behalf of the Issuer, may, among other things, take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company, under the Loan Agreement, including any remedies available in respect of the First Mortgage Bonds.

In the event of a default in payment of the principal or redemption price of or interest on the Bonds and the acceleration of the maturity date of the Bonds (to the extent not already due and payable) as a consequence of such Event of Default, the Trustee may demand redemption of the First Mortgage Bonds. See "Summary of the First Mortgage Bonds and the First Mortgage Indenture" and "Summary of the Indenture — Defaults and Remedies." Any amounts collected upon the happening of any such Event of Default must be applied in accordance with the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture) and all other liabilities of the Company accrued under the Indenture and the Loan Agreement have been paid or satisfied, made available to the Company.

#### **Options to Prepay; Obligation to Prepay**

The Company may prepay the loan pursuant to the Loan Agreement, in whole or in part, on certain dates, at the prepayment prices as shown under the headings "Summary of the Bonds — Redemptions — Optional Redemption," "Extraordinary Optional Redemption in Whole" and "Extraordinary Optional Redemption in Whole or in Part." Upon the occurrence of the event described under the heading "Summary of the Bonds — Redemptions — Mandatory Redemption; Determination of Taxability," the Company will be obligated to prepay the loan in an aggregate amount sufficient to redeem the required principal amount of the Bonds.

In each instance, the loan prepayment price must be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem the requisite amount of the Bonds at a price equal to 100% of the principal amount plus accrued interest to the redemption date, and to pay all reasonable and necessary fees and expenses of the Trustee, the Paying Agent, the Bond Registrar and the Tender Agent and all other liabilities of the Company under the Loan Agreement accrued to the redemption date.

#### **Amendments and Modifications**

No alteration, amendment, change, supplement or modification of the Loan Agreement is permissible without the written consent of the Trustee. The Issuer and the Trustee may, however, without the consent of or notice to any Bondholders, enter into any alteration, amendment, change, supplement or modification of the Loan Agreement (i) which may be required by the provisions of the Loan Agreement or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with any modification or change necessary to conform the Loan Agreement with changes and modifications in the Indenture or (iv) in connection with any other change which, in the judgment of the Trustee, does not adversely affect the Trustee or the Bondholders. Except for such alterations, amendments, changes, supplements or modifications, the Loan Agreement may be altered, amended, changed, supplemented or modified only with the consent of the Bondholders holding a majority in principal amount of the Bonds then outstanding (see “Summary of the Indenture — Supplemental Indentures” for an explanation of the procedures necessary for Bondholder consent); provided, however, that the approval of the Bondholders holding 100% in principal amount of the Bonds then outstanding is necessary to effectuate an alteration, amendment, change, supplement or modification with respect to the Loan Agreement of the type described in clauses (i) through (iv) of the first sentence of the third paragraph of “Summary of the Indenture — Supplemental Indentures.”

#### **Summary of the First Mortgage Bonds and the First Mortgage Indenture**

*The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the First Mortgage Bonds and the First Mortgage Indenture. This description is only a summary and does not purport to be complete and definitive. Reference is made to the First Mortgage Indenture and to the form of the First Mortgage Bonds for the detailed provisions thereof.*

#### **General**

In connection with the issuance of the Bonds, the First Mortgage Bonds will be issued in a principal amount equal to the principal amount of the Bonds and will constitute a new series of first mortgage bonds under the First Mortgage Indenture (see “Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds”). The statements herein made (being for the most part summaries of certain provisions of the First Mortgage Indenture) are subject to the detailed provisions of the First Mortgage Indenture, which is incorporated herein by this reference. Words or phrases italicized are defined in the First Mortgage Indenture.

The First Mortgage Bonds will mature on the same date and bear interest at the same rate or rates as the Bonds; however, the principal of and interest on the First Mortgage Bonds will not be payable other than upon the occurrence of an event of default under the Loan Agreement. If the Bonds become immediately due and payable as a result of a default in payment of the principal or redemption price of or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of

default under the Loan Agreement, and if all first mortgage bonds outstanding under the First Mortgage Indenture shall not have become immediately due and payable following an event of default under the First Mortgage Indenture, the Company will be obligated to redeem the First Mortgage Bonds upon receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee for redemption, at a redemption price equal to the principal amount thereof plus accrued interest at the rates borne by the Bonds from the last date to which interest on the Bonds has been paid.

The First Mortgage Bonds at all times will be in fully registered form registered in the name of the Trustee, will be non negotiable, and will be non transferable except to any successor trustee under the Indenture. Upon payment and cancellation of Bonds by the Trustee or the Paying Agent (other than any Bond or portion thereof that was canceled by the Trustee or the Paying Agent and for which one or more Bonds were delivered and authenticated pursuant to the Indenture), whether at maturity, by redemption or otherwise, or upon provision for the payment of the Bonds having been made in accordance with the Indenture, an equal principal amount of First Mortgage Bonds will be deemed fully paid and the obligations of the Company thereunder will cease.

#### **Security; Lien of the First Mortgage Indenture**

*General.* Except as described below under this heading and under “— Issuance of Additional First Mortgage Bonds,” and subject to the exceptions described under “— Satisfaction and Discharge,” all first mortgage bonds issued under the First Mortgage Indenture, including the First Mortgage Bonds, will be secured, equally and ratably, by the lien of the First Mortgage Indenture, which constitutes, subject to *permitted liens* and exclusions as described below, a first mortgage lien on substantially all of the Company’s real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and the storage, transportation and distribution of natural gas (other than property duly released from the lien of the First Mortgage Indenture in accordance with the provisions thereof and other than *excepted property*, as described below). Property that is subject to the lien of the First Mortgage Indenture is referred to below as “Mortgaged Property.”

The Company may obtain the release of property from the lien of the First Mortgage Indenture from time to time, upon the bases provided for such release in the First Mortgage Indenture. See “— Release of Property.”

The Company may enter into supplemental indentures with the First Mortgage Trustee, without the consent of the holders of the first mortgage bonds, in order to subject additional property (including property that would otherwise be excepted from such lien) to the lien of the First Mortgage Indenture. This property would constitute *property additions* and would be available as a basis for the issuance of additional first mortgage bonds. See “— Issuance of Additional First Mortgage Bonds.”

The First Mortgage Indenture provides that after-acquired property (other than *excepted property*) will be subject to the lien of the First Mortgage Indenture. However, in the case of consolidation or merger (whether or not the Company is the surviving company) or transfer of the Mortgaged Property as or substantially as an entirety, the First Mortgage Indenture will not be required to be a lien upon any of the properties either owned or subsequently acquired by the successor company except properties acquired from the Company in or as a result of such transfer, as well as improvements, extensions and additions (as defined in the First Mortgage Indenture) to such properties and renewals, replacements and substitutions of or for any part or parts thereof. See “— Consolidation, Merger and Conveyance of Assets as an Entirety.”

**Excepted Property.** The lien of the First Mortgage Indenture does not cover, among other things, the following types of property: property located outside of Kentucky and not specifically subjected or required to be subjected to the lien of the First Mortgage Indenture; property not used by the Company in its electric generation, transmission and distribution business or its natural gas storage, transportation and distribution business; cash and securities not paid, deposited or held under the First Mortgage Indenture or required so to be; contracts, leases and other agreements of all kinds, contract rights, bills, notes and other instruments, revenues, accounts receivable, claims, demands and judgments; governmental and other licenses, permits, franchises, consents and allowances; intellectual property rights and other general intangibles; vehicles, movable equipment, aircraft and vessels; all goods, stock in trade, wares, merchandise and inventory held for the purpose of sale or lease in the ordinary course of business; materials, supplies, inventory and other personal property consumable in the operation of the Company's business; fuel; tools and equipment; furniture and furnishings; computers and data processing, telecommunications and other facilities used primarily for administrative or clerical purposes or otherwise not used in connection with the operation or maintenance of electric generation, transmission and distribution facilities or natural gas storage, transportation and distribution facilities; coal, ore, gas, oil and other minerals and timber rights; electric energy and capacity, gas, steam, water and other products generated, produced, manufactured, purchased or otherwise acquired; real property and facilities used primarily for the production or gathering of natural gas; property which has been released from the lien of the First Mortgage Indenture; and leasehold interests. Property of the Company not covered by the lien of the First Mortgage Indenture is referred to herein as excepted property. Properties held by any of the Company's subsidiaries, as well as properties leased from others, would not be subject to the lien of the First Mortgage Indenture.

**Permitted Liens.** The lien of the First Mortgage Indenture is subject to permitted liens described in the First Mortgage Indenture. Such permitted liens include liens existing at the execution date of the First Mortgage Indenture, purchase money liens and other liens placed or otherwise existing on property acquired by the Company after the execution date of the First Mortgage Indenture at the time the Company acquires it, tax liens and other governmental charges which are not delinquent or which are being contested in good faith, mechanics', construction and materialmen's liens, certain judgment liens, easements, reservations and rights of others (including governmental entities) in, and defects of title to, the Company's property, certain leases and leasehold interests, liens to secure public obligations, rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by the Company or by others on the Company's property, rights and interests of persons other than the Company arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of such persons in such property and liens which have been bonded or for which other security arrangements have been made.

The First Mortgage Indenture also provides that the First Mortgage Trustee will have a lien, prior to the lien on behalf of the holders of the first mortgage bonds, including the First Mortgage Bonds, upon the Mortgaged Property as security for the Company's payment of its reasonable compensation and expenses and for indemnity against certain liabilities. Any such lien would be a permitted lien under the First Mortgage Indenture.

#### **Issuance of Additional First Mortgage Bonds**

The maximum principal amount of first mortgage bonds that may be authenticated and delivered under the First Mortgage Indenture is subject to the issuance restrictions described below; provided, however, that the maximum principal amount of first mortgage bonds outstanding at any one time shall not exceed One Quintillion Dollars (\$1,000,000,000,000,000), which amount may be changed by supplemental indenture. As of June 30, 2016, first mortgage bonds in an aggregate principal amount of \$1,659,304,000 were outstanding under the First Mortgage Indenture, of which \$574,304,000 were issued

to secure the Company's payment obligations with respect to its outstanding pollution control and environmental facilities revenue bonds, including the Bonds.

First mortgage bonds of any series may be issued from time to time on the basis of, and in an aggregate principal amount not exceeding:

- 66 2/3% of the *cost or fair value* to the Company (whichever is less) of *property additions* (as described below) which do not constitute *funded property* (generally, *property additions* which have been made the basis of the authentication and delivery of first mortgage bonds, the release of Mortgaged Property or the withdrawal of cash, which have been substituted for retired *funded property* or which have been used for other specified purposes) after certain deductions and additions, primarily including adjustments to offset property retirements;
- the aggregate principal amount of *retired securities* (as described below); or
- an amount of cash deposited with the First Mortgage Trustee.

*Property additions* generally include any property which is owned by the Company and is subject to the lien of the First Mortgage Indenture except (with certain exceptions) goodwill, going concern value rights or intangible property, or any property the acquisition or construction of which is properly chargeable to one of the Company's operating expense accounts in accordance with U.S. generally accepted accounting principles.

*Retired securities* means, generally, first mortgage bonds which are no longer outstanding under the First Mortgage Indenture, which have not been retired by the application of *funded cash* and which have not been used as the basis for the authentication and delivery of first mortgage bonds, the release of property or the withdrawal of cash.

At June 30, 2016, approximately \$1.3 billion of *property additions* and \$250 million of *retired securities* were available to be used as the basis for the authentication and delivery of first mortgage bonds. The Company intends to issue the First Mortgage Bonds on the basis of *retired securities*.

#### **Release of Property**

Unless an *event of default* has occurred and is continuing, the Company may obtain the release from the lien of the First Mortgage Indenture of any Mortgaged Property, except for cash held by the First Mortgage Trustee, upon delivery to the First Mortgage Trustee of an amount in cash equal to the amount, if any, by which sixty-six and two-thirds percent (66-2/3%) of the cost of the property to be released (or, if less, the *fair value* to the Company of such property at the time it became *funded property*) exceeds the aggregate of:

- an amount equal to 66 2/3% of the aggregate principal amount of obligations secured by *purchase money liens* upon the property to be released and delivered to the First Mortgage Trustee;
- an amount equal to 66 2/3% of the *cost or fair value* to the Company (whichever is less) of certified *property additions* not constituting *funded property* after certain deductions and additions, primarily including adjustments to offset property retirements (except that such adjustments need not be made if such *property additions* were acquired or made within the 90-day period preceding the release);



- the aggregate principal amount of first mortgage bonds the Company would be entitled to issue on the basis of *retired securities* (with such entitlement being waived by operation of such release);
- the aggregate principal amount of first mortgage bonds delivered to the First Mortgage Trustee (with such first mortgage bonds to be canceled by the First Mortgage Trustee);
- any amount of cash and/or an amount equal to 66 2/3% of the aggregate principal amount of obligations secured by *purchase money liens* upon the property released that is delivered to the trustee or other holder of a lien prior to the lien of the First Mortgage Indenture, subject to certain limitations described in the First Mortgage Indenture; and
- any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released.

As used in the First Mortgage Indenture, the term *purchase money lien* means, generally, a lien on the property being released which is retained by the transferor of such property or granted to one or more other persons in connection with the transfer or release thereof, or granted to or held by a trustee or agent for any such persons, and may include liens which cover property in addition to the property being released and/or which secure indebtedness in addition to indebtedness to the transferor of such property.

Unless an *event of default* has occurred and is continuing, property which is not *funded property* may generally be released from the lien of the First Mortgage Indenture without depositing any cash or property with the First Mortgage Trustee as long as (a) the aggregate amount of *cost* or *fair value* to the Company (whichever is less) of all *property additions* which do not constitute *funded property* (excluding the property to be released) after certain deductions and additions, primarily including adjustments to offset property retirements, is not less than zero or (b) the *cost* or *fair value* (whichever is less) of property to be released does not exceed the aggregate amount of the cost or fair value to the Company (whichever is less) of *property additions* acquired or made within the 90-day period preceding the release.

The First Mortgage Indenture provides simplified procedures for the release of minor properties and property taken by eminent domain, and provides for dispositions of certain obsolete property and grants or surrender of certain rights without any release or consent by the First Mortgage Trustee.

If the Company retains any interest in any property released from the lien of the First Mortgage Indenture, the First Mortgage Indenture will not become a lien on such property or such interest therein or any improvements, extensions or additions to such property or renewals, replacements or substitutions of or for such property or any part or parts thereof.

#### **Withdrawal of Cash**

Unless an *event of default* has occurred and is continuing, and subject to certain limitations, cash held by the First Mortgage Trustee may, generally, (1) be withdrawn by the Company (a) to the extent of sixty-six and two-thirds percent (66-2/3%) of the *cost* or *fair value* to the Company (whichever is less) of *property additions* not constituting *funded property*, after certain deductions and additions, primarily including adjustments to offset retirements (except that such adjustments need not be made if such *property additions* were acquired or made within the 90-day period preceding the withdrawal) or (b) in an amount equal to the aggregate principal amount of first mortgage bonds that the Company would be entitled to issue on the basis of *retired securities* (with the entitlement to such issuance being waived by operation of such withdrawal) or (c) in an amount equal to the aggregate principal amount of any outstanding first mortgage bonds delivered to the First Mortgage Trustee; or (2) upon the Company's

request, be applied to (a) the purchase of first mortgage bonds in a manner and at a price approved by the Company or (b) the payment (or provision for payment) at stated maturity of any first mortgage bonds or the redemption (or provision for payment) of any first mortgage bonds which are redeemable; provided, however, that cash deposited with the First Mortgage Trustee as the basis for the authentication and delivery of first mortgage bonds may, in addition, be withdrawn in an amount not exceeding the aggregate principal amount of cash delivered to the First Mortgage Trustee for such purpose.

#### Events of Default

An "event of default" occurs under the First Mortgage Indenture if

- the Company does not pay any interest on any first mortgage bonds within 30 days of the due date;
- the Company does not pay principal or premium, if any, on any first mortgage bonds on the due date;
- the Company remains in breach of any other covenant (excluding covenants specifically dealt with elsewhere in this section) in respect of any first mortgage bonds for 90 days after the Company receives a written notice of default stating the Company is in breach and requiring remedy of the breach; the notice must be sent by either the First Mortgage Trustee or holders of 25% of the principal amount of outstanding first mortgage bonds; the First Mortgage Trustee or such holders can agree to extend the 90-day period and such an agreement to extend will be automatically deemed to occur if the Company initiates corrective action within such 90 day period and the Company is diligently pursuing such action to correct the default; or
- the Company files for bankruptcy or certain other events in bankruptcy, insolvency, receivership or reorganization occur.

#### Remedies

*Acceleration of Maturity.* If an event of default occurs and is continuing, then either the First Mortgage Trustee or the holders of not less than 25% in principal amount of the outstanding first mortgage bonds may declare the principal amount of all of the first mortgage bonds to be due and payable immediately.

*Rescission of Acceleration.* After the declaration of acceleration has been made and before the First Mortgage Trustee has obtained a judgment or decree for payment of the money due, such declaration and its consequences will be rescinded and annulled, if

- the Company pays or deposits with the First Mortgage Trustee a sum sufficient to pay:
  - all overdue interest;
  - the principal of and premium, if any, which have become due otherwise than by such declaration of acceleration and interest thereon;
  - interest on overdue interest to the extent lawful; and
  - all amounts due to the First Mortgage Trustee under the First Mortgage Indenture; and

- all *events of default*, other than the nonpayment of the principal which has become due solely by such declaration of acceleration, have been cured or waived as provided in the First Mortgage Indenture.

For more information as to waiver of defaults, see “— Waiver of Default and of Compliance” below.

***Appointment of Receiver and Other Remedies.*** Subject to the First Mortgage Indenture, under certain circumstances and to the extent permitted by law, if an *event of default* occurs and is continuing, the First Mortgage Trustee has the power to appoint a receiver of the Mortgaged Property, and is entitled to all other remedies available to mortgagees and secured parties under the Uniform Commercial Code or any other applicable law.

***Control by Holders; Limitations.*** Subject to the First Mortgage Indenture, if an *event of default* occurs and is continuing, the holders of a majority in principal amount of the outstanding first mortgage bonds will have the right to

- direct the time, method and place of conducting any proceeding for any remedy available to the First Mortgage Trustee, or
- exercise any trust or power conferred on the First Mortgage Trustee.

The rights of holders to make direction are subject to the following limitations:

- the holders’ directions may not conflict with any law or the First Mortgage Indenture; and
- the holders’ directions may not involve the First Mortgage Trustee in personal liability where the First Mortgage Trustee believes indemnity is not adequate.

The First Mortgage Trustee may also take any other action it deems proper which is not inconsistent with the holders’ direction.

In addition, the First Mortgage Indenture provides that no holder of any first mortgage bond will have any right to institute any proceeding, judicial or otherwise, with respect to the First Mortgage Indenture for the appointment of a receiver or for any other remedy thereunder unless

- that holder has previously given the First Mortgage Trustee written notice of a continuing *event of default*;
- the holders of 25% in aggregate principal amount of the outstanding first mortgage bonds have made written request to the First Mortgage Trustee to institute proceedings in respect of that *event of default* and have offered the First Mortgage Trustee reasonable indemnity against costs, expenses and liabilities incurred in complying with such request; and
- for 60 days after receipt of such notice, request and offer of indemnity, the First Mortgage Trustee has failed to institute any such proceeding and no direction inconsistent with such request has been given to the First Mortgage Trustee during such 60-day period by the holders of a majority in aggregate principal amount of outstanding first mortgage bonds.

Furthermore, no holder of first mortgage bonds will be entitled to institute any such action if and to the extent that such action would disturb or prejudice the rights of other holders of first mortgage bonds.

However, each holder of first mortgage bonds has an absolute and unconditional right to receive payment when due and to bring a suit to enforce that right.

**Notice of Default.** The First Mortgage Trustee is required to give the holders of the first mortgage bonds notice of any default under the First Mortgage Indenture to the extent required by the Trust Indenture Act, unless such default has been cured or waived; except that in the case of an *event of default* of the character specified in the third bullet point under “— Events of Default” (regarding a breach of certain covenants continuing for 90 days after the receipt of a written notice of default), no such notice shall be given to such holders until at least 60 days after the occurrence thereof. The Trust Indenture Act currently permits the First Mortgage Trustee to withhold notices of default (except for certain payment defaults) if the First Mortgage Trustee in good faith determines the withholding of such notice to be in the interests of the holders of the first mortgage bonds.

The Company will furnish the First Mortgage Trustee with an annual statement as to its compliance with the conditions and covenants in the First Mortgage Indenture.

**Waiver of Default and of Compliance.** The holders of a majority in aggregate principal amount of the outstanding first mortgage bonds may waive, on behalf of the holders of all outstanding first mortgage bonds, any past default under the First Mortgage Indenture, except a default in the payment of principal, premium or interest, or with respect to compliance with certain provisions of the First Mortgage Indenture that cannot be amended without the consent of the holder of each outstanding first mortgage bond affected.

Compliance with certain covenants in the First Mortgage Indenture or otherwise provided with respect to first mortgage bonds may be waived by the holders of a majority in aggregate principal amount of the affected first mortgage bonds, considered as one class.

#### **Consolidation, Merger and Conveyance of Assets as an Entirety**

Subject to the provisions described below, the Company has agreed to preserve its corporate existence.

The Company has agreed not to consolidate with or merge with or into any other entity or convey, transfer or lease the Mortgaged Property as or substantially as an entirety to any entity unless

- the entity formed by such consolidation or into which the Company merges, or the entity which acquires or which leases the Mortgaged Property substantially as an entirety, is an entity organized and existing under the laws of the United States of America or any State or Territory thereof or the District of Columbia; and
- expressly assumes, by supplemental indenture, the due and punctual payment of the principal of, and premium and interest on, all the outstanding first mortgage bonds and the performance of all of the Company’s covenants under the First Mortgage Indenture; and
- such entity confirms the lien of the First Mortgage Indenture on the Mortgaged Property; and

- in the case of a lease, such lease is made expressly subject to termination by (i) the Company or by the First Mortgage Trustee and (ii) the purchaser of the property so leased at any sale thereof, at any time during the continuance of an *event of default*; and
- immediately after giving effect to such transaction, no *event of default*, and no event which after notice or lapse of time or both would become an *event of default*, will have occurred and be continuing.

In the case of the conveyance or other transfer of the Mortgaged Property as or substantially as an entirety to any other person, upon the satisfaction of all the conditions described above the Company would be released and discharged from all obligations under the First Mortgage Indenture and on the first mortgage bonds then outstanding unless the Company elects to waive such release and discharge.

The First Mortgage Indenture does not prevent or restrict:

- any consolidation or merger after the consummation of which the Company would be the surviving or resulting entity; or
- any conveyance or other transfer, or lease, of any part of the Mortgaged Property which does not constitute the entirety or substantially the entirety thereof.

If following a conveyance or other transfer, or lease, of any part of the Mortgaged Property, the fair value of the Mortgaged Property retained by the Company exceeds an amount equal to three-halves (3/2) of the aggregate principal amount of all outstanding first mortgage bonds, then the part of the Mortgaged Property so conveyed, transferred or leased shall be deemed not to constitute the entirety or substantially the entirety of the Mortgaged Property. This fair value will be determined within 90 days of the conveyance or transfer by an independent expert that the Company selects and that is approved by the First Mortgage Trustee.

#### **Modification of First Mortgage Indenture**

***Without Holder Consent.*** Without the consent of any holders of first mortgage bonds, the Company and the First Mortgage Trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the succession of another entity to the Company;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series or tranche of first mortgage bonds, or to surrender any right or power conferred upon the Company;
- to correct or amplify the description of any property at any time subject to the lien of the First Mortgage Indenture; or to better assure, convey and confirm unto the First Mortgage Trustee any property subject or required to be subjected to the lien of the First Mortgage Indenture; or to subject to the lien of the First Mortgage Indenture additional property (including property of others), to specify any additional Permitted Liens with respect to such additional property and to modify the provisions in the First Mortgage Indenture for dispositions of certain types of property without release in order to specify any additional items with respect to such additional property;

- to add any additional *events of default*, which may be stated to remain in effect only so long as the first mortgage bonds of any one more particular series remains outstanding;
- to change or eliminate any provision of the First Mortgage Indenture or to add any new provision to the First Mortgage Indenture that does not adversely affect the interests of the holders in any material respect;
- to establish the form or terms of any series or tranche of first mortgage bonds;
- to provide for the issuance of bearer securities;
- to evidence and provide for the acceptance of appointment of a successor First Mortgage Trustee or by a co-trustee or separate trustee;
- to provide for the procedures required to permit the utilization of a noncertificated system of registration for any series or tranche of first mortgage bonds;
- to change any place or places where
  - the Company may pay principal, premium and interest,
  - first mortgage bonds may be surrendered for transfer or exchange, and
  - notices and demands to or upon the Company may be served;
- to amend and restate the First Mortgage Indenture as originally executed, and as amended from time to time, with such additions, deletions and other changes that do not adversely affect the interest of the holders in any material respect;
- to cure any ambiguity, defect or inconsistency or to make any other changes that do not adversely affect the interests of the holders in any material respect; or
- to increase or decrease the maximum principal amount of first mortgage bonds that may be outstanding at any time.

In addition, if the Trust Indenture Act is amended after the date of the First Mortgage Indenture so as to require changes to the First Mortgage Indenture or so as to permit changes to, or the elimination of, provisions which, at the date of the First Mortgage Indenture or at any time thereafter, were required by the Trust Indenture Act to be contained in the First Mortgage Indenture, the First Mortgage Indenture will be deemed to have been amended so as to conform to such amendment or to effect such changes or elimination, and the Company and the First Mortgage Trustee may, without the consent of any holders, enter into one or more supplemental indentures to effect or evidence such amendment.

***With Holder Consent.*** Except as provided above, the consent of the holders of at least a majority in aggregate principal amount of the first mortgage bonds of all outstanding series, considered as one class, is generally required for the purpose of adding to, or changing or eliminating any of the provisions of, the First Mortgage Indenture pursuant to a supplemental indenture. However, if less than all of the series of outstanding first mortgage bonds are directly affected by a proposed supplemental indenture, then such proposal only requires the consent of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds of all directly affected series, considered as one class. Moreover, if

the first mortgage bonds of any series have been issued in more than one tranche and if the proposed supplemental indenture directly affects the rights of the holders of first mortgage bonds of one or more, but less than all, of such tranches, then such proposal only requires the consent of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds of all directly affected tranches, considered as one class.

However, no amendment or modification may, without the consent of the holder of each outstanding first mortgage bond directly affected thereby:

- change the stated maturity of the principal or interest on any first mortgage bond (other than pursuant to the terms thereof), or reduce the principal amount, interest or premium payable (or the method of calculating such rates) or change the currency in which any first mortgage bond is payable, or impair the right to bring suit to enforce any payment;
- create any lien (not otherwise permitted by the First Mortgage Indenture) ranking prior to the lien of the First Mortgage Indenture with respect to all or substantially all of the Mortgaged Property, or terminate the lien of the First Mortgage Indenture on all or substantially all of the Mortgaged Property (other than in accordance with the terms of the First Mortgage Indenture), or deprive any holder of the benefits of the security of the lien of the First Mortgage Indenture;
- reduce the percentages of holders whose consent is required for any supplemental indenture or waiver of compliance with any provision of the First Mortgage Indenture or of any default thereunder and its consequences, or reduce the requirements for quorum and voting under the First Mortgage Indenture; or
- modify certain of the provisions of the First Mortgage Indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to first mortgage bonds.

A supplemental indenture which changes, modifies or eliminates any provision of the First Mortgage Indenture expressly included solely for the benefit of holders of first mortgage bonds of one or more particular series or tranches will be deemed not to affect the rights under the First Mortgage Indenture of the holders of first mortgage bonds of any other series or tranche.

#### **Satisfaction and Discharge**

Any first mortgage bonds or any portion thereof will be deemed to have been paid and no longer outstanding for purposes of the First Mortgage Indenture and, at the Company's election, the Company's entire indebtedness with respect to those securities will be satisfied and discharged, if there shall have been irrevocably deposited with the First Mortgage Trustee or any Paying Agent (other than the Company), in trust:

- money sufficient, or
- in the case of a deposit made prior to the maturity of such first mortgage bonds, non-redeemable *eligible obligations* (as defined in the First Mortgage Indenture) sufficient, or
- a combination of the items listed in the preceding two bullet points, which in total are sufficient,

to pay when due the principal of, and any premium, and interest due and to become due on such first mortgage bonds or portions of such first mortgage bonds on and prior to their maturity.

The Company's right to cause its entire indebtedness in respect of the first mortgage bonds of any series to be deemed to be satisfied and discharged as described above will be subject to the satisfaction of any conditions specified in the instrument creating such series.

The First Mortgage Indenture will be deemed satisfied and discharged when no first mortgage bonds remain outstanding and when the Company has paid all other sums payable by it under the First Mortgage Indenture.

All moneys the Company pays to the First Mortgage Trustee or any Paying Agent on First Mortgage Bonds that remain unclaimed at the end of two years after payments have become due may be paid to or upon the Company's order. Thereafter, the holder of such First Mortgage Bond may look only to the Company for payment.

**Duties of the First Mortgage Trustee; Resignation and Removal of the First Mortgage Trustee; Deemed Resignation**

The First Mortgage Trustee will have, and will be subject to, all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to these provisions, the First Mortgage Trustee will be under no obligation to exercise any of the powers vested in it by the First Mortgage Indenture at the request of any holder of first mortgage bonds, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The First Mortgage Trustee will not be required to expend or risk its own funds or otherwise incur financial liability in the performance of its duties if the First Mortgage Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The First Mortgage Trustee may resign at any time by giving written notice to the Company.

The First Mortgage Trustee may also be removed by act of the holders of a majority in principal amount of the then outstanding first mortgage bonds.

No resignation or removal of the First Mortgage Trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the First Mortgage Indenture.

Under certain circumstances, the Company may appoint a successor trustee and if the successor accepts, the First Mortgage Trustee will be deemed to have resigned.

**Evidence to be Furnished to the First Mortgage Trustee**

Compliance with First Mortgage Indenture provisions is evidenced by written statements of the Company's officers or persons selected or paid by the Company. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. In addition, the First Mortgage Indenture requires the Company to give to the First Mortgage Trustee, not less than annually, a brief statement as to the Company's compliance with the conditions and covenants under the First Mortgage Indenture.



### **Miscellaneous Provisions**

The First Mortgage Indenture provides that certain first mortgage bonds, including those for which payment or redemption money has been deposited or set aside in trust as described under “— Satisfaction and Discharge” above, will not be deemed to be “outstanding” in determining whether the holders of the requisite principal amount of the outstanding first mortgage bonds have given or taken any demand, direction, consent or other action under the First Mortgage Indenture as of any date, or are present at a meeting of holders for quorum purposes.

The Company will be entitled to set any day as a record date for the purpose of determining the holders of outstanding first mortgage bonds of any series entitled to give or take any demand, direction, consent or other action under the First Mortgage Indenture, in the manner and subject to the limitations provided in the First Mortgage Indenture. In certain circumstances, the First Mortgage Trustee also will be entitled to set a record date for action by holders. If such a record date is set for any action to be taken by holders of particular first mortgage bonds, such action may be taken only by persons who are holders of such first mortgage bonds on the record date.

### **Governing Law**

The First Mortgage Indenture and the first mortgage bonds provide that they are to be governed by and construed in accordance with the laws of the State of New York except where the Trust Indenture Act is applicable or where otherwise required by law. The effectiveness of the lien of the First Mortgage Indenture, and the perfection and priority thereof, will be governed by Kentucky law.

### **Summary of the Indenture**

*The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the Indenture. This description is only a summary and does not purport to be complete and definitive. Reference is made to the Indenture for the detailed provisions thereof.*

### **Security**

Pursuant to the Indenture, the Issuer will assign and pledge to the Trustee its interest in and to the Loan Agreement, including payments and other amounts due the Issuer thereunder, together with all moneys, property and securities from time to time held by the Trustee under the Indenture (with certain exceptions, including moneys held in or earnings on the Rebate Fund and the Purchase Fund).

The Bonds will be further secured by the First Mortgage Bonds to be delivered to the Trustee (see “Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds”). The First Mortgage Bonds will be registered in the name of the Trustee and will be nontransferable, except to effect a transfer to any successor trustee. The Bonds will not be directly secured by the Project (although the Project is subject to the lien of the First Mortgage Indenture).

### **No Pecuniary Liability of the Issuer**

No provision, covenant or agreement contained in the Indenture or in the Loan Agreement, nor any breach thereof, will constitute or give rise to any pecuniary liability of the Issuer or any charge upon any of its assets or its general credit or taxing powers. The Issuer has not obligated itself by making the

covenants, agreements or provisions contained in the Indenture or in the Loan Agreement, except with respect to the application of the amounts assigned to payment of the principal or redemption price of and interest on the Bonds.

#### **The Bond Fund**

The payments to be made by the Company pursuant to the Loan Agreement to the Issuer and certain other amounts specified in the Indenture will be deposited into a Bond Fund established pursuant to the Indenture (the "Bond Fund") and will be maintained in trust by the Trustee. Moneys in the Bond Fund will be used solely and only for the payment of the principal or redemption price of and interest on the Bonds, and for the payment of the reasonable fees and expenses to which the Trustee, Bond Registrar, Tender Agent, Authenticating Agent, any Paying Agent and the Issuer are entitled pursuant to the Indenture or the Loan Agreement. Any moneys held in the Bond Fund will be invested by the Trustee at the specific written direction of the Company in certain Governmental Obligations, investment-grade corporate obligations and other investments permitted under the Indenture.

#### **The Prior Bond Funds**

The proceeds from the issuance of the Bonds will be deposited by the Trustee in (i) the County of Trimble, Kentucky, Pollution Control Revenue Bond Fund, 2000 Series A (Louisville Gas and Electric Company Project) and (ii) the County of Trimble, Kentucky, Pollution Control Revenue Bond Fund, 2002 Series A (Louisville Gas and Electric Company Project), in each case in an amount adequate to pay, together with other moneys to be provided by the Company, all principal of and accrued interest on the respective issue of the Prior Bonds to become due and payable on their scheduled redemption dates.

#### **The Rebate Fund**

A Rebate Fund has been created by the Indenture (the "Rebate Fund") and will be maintained as a separate fund free and clear of the lien of the Indenture. The Issuer, the Trustee and the Company have agreed to comply with all rebate requirements of the Code and, in particular, the Company has agreed that if necessary, it will deposit in the Rebate Fund any such amount as is required under the Code. However, the Issuer, the Trustee and the Company may disregard the Rebate Fund provisions to the extent that they receive an opinion of Bond Counsel that such failure to comply will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

#### **Discharge of Indenture**

When all the Bonds and all fees and charges accrued and to accrue of the Trustee and the Paying Agent have been paid or provided for, and when proper notice has been given to the Bondholders or the Trustee that the proper amounts have been so paid or provided for, and if the Issuer is not in default in any other respect under the Indenture, the Indenture will become null and void. The Bonds will be deemed to have been paid and discharged when there have been irrevocably deposited with the Trustee moneys sufficient to pay the principal or redemption price of and accrued interest on such Bonds to the due date (whether such date be by reason of maturity or upon redemption) or, in lieu thereof, Governmental Obligations have been deposited which mature in such amounts and at such times as will provide the funds necessary to so pay such Bonds, and when all reasonable and necessary fees and expenses of the Trustee, the Tender Agent, the Authenticating Agent, the Bond Registrar and the Paying Agent have been paid or provided for.

### **Surrender of First Mortgage Bonds**

Upon payment of any principal or redemption price of and interest on any of the Bonds which reduces the principal amount of Bonds outstanding, or upon provision for the payment thereof having been made in accordance with the Indenture (see "Discharge of Indenture" above), First Mortgage Bonds in a principal amount equal to the principal amount of the Bonds so paid, or for the payment of which such provision has been made, shall be surrendered by the Trustee to the First Mortgage Trustee. The First Mortgage Bonds so surrendered shall be deemed fully paid and the obligations of the Company thereunder terminated.

### **Defaults and Remedies**

Each of the following events constitutes an "Event of Default" under the Indenture:

(a) failure to make due and punctual payment of any installment of interest on any Bond within a period of one Business Day from the due date;

(b) failure to make due and punctual payment of the principal of, or premium, if any, on any Bond on the due date, whether at the stated maturity thereof, or upon proceedings for redemption, or upon the maturity thereof by declaration or if payment of the purchase price of any Bond required to be purchased pursuant to the Indenture is not made when such payment has become due and payable, provided that no Event of Default has occurred in respect of failure to receive such purchase price for any Bond if the Company has made the payment at the opening of business on the next Business Day as described in the last paragraph under "Summary of the Bonds — Purchases of Bonds — Remarketing and Purchase of Bonds" above;

(c) failure of the Issuer to perform or observe any other of the covenants, agreements or conditions in the Indenture or in the Bonds which failure continues for a period of 30 days after written notice by the Trustee or by the registered owners holding not less than 25% in aggregate principal amount of all Bonds outstanding, provided, however, that if such failure is capable of being cured, but cannot be cured in such 30-day period, it will not constitute an Event of Default under the Indenture if corrective action in respect of such failure is instituted within such 30-day period and is being diligently pursued;

(d) the occurrence of an "Event of Default" under the Loan Agreement (see "Summary of the Loan Agreement — Events of Default"); or

(e) all first mortgage bonds outstanding under the First Mortgage Indenture, if not already due, shall have become immediately due and payable, whether by declaration or otherwise, and such acceleration shall not have been rescinded by the First Mortgage Trustee.

Upon the occurrence of an Event of Default under the Indenture, the Trustee may, and upon the written request of the registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding and upon receipt of indemnity reasonably satisfactory to it, must: (i) enforce each and every right granted to the Trustee as a holder of the First Mortgage Bonds (see "Summary of the First Mortgage Bonds and the First Mortgage Indenture"), (ii) declare the principal of all Bonds and interest accrued thereon to be immediately due and payable and (iii) declare all payments under the Loan Agreement to be immediately due and payable and enforce each and every other right granted to the Issuer under the Loan Agreement for the benefit of the Bondholders. Interest on the Bonds will cease to accrue on the date of issuance of a declaration of acceleration of payment of the principal and interest on the Bonds.

In exercising such rights, the Trustee will take any action that, in the judgment of the Trustee, would best serve the interests of the registered owners, taking into account the security and remedies afforded to holders of first mortgage bonds under the First Mortgage Indenture. Upon the occurrence of an Event of Default under the Indenture, the Trustee may also proceed to pursue any available remedy by suit at law or in equity to enforce the payment of the principal or redemption price of and interest on the Bonds then outstanding.

If an Event of Default under the Indenture shall occur and be continuing and the maturity date of the Bonds has been accelerated (to the extent the Bonds are not already due and payable) as a consequence of such event of default, the Trustee may, and upon the written request of the registered owners holding not less than 25% in principal amount of all Bonds then outstanding and upon receipt of indemnity satisfactory to it shall, exercise such rights as it shall possess under the First Mortgage Indenture as a holder of the First Mortgage Bonds and shall also issue a Redemption Demand for such First Mortgage Bonds to the First Mortgage Trustee.

If the Trustee recovers any moneys following an Event of Default, unless the principal of the Bonds has been declared due and payable, all such moneys will be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and the payment of any sums due and payable to the United States pursuant to Section 148(f) of the Code, (ii) to the payment of all interest then due on the Bonds, and (iii) to the payment of unpaid principal and premium, if any, of the Bonds. If the principal of the Bonds has become due or has been accelerated, such moneys will be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and (ii) to the payment of principal of and interest then due and unpaid on the Bonds.

No Bondholder may institute any suit or proceeding in equity or at law for the enforcement of the Indenture unless an Event of Default has occurred of which the Trustee has been notified or is deemed to have notice, and registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding have made written request to the Trustee to proceed to exercise the powers granted under the Indenture or to institute such action in their own name and the Trustee fails or refuses to exercise its powers within a reasonable time after receipt of indemnity satisfactory to it.

Any judgment against the Issuer pursuant to the exercise of rights under the Indenture will be enforceable only against specific assigned payments, funds and accounts under the Indenture in the hands of the Trustee. No deficiency judgment will be authorized against the general credit of the Issuer.

#### **Waiver of Events of Default**

Except as provided below, the Trustee may in its discretion waive any Event of Default under the Indenture and will do so upon the written request of the registered owners holding a majority in principal amount of all Bonds then outstanding. If, after the principal of all Bonds then outstanding have been declared to be due and payable as a result of a default under the Indenture and prior to any judgment or decree for the appointment of a receiver or for the payment of the moneys due has been obtained or entered, (i) the Company causes to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of and premium, if any, on any and all Bonds which would become due otherwise than by reason of such declaration (with interest thereon as provided in the Indenture) and the expenses of the Trustee in connection with such default and (ii) all Events of Default under the Indenture (other than nonpayment of the principal of Bonds due by said declaration) have been remedied, then such Event of Default will be deemed waived and such declaration and its consequences rescinded and annulled by the Trustee. Such waiver, rescission and annulment will be

binding upon all Bondholders. No such waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Upon any waiver or rescission as described above or any discontinuance or abandonment of proceedings under the Indenture, the Trustee shall immediately rescind in writing any Redemption Demand of First Mortgage Bonds previously given to the First Mortgage Trustee. The rescission under the First Mortgage Indenture of a declaration that all first mortgage bonds outstanding under the First Mortgage Indenture are immediately due and payable shall also constitute a waiver of an Event of Default described in paragraph (e) under the subheading "Defaults and Remedies" above and a waiver and rescission of its consequences, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Notwithstanding the foregoing, nothing in the Indenture will affect the right of a registered owner to enforce the payment of principal or redemption price of and interest on the Bonds after the maturity thereof.

#### **Voting of First Mortgage Bonds Held by Trustee**

The Indenture provides that the Trustee, as the holder of the First Mortgage Bonds, will be required to attend such meeting or meetings of bondholders under the First Mortgage Indenture or, at its option, deliver its proxy in connection therewith, as relate to matters with respect to which it, as such holder, is entitled to vote or consent. The Trustee, either at any such meeting or meetings or otherwise when the consent of the holders of the First Mortgage Bonds is sought without a meeting, will be required to vote all First Mortgage Bonds then held by it, or consent with respect thereto, proportionately with the vote or consent of the holders of all other securities of the Company then outstanding under the First Mortgage Indenture eligible to vote or consent, as evidenced by, and as to be delivered to the Trustee, a certificate signed by the temporary chairman, the temporary secretary, the permanent chairman, the permanent secretary, or an inspector of votes at any meeting or meetings of security holders under the First Mortgage Indenture, or by the First Mortgage Trustee in the case of consents of such security holders which are sought without a meeting, which states what the signer thereof reasonably believes are the proportionate votes or consents of the holders of all securities (other than the First Mortgage Bonds) outstanding under the First Mortgage Indenture and counted for the purposes of determining whether such security holders have approved or consented to the matter put before them; provided, however, that the Trustee shall not so vote in favor of, or so consent to, any amendment or modification of the First Mortgage Indenture, which, if it were an amendment or modification of the Indenture, would require the consent of the Bondholders as described in the third paragraph under the heading "Summary of the Indenture – Supplemental Indenture," without the prior consent and approval of Bondholders which would be so required; provided further that as a condition to the Trustee voting or giving such consent, the Trustee shall have received a certificate of a Company representative or an opinion of counsel, at its election, stating that such voting or consent is authorized or permitted by the Indenture.

#### **Supplemental Indentures**

The Issuer and the Trustee may enter into indentures supplemental to the Indenture as shall not be inconsistent with the terms and provisions of the Indenture, without the consent of or notice to the Bondholders, in order (i) to cure any ambiguity or formal defect or omission in the Indenture, (ii) to grant to or confer upon the Trustee, as may lawfully be granted, additional rights, remedies, powers or authorities for the benefit of the Bondholders, (iii) to subject to the Indenture additional revenues, properties or collateral, (iv) to permit qualification of the Indenture under any federal statute or state blue sky law, (v) to add additional covenants and agreements of the Issuer for the protection of the Bondholders or to surrender or limit any rights, powers or authorities reserved to or conferred upon the

Issuer, (vi) to make any other modification or change to the Indenture which, in the sole judgment of the Trustee, does not adversely affect the Trustee or any Bondholder, (vii) to make other amendments not otherwise permitted by (i), (ii), (iii), (iv) or (v) of this paragraph to provisions relating to federal income tax matters under the Code or other relevant provisions if, in the opinion of Bond Counsel, those amendments would not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, (viii) to make any modification or change to the Indenture necessary to provide liquidity or credit support for the Bonds, including any modifications necessary to upgrade or maintain the then applicable ratings on the Bonds or (ix) to permit the issuance of the Bonds in other than book-entry-only form or to provide changes to or for the book-entry system.

Notwithstanding the foregoing, the Company, with the consent of the Trustee, may at any time further secure the Bonds by means of a letter of credit, other credit facility or other guarantee or collateral.

Exclusive of supplemental indentures for the purposes set forth in the preceding two paragraphs, the consent of registered owners holding a majority in aggregate principal amount of all Bonds then outstanding is required to approve any supplemental indenture, except no such supplemental indenture may permit, without the consent of all of the registered owners of the Bonds then outstanding, (i) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture or a reduction in the principal amount of any Bond or the rate of interest or time of redemption or redemption premium thereon, (ii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iii) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture or (iv) the deprivation of any registered owners of the lien of the Indenture.

If at any time the Issuer requests the Trustee to enter into any supplemental indenture requiring the consent of the registered owners of the Bonds, the Trustee, upon being satisfactorily indemnified with respect to expenses, must notify all such registered owners. Such notice must set forth the nature of the proposed supplemental indenture and must state that copies thereof are on file at the designated office of the Trustee for inspection. If, within sixty days (or such longer period as prescribed by the Issuer or the Company) following the giving of such notice, the registered owners holding the requisite amount of the Bonds outstanding have consented to the execution thereof, no Bondholder will have any right to object or question the execution thereof.

No supplemental indenture will become effective unless the Company consents to the execution and delivery of such supplemental indenture. The Company will be deemed to have consented to the execution and delivery of any supplemental indenture if the Trustee does not receive a notice of protest or objection signed by the Company on or before 4:30 p.m., local time in the city in which the designated office of the Trustee is located, on the fifteenth day after the mailing to the Company of a notice of the proposed changes and a copy of the proposed supplemental indenture.

#### **Enforceability of Remedies**

The remedies available to the Trustee, the Issuer and the owners upon an Event of Default under the Loan Agreement, the Indenture or the First Mortgage Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Loan Agreement, the Indenture and the First Mortgage Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by principles of equity, bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors generally.

### Tax Treatment

In the opinion of Bond Counsel, under existing law, including current statutes, regulations, administrative rulings and official interpretations, subject to the qualifications and exceptions set forth below, interest on the Bonds will be excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a “substantial user” of the Project or a “related person” as such terms are used in Section 147(a) of the Code. Interest on the Bonds will be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. It is Bond Counsel’s further opinion that, subject to the assumptions stated in the preceding sentence, (i) interest on the Bonds will be excluded from gross income of the owners thereof for Kentucky income tax purposes and (ii) the Bonds will be exempt from all ad valorem taxes in Kentucky.

The opinion of Bond Counsel assumes and is conditioned on the payment and discharge of all of the Prior Bonds on or before the 90th day following the date of issuance of the Bonds. The Company has agreed (i) to apply all of the proceeds of the bonds to the payment and discharge of the Prior Bonds within 90 days following the date of issuance of the Bonds, (ii) to provide additional funds necessary, on or prior to a day within 90 days following the date of issuance of the Bonds, to defease and discharge the Prior Bonds on such day and (iii) to give irrevocable instructions on the date of issuance of the Bonds to the trustee in respect of the Prior Bonds directing the redemption of the Prior Bonds.

The opinion of Bond Counsel as to the excludability of interest from gross income for federal income tax purposes will be based upon and will assume the accuracy of certain representations of facts and circumstances, including with respect to the Project, which are within the knowledge of the Company and compliance by the Company with certain covenants and undertakings set forth in the proceedings authorizing the Bonds which are intended to assure that the Bonds are and will remain obligations the interest on which is not includable in gross income of the recipients thereof under the law in effect on the date of such opinion. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the Company and the Issuer. On the date of the opinion and subsequent to the original delivery of the Bonds, such representations of facts and circumstances must be accurate and such covenants and undertakings must continue to be complied with in order that interest on the Bonds be and remain excludable from gross income of the recipients thereof for federal income tax purposes under existing law. Bond Counsel will express no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents other than with the approval of Bond Counsel is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the Issuer to the federal government, require future or continued compliance after issuance of the Bonds in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with certain of these requirements by the Company or the Issuer with respect to the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes and to be subject to federal income taxation retroactively to the date of their issuance. The Company and the Issuer will each covenant to take all actions required of each to assure that the interest on the Bonds will be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

The opinion of Bond Counsel as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds will be subject to the following exceptions and qualifications:

(a) The Code also provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(b) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, Bond Counsel will express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Owners of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income tax credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of Section 32 of the Code, which exceeds \$2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters and any other tax consequences of holding the Bonds.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend one or more of the federal tax matters referred to above or could adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

A draft of the opinion of Bond Counsel relating to the Bonds in substantially the form in which it is expected to be delivered on the date of issuance of the Bonds is attached as Appendix B to this Official Statement.

#### **Legal Matters**

Certain legal matters incident to the authorization, issuance and sale by the Issuer of the Bonds are subject to the approving opinion of Bond Counsel. Bond Counsel has in the past, and may in the future, act as counsel to the Company with respect to certain matters. Certain legal matters will be passed upon for the Issuer by its County Attorney. Certain legal matters will be passed upon for the Company by Jones Day, Chicago, Illinois, and Gerald A. Reynolds, General Counsel, Chief Compliance Officer and



Corporate Secretary for the Company. Certain legal matters will be passed upon for the Underwriter by its counsel, McGuireWoods LLP, Chicago, Illinois.

#### Underwriting

J.P. Morgan Securities LLC (the "Underwriter") has agreed, subject to the terms of the bond purchase agreement between the Issuer and the Underwriter, to purchase the Bonds from the Issuer at the public offering price set forth on the cover page of this Official Statement. The Underwriter is committed to purchase all the Bonds if any Bonds are purchased. In connection with the underwriting of the Bonds, the Underwriter will be paid by the Company a fee in the amount of \$312,500, which excludes reimbursement for certain reasonable out-of-pocket expenses.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering price set forth on the cover page of this Official Statement. After the Bonds are released for sale to the public, the public offering price and other selling terms may from time to time be varied by the Underwriter.

In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions that stabilize or maintain the market prices of such Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Pursuant to an Inducement Letter, the Company has agreed to indemnify the Underwriter and the Issuer against certain civil liabilities, including liabilities under the federal securities laws, or contribute to payments that the Underwriter or the Issuer may be required to make in respect thereof.

J.P. Morgan Securities LLC (or its affiliates), the Underwriter of the Bonds, serves as the auction broker-dealer for the 2000 Bonds and owns a substantial portion of the 2000 Bonds that will be refunded with the proceeds of the Bonds.

J.P. Morgan Securities LLC and its affiliates together comprise a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Such activities may involve or relate to assets, securities and/or instruments of the Issuer and/or the Company or its affiliates (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with (or that are otherwise involved with transactions by) the Issuer and/or the Company. J.P. Morgan Securities LLC and its affiliates may have, from time to time, engaged, and may in the future engage, in transactions with, and performed and may in the future perform, various investment banking services for the Issuer and/or the Company for which they received or will receive customary fees and expenses. Under certain circumstances, J.P. Morgan Securities LLC and its affiliates may have certain creditor and/or other rights against the Issuer and/or the Company and any affiliates thereof in connection with such transactions and/or services. In addition, J.P. Morgan Securities LLC and its affiliates may currently have and may in the future have investment and commercial banking, trust and other relationships with parties that may relate to assets of, or be involved in the issuance of securities and/or instruments by, the Issuer and/or the Company and any affiliates thereof. J.P. Morgan Securities LLC and its affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

### Continuing Disclosure

Because the Bonds will be special and limited obligations of the Issuer, the Issuer is not an “obligated person” for purposes of Rule 15c2-12 (the “Rule”) promulgated by the SEC under the Exchange Act, and does not have any continuing obligations thereunder. Accordingly, the Issuer will not provide any continuing disclosure information with respect to the Bonds or the Issuer.

In order to enable the Underwriter to comply with the requirements of the Rule, the Company will covenant in a continuing disclosure undertaking agreement to be delivered to the Trustee for the benefit of the holders of the Bonds (the “Continuing Disclosure Agreement”) to provide certain continuing disclosure for the benefit of the holders of the Bonds. Under its Continuing Disclosure Agreement, the Company will covenant to take the following actions:

(i) The Company will provide to the Municipal Securities Rulemaking Board (“MSRB”) (in electronic format) (a) annual financial information of the type set forth in Appendix A to this Official Statement (including any information incorporated by reference in Appendix A) and (b) audited financial statements prepared in accordance with generally accepted accounting principles, in each case not later than 120 days after the end of the Company’s fiscal year.

(ii) The Company will file in a timely manner not in excess of 10 business days after the occurrence of the event with the MSRB notice of the occurrence of any of the following events (if applicable) with respect to the Bonds: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) any unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancement facilities reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (g) modifications to rights of the holders of the Bonds, if material; (h) the giving of notice of optional or unscheduled redemption of any Bonds, if material, and tender offers; (i) defeasance of the Bonds or any portion thereof; (j) release, substitution, or sale of property securing repayment of the Bonds, if material; (k) rating changes; (l) bankruptcy, insolvency, receivership or similar event of the Company; (m) the consummation of a merger, consolidation or acquisition involving the Company, or the sale of all or substantially all of the assets of the Company, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (n) appointment of a successor or additional trustee or a change of name of a trustee, if material.

(iii) The Company will file in a timely manner with the MSRB notice of a failure by the Company to file any of the information referred to in paragraph (i) above by the due date.

The Company may amend its Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Company that does not change the duties of the Trustee thereunder) or waive any provision thereof, but only with a change in circumstances that arises from a change in legal requirements, change in law, or change in the nature or status of the Company with respect to the Bonds or the type of business conducted by the Company; provided that the undertaking, as amended or following such waiver, would have complied with the requirements of the Rule on the date of issuance of the Bonds, after taking into account any amendments to the Rule as well as any change in circumstances, and the amendment or waiver does not materially impair the interests of the holders of the Bonds to which such undertaking relates, in the opinion of the Trustee or counsel expert in federal securities laws

acceptable to both the Company and the Trustee, or is approved by the Beneficial Owners of a majority in aggregate principal amount of the outstanding Bonds. The Company acknowledges that its undertakings pursuant to the Rule described under this heading are intended to be for the benefit of the holders of the Bonds and shall be enforceable by the holders of those Bonds or by the Trustee on behalf of such holders. Any breach by the Company of these undertakings pursuant to the Rule will not constitute an event of default under the Indenture, the Loan Agreement or the Bonds.

The Company is a party to continuing disclosure agreements with respect to nine series of pollution control bonds. The MSRB's Electronic Municipal Market Access ("EMMA") website reflects that, within the past five years, for two series of such bonds, the Company's 2011 annual financial statements were timely posted, but to outdated CUSIP numbers. The 2011 annual financial statements were re-posted to the correct CUSIP numbers for those series in May 2012. With respect to both series of bonds, the Company also failed to file on the MSRB's EMMA website in a timely manner a notice of the Company's failure to file such 2011 financial statements in accordance with the applicable continuing disclosure agreements. The Company has subsequently made all of these corrective filings. The Company's 2011 annual financial statements had been filed with the SEC on February 28, 2012. The Company has had, and continues to have, procedures in place in order to make material event notices and financial statement filings on an ongoing basis.

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This Official Statement has been duly approved, executed and delivered by the County Judge/Executive of the Issuer, on behalf of the Issuer. However, the Issuer has not and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except for information furnished by the Issuer under the heading "The Issuer."

COUNTY OF TRIMBLE, KENTUCKY

By: /s/ Jerry L. Powell  
County Judge/Executive

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**APPENDIX A**

**THE COMPANY**

Louisville Gas and Electric Company (the “Company”), incorporated in Kentucky in 1913, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy and the storage, distribution and sale of natural gas. As of December 31, 2015, the Company provides electric service to approximately 403,000 customers in Louisville and adjacent areas in Kentucky, covering approximately 700 square miles in nine counties and provides natural gas service to approximately 322,000 customers in its electric service area and eight additional counties in Kentucky. The Company’s coal-fired electric generating stations, all equipped with systems to reduce sulphur dioxide emissions, produce most of the Company’s electricity. The remainder is generated by a natural gas combined cycle combustion turbine, a hydroelectric power plant and natural gas and oil fueled combustion turbines. Underground natural gas storage fields help the Company provide economical and reliable natural gas service to customers.

The Company is a wholly-owned subsidiary of LG&E and KU Energy LLC and an indirect wholly-owned subsidiary of PPL Corporation. The Company’s affiliate, Kentucky Utilities Company (“KU”), is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy in Kentucky, Virginia and Tennessee. The Company’s obligations under the Loan Agreement are solely its own, and not those of any of its affiliates. None of KU, PPL Corporation or the Company’s other affiliates will be obligated to make any payment on the Loan Agreement or the Bonds.

The Company’s executive offices are located at 220 West Main Street, Louisville, Kentucky 40202, telephone: (502) 627-2000.

The information above concerning the Company is only a summary and does not purport to be comprehensive. Additional information regarding the Company, including audited financial statements, is available in the documents listed under the heading “Documents Incorporated by Reference,” which documents are incorporated by reference herein.

**Selected Financial Data**  
(Dollars in millions)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Operating revenues	\$ 709	\$ 770	\$ 1,444	\$ 1,533	\$ 1,410
Operating income	\$ 195	\$ 171	\$ 362	\$ 324	\$ 293
Net income	\$ 96	\$ 88	\$ 185	\$ 169	\$ 163
Total assets <sup>(1)</sup>	\$ 6,157	\$ 5,721	\$ 6,068	\$ 5,654	\$ 4,923
Long-term debt obligations (including amounts due within one year) <sup>(1)</sup>	\$ 1,642	\$ 1,346	\$ 1,642	\$ 1,345	\$ 1,345
Ratio of earnings to fixed charges <sup>(2)</sup>	5.2	6.1	5.9	6.3	8.1

Capitalization:

	June 30, 2016	% of Capitalization
Long-term debt and notes payable	\$ 1,752	42%
Common equity	2,412	58%
Total capitalization	\$ 4,164	100%

<sup>(1)</sup> Effective December 31, 2015, LG&E retrospectively adopted accounting guidance to simplify the presentation of debt issuance costs. The guidance requires certain debt issuance costs to be presented on the balance sheet as a direct deduction from the carrying amount of the associated debt liability. As a result, all periods reported in the December 31, 2015 Form 10-K reflected the retrospective adoption of this guidance. Amounts reported in the table above for June 30, 2015 and December 31, 2013, also reflect retrospective reclassifications from other noncurrent assets to long-term debt of \$7 million and \$8 million, respectively.

Additionally, effective October 1, 2015, LG&E retrospectively adopted accounting guidance to simplify the presentation of deferred taxes which requires that deferred tax assets and deferred tax liabilities be classified as noncurrent on the balance sheet. As a result, all periods reported in the December 31, 2015 Form 10-K reflected the retrospective adoption of this guidance. Amounts reported in the table above for June 30, 2015 and December 31, 2013, also reflect retrospective reclassifications from other current assets to noncurrent deferred tax liabilities of \$17 million and \$3 million, respectively.

<sup>(2)</sup> For purposes of this ratio, "Earnings" consist of earnings (as defined below) from continuing operations plus fixed charges. Fixed charges consist of all interest on indebtedness, amortization of debt discount and expense and the portion of rental expense that represents an imputed interest component. Earnings from continuing operations consist of income before taxes and the mark-to-market impact of derivative instruments.

The selected financial data presented above for the three fiscal years ended December 31, 2015, and as of December 31 for each of those years, have been derived from the Company's audited financial statements. The selected financial data presented above for the six months ended June 30, 2016 and 2015 have been derived from the Company's unaudited financial statements for the six months ended June 30, 2016 and 2015. The Company's audited financial statements for the three fiscal years ended December 31, 2015, and as of December 31 for each of those years, are included in the Company's Form 10-K for the year ended December 31, 2015 incorporated by reference herein. The Company's unaudited financial statements for the six months ended June 30, 2016 are included in the Company's Form 10-Q for the quarter ended June 30, 2016 incorporated by reference herein. "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-K for the year ended December 31, 2015 and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-Q for the quarter ended June 30, 2016, as well as the Combined Notes to Financial Statements as of December 31, 2015, 2014 and 2013 and the Combined Notes to Condensed Financial Statements (Unaudited) as of June 30, 2016 and December 31, 2015 and for the six-month periods ended June 30, 2016 and 2015, should be read in conjunction with the above information. Ernst & Young LLP audited the Company's financial statements for the three fiscal years ended December 31, 2015.

#### **Risk Factors**

Investing in the Bonds involves risk. Please see the risk factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, which is incorporated by reference in this Appendix A. Before making an investment decision, you should carefully consider these risks as well as the other information contained or incorporated by reference in this Appendix A. Risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair its business operations, its financial results and the value of the Bonds.

#### **Available Information**

The Company is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and, accordingly, files reports and other information with the Securities and Exchange Commission (the "SEC"). Such reports and other information on file can be inspected and copied at the public reference facilities of the SEC, currently at 100 F Street, N.E., Room 1580, Washington, D.C. 20549; or from the SEC's Web Site (<http://www.sec.gov>). Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

#### **Documents Incorporated by Reference**

The following documents, as filed by the Company with the SEC, are incorporated herein by reference:

1. Form 10-K Annual Report of the Company for the year ended December 31, 2015;
2. Form 10-Q Quarterly Reports of the Company for the quarters ended March 31, 2016 and June 30, 2016; and
3. Form 8-K Current Reports filed with the SEC on January 12, 2016, February 3, 2016, and June 17, 2016.

All documents filed by the Company with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 subsequent to the date of this Official Statement and prior to the



termination of the offering of the Bonds shall be deemed to be incorporated by reference in this Appendix and to be made a part hereof from their respective dates of filing. Any statement contained in a document incorporated or deemed to be incorporated by reference in this Official Statement shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained in this Official Statement or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Official Statement modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

**The Company hereby undertakes to provide without charge to each person (including any beneficial owner) to whom a copy of this Official Statement has been delivered, on the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than certain exhibits to such documents. Requests for such copies should be directed to Treasurer, Louisville Gas and Electric Company, 220 West Main Street, Louisville, Kentucky 40202, telephone: (502) 627-2000.**

APPENDIX B

(FORM OF OPINION OF BOND COUNSEL)

\_\_\_\_, 2016

**Re: \$125,000,000 County of Trimble, Kentucky, Pollution Control Revenue Refunding Bonds, 2016 Series A (Louisville Gas and Electric Company Project)**

We hereby certify that we have examined certified copies of the proceedings of record of the County of Trimble, Kentucky (the “**County**”), acting by and through its Fiscal Court as its duly authorized governing body, preliminary to and in connection with the issuance by the County of its Pollution Control Revenue Refunding Bonds, 2016 Series A (Louisville Gas and Electric Company Project), dated their date of issuance, in the aggregate principal amount of \$125,000,000 (the “**2016 Series A Bonds**”). The 2016 Series A Bonds are issued under the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the “**Act**”), for the purpose of providing funds which will be used, with other funds provided by Louisville Gas and Electric Company (the “**Company**”) for the current refunding of (i) \$83,335,000 aggregate principal amount of the County’s Pollution Control Revenue Bonds, 2000 Series A (Louisville Gas and Electric Company Project), dated August 9, 2000 (the “**Refunded 2000 Series A Bonds**”), and (ii) \$41,665,000 aggregate principal amount of the County’s Pollution Control Revenue Bonds, 2002 Series A (Louisville Gas and Electric Company Project), dated October 23, 2002 (the “**Refunded 2002 Series A Bonds**”, and collectively with the Refunded 2000 Series A Bonds, the “**Refunded Bonds**”), which were issued for the purpose of currently refunding a portion of the costs of construction of air and water pollution control facilities serving certain electric generating units of the Company located in Trimble County, Kentucky (the “**Project**”), as provided by the Act.

The 2016 Series A Bonds mature on September 1, 2044 and bear interest initially at the Weekly Rate, as defined in the Indenture, hereinafter described, subject to change as provided in such Indenture. The 2016 Series A Bonds will be subject to optional and mandatory redemption prior to maturity at the times, in the manner, and upon the terms set forth in the 2016 Series A Bonds. From such examination of the proceedings of the Fiscal Court of the County referred to above and from an examination of the Act, we are of the opinion that the County is duly authorized and empowered to issue the 2016 Series A Bonds under the laws of the Commonwealth of Kentucky now in force.

We have examined an executed counterpart of a certain Loan Agreement, dated as of September 1, 2016 (the “**Loan Agreement**”), by and between the County and the Company and a certified copy of the proceedings of record of the Fiscal Court of the County preliminary to and in connection with the execution and delivery of the Loan Agreement, pursuant to which the County has agreed to issue the 2016 Series A Bonds and to lend the proceeds thereof to the Company to provide funds to pay and discharge, with other funds provided by the Company, the Refunded Bonds. The Company has agreed to make loan payments to the Trustee at times and in amounts fully adequate to pay maturing principal of, interest on, and redemption premium, if any, on the 2016 Series A Bonds as same become due and payable. From such examination, we are of the opinion that such proceedings of the Fiscal Court of the County show lawful authority for the execution and delivery of the Loan Agreement; that the Loan Agreement has been duly authorized, executed, and delivered by the County; and that the Loan Agreement is a legal, valid, and binding obligation of the County, enforceable in accordance with its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, or other similar laws affecting creditors’ rights generally, including equitable provisions where equitable remedies are sought.

We have also examined an executed counterpart of a certain Indenture of Trust, dated as of September 1, 2016 (the “**Indenture**”), by and between the County and U.S. Bank National Association, as trustee (the “**Trustee**”), securing the 2016 Series A Bonds and setting forth the covenants and undertakings of the County in connection with the 2016 Series A Bonds and a certified copy of the proceedings of record of the Fiscal Court of the County preliminary to and in connection with the execution and delivery of the Indenture. Pursuant to the Indenture, certain of the County’s rights under the Loan Agreement, including the right to receive payments thereunder, and all moneys and securities held by the Trustee in accordance with the Indenture (except moneys and securities in the Rebate Fund created thereby) have been assigned to the Trustee, as security for the holders of the 2016 Series A Bonds. From such examination, we are of the opinion that such proceedings of the Fiscal Court of the County show lawful authority for the execution and delivery of the Indenture; that the Indenture has been duly authorized, executed, and delivered by the County; and that the Indenture is a legal, valid, and binding obligation upon the parties thereto according to its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, or other similar laws affecting creditors’ rights generally, including equitable provisions where equitable remedies are sought.

In our opinion the 2016 Series A Bonds have been validly authorized, executed, and issued in accordance with the laws of the Commonwealth of Kentucky now in full force and effect, and constitute legal, valid, and binding special and limited obligations of the County entitled to the benefit of the security provided by the Indenture and enforceable in accordance with their terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, or other similar laws affecting creditors’ rights generally, including equitable provisions where equitable remedies are sought. The 2016 Series A Bonds are payable by the County solely and only from payments and other amounts derived from the Loan Agreement and as provided in the Indenture.

In our opinion, under existing laws, including current statutes, regulations, administrative rulings, and official interpretations by the Internal Revenue Service, subject to the exceptions and qualifications contained in the succeeding paragraphs, (i) interest on the 2016 Series A Bonds is excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion is expressed regarding such exclusion from gross income with respect to any 2016 Series A Bond during any period in which it is held by a “substantial user” of the Project or a “related person,” as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “**Code**”); and (ii) interest on the 2016 Series A Bonds is a separate item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. In arriving at this opinion, we have relied upon representations, factual statements, and certifications of the Company with respect to certain material facts which are solely within the Company’s knowledge in reaching our conclusion, among other things, that all of the proceeds of the Refunded 2002 Series C Bonds were used to refinance air and water pollution control facilities qualified for financing under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, and Section 1312(a) of the Tax Reform Act of 1986. Further, in arriving at the opinion set forth in this paragraph as to the exclusion from gross income of interest on the 2016 Series A Bonds, we have assumed and this opinion is conditioned on, the accuracy of and continuing compliance by the Company and the County with representations and covenants set forth in the Loan Agreement and the Indenture which are intended to assure compliance with certain tax-exempt interest provisions of the Code. Such representations and covenants must be accurate and must be complied with after the issuance of the 2016 Series A Bonds in order that interest on the 2016 Series A Bonds be excluded from gross income for federal income tax purposes. Failure to comply with certain of such representations and covenants in respect of the 2016 Series A Bonds after the issuance of the 2016 Series A Bonds could cause the interest thereon to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2016 Series A Bonds. We express no opinion (i) regarding the exclusion of interest on any 2016 Series A Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents (other than

with approval of this firm) is taken which adversely affects the tax treatment of the 2016 Series A Bonds; or (ii) as to the treatment for purposes of federal income taxation of interest on the 2016 Series A Bonds upon a Determination of Taxability. We are further of the opinion that interest on the 2016 Series A Bonds is excluded from gross income of the recipients thereof for Kentucky income tax purposes and that the 2016 Series A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof.

Our opinion as to the exclusion of interest on the 2016 Series A Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the 2016 Series A Bonds is further subject to the following exceptions and qualifications:

(a) The Code provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the 2016 Series A Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(b) The Code also provides that passive investment income, including interest on the 2016 Series A Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, we express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the 2016 Series A Bonds.

Holders of the 2016 Series A Bonds should be aware that the ownership of the 2016 Series A Bonds may result in collateral federal income tax consequences. For instance, the Code provides that, for taxable years beginning after December 31, 1986, property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the 2016 Series A Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the 2016 Series A Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the 2016 Series A Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the 2016 Series A Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of Section 32 of the Code, which exceeds \$2,200. Interest on the 2016 Series A Bonds will be taken into account in the calculation of disqualified income.

We have received opinions of Gerald A. Reynolds, General Counsel, Chief Compliance Officer, and Corporate Secretary of the Company and Jones Day, Chicago, Illinois, counsel to the Company, of even date herewith. In rendering this opinion, we have relied upon said opinions with respect to the matters therein. We have also received an opinion of even date herewith of Hon. Crystal L. Heinz, County Attorney of Trimble County, Kentucky, and relied upon said opinion with respect to the matters therein. The opinions are in forms satisfactory to us as to both scope and content.

We express no opinion as to the title to, the description of, or the existence or priority of any liens, charges, or encumbrances on the Project.

In rendering the foregoing opinions, we are passing upon only those matters specifically set forth in such opinions and are not passing upon the investment quality of the 2016 Series A Bonds or the accuracy or completeness of any statements made in connection with any offer or sale thereof. The opinions herein are expressed as of the date hereof and we assume no obligation to supplement or update such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We are members of the Bar of the Commonwealth of Kentucky and do not purport to be experts on the laws of any jurisdiction other than the Commonwealth of Kentucky and the United States of America, and we express no opinion as to the laws of any jurisdiction other than those specified.

Respectfully submitted,

STOLL KEENON OGDEN PLLC





NOT A NEW ISSUE

BOOK-ENTRY-ONLY

On March 6, 2002, the date on which the Bonds were originally issued, Bond Counsel delivered its opinion that stated that, subject to the conditions and exceptions set forth under the caption "Tax Treatment," under then current law, interest on the Bonds (i) would be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion was expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" of the Project or a "related person" of a substantial user as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) will not be an item of tax preference in determining alternative minimum taxable income for individuals or corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the corporate alternative minimum tax on a portion of such interest and the branch profits tax on a portion of such interest. The alternative minimum tax has been repealed with respect to corporations for taxable years beginning after December 31, 2017. Bond Counsel was further of the opinion that interest on the Bonds would be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under then current law, principal of the Bonds would be exempt from ad valorem taxes in Kentucky. Such opinions have not been updated as of the date hereof and no continuing tax exemption opinions are expressed by Bond Counsel. However, in connection with the expiration of the current Long Term Rate Period and the change to a new Long Term Rate Period, as more fully described in this Reoffering Circular, Bond Counsel will deliver its opinion to the effect that such change (a) is authorized or permitted by the Act and the Indenture and (b) will not adversely affect the validity of the Bonds or any exclusion of the interest thereon from the gross income of the owners of the Bonds for federal income tax purposes. See the information under the caption "Tax Treatment" in this Reoffering Circular.

**\$27,500,000**

**COUNTY OF TRIMBLE, KENTUCKY**  
**Pollution Control Revenue Bonds,**  
**2001 Series A,**  
**(Louisville Gas and Electric Company Project)**  
**Due: September 1, 2026**  
**Mandatory Purchase Date: September 1, 2021**  
**Interest Payment Dates: March 1 and September 1**  
**Interest Rate: 2.30%**

**Date of Change of Long Term Rate Period: March 1, 2018**

The County of Trimble, Kentucky ("Trimble County") Pollution Control Revenue Bonds, 2001 Series A (Louisville Gas and Electric Company Project) (the "Bonds") are special and limited obligations of Trimble County, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to a Loan Agreement with Louisville Gas and Electric Company (the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds do not constitute general obligations of the Issuer or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky.

Principal of, and interest on, the Bonds are further secured by the delivery to U.S. Bank National Association, as Trustee, of First Mortgage Bonds of

**LOUISVILLE GAS AND ELECTRIC COMPANY**

The Bonds were originally issued on March 6, 2002 and currently bear interest at a Long Term Rate. Pursuant to the Indenture under which the Bonds were issued, the Company has elected to exercise its option to change the existing Long Term Rate Period on the Bonds to a new Long Term Rate Period, effective as of March 1, 2018 (the "Change Date"). As a result of the expiration of the current Long Term Rate Period, the Bonds are subject to mandatory purchase on the Change Date and are being reoffered hereby. The Bonds are being purchased and reoffered hereby by Merrill Lynch, Pierce, Fenner & Smith Incorporated, which also will serve as the remarketing agent for the Bonds (the "Remarketing Agent").

The Bonds will accrue interest from the Change Date, payable on March 1 and September 1, commencing on September 1, 2018 and will be subject to mandatory purchase following this Long Term Rate Period on September 1, 2021 (the "Mandatory Purchase Date"). **Failure to pay the purchase price of the Bonds on the Mandatory Purchase Date will constitute an Event of Default under the Indenture (as defined herein). See the information contained under the caption "Summary of the Bonds — Mandatory Purchase of Bonds — Remarketing and Purchase of Bonds" below.** The interest rate period, interest rate and Interest Rate Mode for the Bonds will be subject to change under certain conditions, in whole or in part, as described in this Reoffering Circular. Prior to the Mandatory Purchase Date, the Bonds will not be subject to optional redemption, but will be subject to extraordinary redemption and mandatory redemption following any determination of taxability prior to maturity as described under the caption "Summary of the Bonds — Redemptions."

The Bonds are registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Except as described in this Reoffering Circular, purchases of beneficial ownership interests in the Bonds will be made in book-entry only form in denominations of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their beneficial interest in the Bonds. See the information contained under the caption "Summary of the Bonds—Book-Entry-Only System" herein. The principal of, premium, if any, and interest on the Bonds will be paid by U.S. Bank National Association, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC's Direct Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described herein.

**PRICE: 100%**

The Bonds are reoffered subject to prior sale, withdrawal or modification of the offer without notice (provided, however, that any such notice of withdrawal must be given on the Business Day prior to the Change Date) and to the approval of legality by Stoll Keenon Ogden PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois, and John R. Crockett III, General Counsel, Chief Compliance Officer and Corporate Secretary of the Company, and for the Remarketing Agent by its counsel, McGuireWoods LLP, Chicago, Illinois. It is expected that the Bonds will be available for redelivery to DTC in New York, New York on or about March 1, 2018.

**BofA Merrill Lynch**

February 27, 2018

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No dealer, broker, salesman or other person has been authorized by the Issuer, the Company or the Remarketing Agent to give any information or to make any representation with respect to the Bonds, other than those contained in this Reoffering Circular, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The Remarketing Agent has provided the following sentence for inclusion in this Reoffering Circular. The Remarketing Agent has reviewed the information in this Reoffering Circular in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Reoffering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. The information set forth herein with respect to the Issuer has been obtained from the Issuer, and all other information has been obtained from the Company and from other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Remarketing Agent.

In connection with the reoffering of the Bonds, the Remarketing Agent may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE REOFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**\$27,500,000**  
**County of Trimble, Kentucky**  
**Pollution Control Revenue Bonds,**  
**2001 Series A**  
**(Louisville Gas and Electric Company Project)**

**INTRODUCTORY STATEMENT**

This Reoffering Circular, including the cover page and Appendices, is provided to furnish information in connection with the reoffering of the County of Trimble, Kentucky (the “Issuer”) Pollution Control Revenue Bonds, 2001 Series A (Louisville Gas and Electric Company Project), in the aggregate principal amount of \$27,500,000 (the “Bonds”) issued pursuant to an Indenture of Trust dated as of November 1, 2001, and as amended by Supplemental Indenture No. 1 dated as of September 1, 2010 (collectively, the “Indenture”) between the Issuer and U.S. Bank National Association, as successor trustee (the “Trustee”).

Pursuant to a Loan Agreement by and between Louisville Gas and Electric Company (the “Company”) and the Issuer, dated as of November 1, 2001, and as amended by Amendment No. 1 dated as of September 1, 2010 (collectively, the “Loan Agreement”), proceeds from the sale of the Bonds were loaned by the Issuer to the Company.

The proceeds of the Bonds were applied to pay and discharge \$27,500,000 in outstanding principal amount of County of “Trimble, Kentucky, Pollution Control Revenue Bonds, 1996 Series A (Louisville Gas and Electric Company Project)”, dated October 2, 1996 (the “1996 Bonds”), on the date of issuance of the Bonds. The 1996 Bonds were issued to refinance the cost of construction of the Project (as described herein).

The Company will continue to repay the loan under the Loan Agreement by making payments to the Trustee in sufficient amount to pay the principal of and interest and any premium on, and purchase price of, the Bonds. See “Summary of the Loan Agreement—General.” Pursuant to the Indenture, the Issuer’s rights under the Loan Agreement (other than with respect to certain indemnification and expense payments) were assigned to the Trustee as security for the Bonds.

For the purpose of further securing the Bonds, the Company has issued and delivered to the Trustee a tranche of the Company’s First Mortgage Bonds, Collateral Series 2010 (the “First Mortgage Bonds”). The principal amount, maturity date and interest rate (or method of determining interest rates) of such tranche of First Mortgage Bonds is identical to the principal amount, maturity date and interest rate (or method of determining interest rates) of the Bonds. The First Mortgage Bonds will only be payable, and interest thereon will only accrue, as described herein. See “Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds” and “Summary of the First Mortgage Bonds and the First Mortgage Indenture.” The First Mortgage Bonds will not provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase in accordance with the Indenture.

The First Mortgage Bonds have been issued under, and are secured by, an Indenture, dated as of October 1, 2010, as supplemented by a supplemental indenture dated as of October 15, 2010 relating to the Bonds (the "Supplemental Indenture"), (the Indenture, as so supplemented, the "First Mortgage Indenture"), between the Company and The Bank of New York Mellon, as trustee (the "First Mortgage Trustee").

The Company is a wholly-owned subsidiary of LG&E and KU Energy LLC and an indirect wholly-owned subsidiary of PPL Corporation. The Company's obligations under the Loan Agreement are solely its own, and not those of any of its affiliates. None of PPL Corporation or the Company's other affiliates will be obligated to make any payments due under the Loan Agreement or First Mortgage Bonds or any other payments of principal, interest, premium or purchase price of the Bonds.

Pursuant to the Indenture the Company has elected to exercise its option to change the existing Long Term Rate Period for the Bonds to a new Long Term Rate Period commencing on the Change Date. On the Mandatory Purchase Date of September 1, 2021, the Bonds may be subsequently converted to a new Interest Rate Mode or the Long Term Rate Period may be changed at its expiration to another Long Term Rate Period. ***This Reoffering Circular pertains only to the Bonds during such period of time that they bear interest at the Long Term Rate established on the Change Date of March 1, 2018. In the event of a remarketing of the Bonds on or after the Mandatory Purchase Date, a supplement to this Reoffering Circular or a new reoffering circular will be prepared to describe the new terms and provisions then applicable to the Bonds.***

The Bonds are special and limited obligations of the Issuer and the Issuer's obligation to pay the principal of and interest and any premium on, and purchase price of, the Bonds is limited solely to the revenues and other amounts received by the Trustee under the Indenture pursuant to the Loan Agreement and amounts payable under the First Mortgage Bonds. The Bonds will not constitute an indebtedness, general obligation or pledge of the faith and credit or taxing power of the Issuer, the Commonwealth of Kentucky or any political subdivision thereof.

Merrill Lynch, Pierce, Fenner & Smith Incorporated will serve as Remarketing Agent for purposes of the mandatory purchase of the Bonds on the Change Date and the reoffering of the Bonds. The Remarketing Agent may resign or be removed and a successor Remarketing Agent may be appointed in accordance with the terms of the Indenture and the Remarketing Agreement for the Bonds between the Remarketing Agent and the Company.

Brief descriptions of the Company, the Issuer, the Bonds, the Loan Agreement, the Indenture and the First Mortgage Bonds (including the First Mortgage Indenture) are included in this Reoffering Circular. Such descriptions and information do not purport to be complete, comprehensive or definitive and are not to be construed as a representation or a guaranty of accuracy or completeness. All references herein to the documents are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the definitive form thereof included in the Indenture. Copies of the Loan Agreement and the Indenture will be available for inspection at the principal corporate trust office of the Trustee. The First Mortgage Indenture (including the forms of the First Mortgage Bonds) is available for inspection at the office of the Company in Louisville, Kentucky, and at

the corporate trust office of the First Mortgage Trustee in New York, New York. Certain information relating to The Depository Trust Company (“DTC”) and the book-entry-only system has been furnished by DTC. Appendix A to this Reoffering Circular and all information contained under the heading “The Project” has been furnished by the Company. The Issuer and Bond Counsel assume no responsibility for the accuracy or completeness of such Appendix A or such information. Appendix B to this Reoffering Circular contains the opinion of Bond Counsel delivered in connection with the initial issuance and delivery of the Bonds and the proposed form of opinion of Bond Counsel to be delivered in connection with the change in the Long Term Rate Period on the Bonds.

### **THE ISSUER**

The Issuer is a public body corporate and politic duly created and existing as a county political subdivision under the Constitution and laws of the Commonwealth of Kentucky. The Issuer is authorized by Section 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (collectively, the “Act”) to (i) convert and reoffer the Bonds and (ii) continue to perform its obligations under the Loan Agreement and the Indenture. The Issuer, through its legislative body, the Fiscal Court, has adopted one or more ordinances authorizing the issuance of the Bonds and the execution and delivery of the related documents.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS PAYABLE SOLELY AND ONLY FROM CERTAIN SOURCES, INCLUDING AMOUNTS TO BE RECEIVED BY OR ON BEHALF OF THE ISSUER UNDER THE LOAN AGREEMENT AND OTHER AMOUNTS RECEIVED FROM PAYMENTS MADE UNDER THE FIRST MORTGAGE BONDS. THE BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS, GENERAL OBLIGATION OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF, AND WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS.

### **THE PROJECT**

The Project has been completed and consists of certain air and water pollution control and solid waste disposal facilities in connection with Unit 1 of the Trimble County Station situated in Trimble County, Kentucky. Major components of the Project include electrostatic precipitators to capture flyash and particulate emissions from the Unit 1 steam-boilers; sulphur dioxide removal systems (scrubbers) to remove sulphur dioxide from flue gases; water pollution control and solid waste disposal facilities, including retention basins, sludge and ash ponds for the receipt of sludge wastes produced by sulphur dioxide removal facilities and by electrostatic precipitators as well as bottom ash; both exterior and interior systems for the collection and transmission to treatment and neutralization facilities of polluted liquids, including coal pile liquid runoffs and fuel oil and other chemical spills; a natural draft cooling tower for the abatement of thermal pollution to the interstate stream (Ohio River); and facilities for the reception, transportation, preparation and holding of reactant chemicals and materials used in sulphur dioxide removal systems, which facilities are functionally related and subordinate to such sulphur dioxide removal systems.

The Department for Natural Resources and Environmental Protection of the Commonwealth of Kentucky, the agency exercising jurisdiction with respect to the Project, has previously certified that the Project, as designed, was in furtherance of the purposes of controlling atmospheric pollutants or contaminants and water pollution.

## SUMMARY OF THE BONDS

### General

The Bonds will be reoffered in the aggregate principal amount set forth on the cover page of this Reoffering Circular and will mature on September 1, 2026. The Bonds are also subject to redemption prior to maturity as described herein.

The Bonds currently bear interest at a Long Term Rate to and including February 28, 2018. Pursuant to the terms and provisions of the Indenture summarized below, the Company has exercised its option, effective on the Change Date, to change the existing Long Term Rate Period to a new Long Term Rate Period. The Bonds will bear interest at the Long Term Rate of 2.30% per annum from March 1, 2018, and, following the expiration of this new Long Term Rate Period, will be subject to mandatory purchase on the Mandatory Purchase Date of September 1, 2021. Interest on the Bonds is payable on each March 1 and September 1, commencing September 1, 2018 (unless any such interest payment date is not a Business Day, in which case interest will be paid on the next succeeding Business Day), to the persons who are the registered owners of the Bonds as of the Record Date preceding such interest payment date.

The Bonds will continue to bear interest at a Long Term Rate until a Conversion to another Interest Rate Mode is specified by the Company or until the redemption or maturity of the Bonds. Also, following the new Long Term Rate Period, the Company may elect to change the Long Term Rate Period to a different Long Term Rate Period. The permitted Interest Rate Modes for the Bonds are (i) the "Flexible Rate," (ii) the "Daily Rate," (iii) the "Weekly Rate," (iv) the "Semi-Annual Rate," (v) the "Annual Rate," (vi) the "Long Term Rate" and (vii) the "Dutch Auction Rate."

This Reoffering Circular pertains only to the Bonds during such period of time that they bear interest at the Long Term Rate established on the Change Date of March 1, 2018. In the event of a remarketing of the Bonds on or after the Mandatory Purchase Date, a supplement to this Reoffering Circular or a new reoffering circular will be prepared describing the new terms and provisions then applicable to such Bonds.

Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Interest payable on any Interest Payment Date will be payable to the registered owner of the Bond as of the Record Date for such payment. The Record Date will be the close of business on the fifteenth day (whether or not a Business Day) of the month preceding each Interest Payment Date.

The Bonds have been issued solely in book-entry-only form through DTC (or its nominee, Cede & Co.). So long as the Bonds are held in the book-entry-only system, DTC or its nominee will be the registered owner or holder of the Bonds for all purposes of the Indenture, the Bonds and this Reoffering Circular. See "— Book-Entry-Only System" below. Individual

purchases of book-entry interests in the Bonds will be made in book-entry-only form in denominations of \$5,000 and integral multiples thereof.

Except as otherwise described below for Bonds held in DTC's book-entry-only system, the principal or redemption price of the Bonds is payable at the designated corporate trust office in New York, New York, of the Trustee, as paying agent (the "Paying Agent"). Except as otherwise described below for Bonds held in DTC's book-entry-only system, interest on the Bonds is payable by check mailed to the owner of record; provided that interest payable on each Bond will be payable in immediately available funds by wire transfer within the continental United States or by deposit into a bank account maintained with the Paying Agent at the written request of any owner of record holding at least \$1,000,000 aggregate principal amount of the Bonds, received by the Trustee, as bond registrar (the "Bond Registrar"), at least one Business Day prior to any Record Date.

Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the principal office of the Bond Registrar, accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond (i) during the fifteen days before any mailing of a notice of redemption of Bonds, (ii) after such Bond has been called for redemption or (iii) which has been purchased (see "— Mandatory Purchase of Bonds — Payment of Purchase Price" below). Registration of transfers and exchanges will be made without charge to the registered owners of Bonds, except that the Bond Registrar may require any registered owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

### **Security**

Payment of the principal of and interest and any premium on the Bonds is secured by an assignment by the Issuer to the Trustee of the Issuer's interest in and to the Loan Agreement and all payments to be made pursuant thereto (other than certain indemnification and expense payments). Pursuant to the Loan Agreement, the Company has agreed to pay, among other things, amounts sufficient to pay the aggregate principal amount of and premium, if any, on the Bonds, together with interest thereon as and when the same become due. The Company further has agreed to make payments of the purchase price of the Bonds tendered for purchase to the extent that funds are not otherwise available therefor under the provisions of the Indenture.

The payment of the principal of and interest and any premium on the Bonds is further secured by a tranche of the Company's First Mortgage Bonds issued under the First Mortgage Indenture between the Company and the First Mortgage Trustee. The principal amount of the First Mortgage Bonds equals the principal amount of the Bonds. If the Bonds become immediately due and payable as a result of a default in payment of the principal of, premium, if any, or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of default under the Loan Agreement and upon receipt by the First Mortgage Trustee of a written demand from the Trustee for redemption of the First Mortgage Bonds ("Redemption Demand"), or if all first mortgage bonds outstanding under the First Mortgage Indenture shall

have been immediately due and payable, such First Mortgage Bonds will bear interest at the same interest rate or rates borne by the Bonds and the principal of such First Mortgage Bonds, together with interest accrued thereon from the last date or dates to which interest on the Bonds has been paid in full, will be payable in accordance with the Supplemental Indenture. See “Summary of the First Mortgage Bonds and the First Mortgage Indenture.”

The First Mortgage Bonds are not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase in accordance with the Indenture. The First Mortgage Bonds are secured by a lien on certain property owned by the Company. In certain circumstances, the Company is permitted to reduce the aggregate principal amount of its First Mortgage Bonds held by the Trustee, but in no event to an amount lower than the aggregate outstanding principal amount of the Bonds.

#### **Tender Agent**

Owners will be required to tender their Bonds, to the Tender Agent for purchase at the time and in the manner described herein under the caption “— Mandatory Purchase of Bonds.” So long as the Bonds are held in DTC’s book-entry-only system, the Trustee will act as Tender Agent under the Indenture. Any successor Tender Agent appointed pursuant to the Indenture will also be a Paying Agent.

#### **Remarketing Agent**

The Remarketing Agent may be removed by the Issuer, if so directed by the Company, upon seven days’ notice, and may resign in accordance with the Remarketing Agreement upon sixty days’ notice.

#### **Certain Definitions**

As used herein, each of the following terms will have the meaning indicated:

“*Beneficial Owner*” means the person in whose name a Bond is recorded as such upon the systems of DTC and each DTC Participant or the registered holder of such Bonds if such Bond is not then registered in the name of CEDE & Co.

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

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

“*Interest Payment Date*” means each March 1 and September 1, and also the day following the end of the Long Term Rate Period.

“*Interest Period*” means the period from and including each Interest Payment Date to and including the day immediately preceding the next Interest Payment Date, provided, however that the first Interest Period for the Bonds will begin on (and include) the date of issuance of the Bonds and the final Interest Period will end on August 31, 2026.

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

“*Long Term Rate Period*” means any period established by the Company and beginning on, and including, the date of Conversion to the Long Term Rate and ending on, and including, the day preceding the last Interest Payment Date for such period and, thereafter, each successive period of the same duration as the Long Term Rate Period previously established until the day preceding the earliest of the change to a different Long Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

### **Mandatory Purchase of Bonds**

**General.** The Bonds will be subject to mandatory purchase on the Mandatory Purchase Date at a purchase price equal to the principal amount thereof plus accrued and unpaid interest. Notice to owners of such mandatory purchase will be given by the Bond Registrar by first class mail at least 30 days prior the Mandatory Purchase Date. The notice of mandatory purchase will state those matters required to be set forth therein under the Indenture.

**Remarketing and Purchase of Bonds.** The Indenture provides that, subject to the terms of a Remarketing Agreement with the Company, unless otherwise instructed by the Company, the Remarketing Agent will use its commercially reasonable best efforts to remarket Bonds purchased on the Mandatory Purchase Date. Each such sale will be at a price equal to the principal amount thereof, plus interest accrued to the date of sale. The Remarketing Agent, the Trustee, the Paying Agent, the Bond Registrar or the Tender Agent each may purchase any Bonds offered for sale for its own account.

The purchase price of Bonds tendered for purchase will be paid by the Tender Agent from moneys derived from the remarketing of such Bonds by the Remarketing Agent and, if such remarketing proceeds are insufficient, from moneys made available by the Company. The Company is obligated to purchase any Bonds tendered for purchase to the extent such Bonds have not been remarketed. Any such purchases by the Company will not result in the extinguishment of the purchased Bonds. The Company currently maintains lines of credit or other liquidity facilities in amounts determined by it to be sufficient to meet its current needs and expects to continue to maintain such lines of credit or other liquidity facilities from time to time to the extent determined by it to be necessary to meet its then-current needs. The Trustee, any Paying Agent, the Tender Agent and the owners of the Bonds have no right to draw under any line of credit or other liquidity facility maintained by the Company. There is no provision in the Indenture or the Loan Agreement requiring the Company to maintain such financing arrangements which may be discontinued at any time without notice. The First Mortgage Bonds are not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase pursuant to the Indenture.



Any deficiency in purchase price payments resulting from the Remarketing Agent's failure to deliver remarketing proceeds of all Bonds with respect to which the Remarketing Agent notified the Tender Agent were remarketed will not result in an Event of Default under the Indenture until the opening of business on the next succeeding Business Day unless the Company fails to provide sufficient funds to pay such purchase price by the opening of business on such next succeeding Business Day. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase of Bonds will be consummated, but failure to consummate such purchase will not be deemed to be an Event of Default under the Indenture if sufficient funds have been provided in a timely manner by the Company to the Tender Agent for such purpose.

***Payment of Purchase Price.*** Payment of the purchase price of any Bond will be payable on the Mandatory Purchase Date upon delivery of such Bond to the Tender Agent on such Mandatory Purchase Date; provided that such Bond must be delivered to the Tender Agent at or prior to 11:00 a.m. (New York City time). When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Tender Agent. If the Mandatory Purchase Date is not a Business Day, the purchase price will be payable on the next succeeding Business Day.

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

If the registered owner of any Bond (or portion thereof) that is subject to purchase pursuant to the Indenture fails to deliver such Bond with an appropriate instrument of transfer to the Tender Agent for purchase on the Mandatory Purchase Date, and if the Tender Agent is in receipt of the purchase price therefor, such Bond (or portion thereof) nevertheless will be deemed purchased on the Mandatory Purchase Date. Any owner who so fails to deliver such Bond for purchase on (or before) the Mandatory Purchase Date will have no further rights thereunder, except the right to receive the purchase price thereof from those moneys deposited with the Tender Agent in the Purchase Fund pursuant to the Indenture upon presentation and surrender of such Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

#### **Redemptions**

***Optional Redemption.*** Except as described below under the subheadings “--- Extraordinary Optional Redemption in Whole” and “--- Extraordinary Optional Redemption in Whole or in Part,” the Bonds are not subject to optional redemption prior to the Mandatory Purchase Date.

***Extraordinary Optional Redemption in Whole.*** The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to

prepay the loan if any of the following events shall have occurred within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

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

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

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

(iv) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Generating Station where any of the Project is located to such extent that the Company will be prevented from carrying on its normal operations at such Generating Station for a period of six months.

As a result of a Company Letter Agreement between the Issuer and the Company, dated as of December 15, 2014 and as to be extended pursuant to a notice date as of February 28, 2018, the Company will agree that it will not, prior to the Mandatory Purchase Date, exercise the right under the Loan Agreement it would otherwise have to redeem the Bonds under the following circumstances:

(i) if in the judgment of the Company, unreasonable burdens or excessive liabilities have been imposed upon the Company after the issuance of the Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem property, income or other taxes not imposed on the date the Bonds are issued, other than ad valorem taxes levied upon privately owned property used for the same general purpose as the Project; or

(ii) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station where any of the Project is located have occurred, which, in the judgment of the Company, render the continued operation of such Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in clean air or other air and water pollution control requirements or

solid waste disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable.

***Extraordinary Optional Redemption in Whole or in Part.*** The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project, subject to receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See “Summary of the Loan Agreement — Maintenance; Damage, Destruction and Condemnation.”

***Mandatory Redemption; Determination of Taxability.*** The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a “Determination of Taxability.” As used herein, a “Determination of Taxability” means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a “substantial user” of the Project or a “related person” of a substantial user within the meaning of Section 147 of Internal Revenue Code of 1986, as amended (the “Code”); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such Bonds would have the result that interest payable on

the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" of a substantial user within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

**General Redemption Terms.** Notice of redemption will be given by mailing a redemption notice by first class mail to the registered owners of the Bonds to be redeemed not less than 30 days but not more than 45 days prior to the redemption date. Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

#### **Conversion of Interest Rate Modes**

The Interest Rate Mode for the Bonds is subject to Conversion from time to time, including on the Mandatory Purchase Date following the end of the initial Long Term Rate Period, at the option of the Company in accordance with the terms of the Indenture, upon notice from the Bond Registrar to the registered owners of the Bonds. With any notice of Conversion, the Company must also deliver to the Bond Registrar an opinion of Bond Counsel stating that such Conversion is authorized or permitted by the Act and is authorized by the Indenture and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes

### **Book-Entry-Only System**

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

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If fewer than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

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

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

A Beneficial Owner shall effect delivery of purchased Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer, the Company, the Tender Agent and the Trustee, or the Issuer, at the request of the Company, may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository for the Bonds). Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered as described in the Indenture (see “— Revision of Book-Entry-Only System; Replacement Bonds” below). The Beneficial Owner, upon registration of certificates held in the Beneficial Owner’s name, will become the registered owner of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as the nominee of DTC, references in this Reoffering Circular to the registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners. Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Issuer’s obligations under the Indenture and the Company’s obligations under the Loan Agreement and the First Mortgage Bonds, to the extent of the payments so made. Beneficial Owners will not be, and will not be considered by the Issuer or the Trustee to be, and will not have any rights as, owners of Bonds under the Indenture.

The Trustee and the Issuer, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption or of proposed document amendments requiring consent of registered owners and any other notices required by the document (including notices of Conversion and mandatory purchase) to be sent to registered owners only to DTC (or any successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption, the document amendment, the Conversion, the mandatory purchase or any other action premised on that notice.

The Issuer, the Company, the Trustee, the Tender Agent and the Remarketing Agents cannot and do not give any assurances that DTC will distribute payments on the Bonds made to DTC or its nominee as the registered owner or any redemption or other notices, to the Participants, or that the Participants or others will distribute such payments or notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Reoffering Circular.

THE ISSUER, THE COMPANY, THE TENDER AGENT, THE REMARKETING AGENTS AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A REGISTERED OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OR PURCHASE PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OF ANY NOTICE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO

ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

***Revision of Book-Entry-Only System; Replacement Bonds.*** In the event that DTC determines not to continue as the securities depository or is removed by the Issuer, at the direction of the Company, as the securities depository, the Issuer, at the direction of the Company, may appoint a successor securities depository reasonably acceptable to the Trustee. If the Issuer does not or is unable to appoint a successor securities depository, the Issuer will issue and the Trustee will authenticate and deliver fully registered Bonds, in authorized denominations, to the assignees of DTC or their nominees.

In the event that the book-entry-only system is discontinued, the following provisions will apply. The Bonds may be issued in denominations of \$5,000 and integral multiples thereof. Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the principal office of the Bond Registrar, accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond during the fifteen days before any mailing of a notice of redemption, after such Bond has been called for redemption in whole or in part, or after such Bond has been tendered or deemed tendered for mandatory purchase as described above under "— Mandatory Purchase of Bonds." Registration of transfers and exchanges will be made without charge to the owners of Bonds, except that the Bond Registrar may require any owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

## SUMMARY OF THE LOAN AGREEMENT

*The following, in addition to the provisions contained elsewhere in this Reoffering Circular, is a brief description of certain provisions of the Loan Agreement. Reference is made to the Loan Agreement for the detailed provisions thereof.*

### **General**

The term of the Loan Agreement commenced as of its date and will end on the earliest to occur of September 1, 2026, or the date on which all of the Bonds shall have been fully paid or provision has been made for such payment pursuant to the Indenture. See "Summary of the Indenture — Discharge of Indenture."

The Company has agreed to repay the loan pursuant to the Loan Agreement by making timely payments to the Trustee in sufficient amounts to pay the principal of, premium, if any, and interest required to be paid on the Bonds on each date upon which any such payments are due. The Company has also agreed to pay (a) the reasonable fees and expenses of the Trustee,



the Bond Registrar, any Tender Agent and any Paying Agent appointed under the Indenture, (b) the expenses in connection with any redemption of the Bonds and (c) the reasonable expenses of the Issuer.

The Company covenants and agrees with the Issuer that it will cause the purchase of tendered Bonds that are not remarketed in accordance with the Indenture and, to that end, the Company shall cause funds to be made available to the Tender Agent at the times and in the manner required to effect such purchases in accordance with the Indenture (see “Summary of the Bonds — Mandatory Purchase of Bonds — Remarketing and Purchase of Bonds”).

All payments to be made by the Company to the Issuer pursuant to the Loan Agreement (except the reasonable out-of-pocket expenses of the Issuer, the Trustee, the Paying Agent, the Bond Registrar, the Tender Agent and amounts related to indemnification) have been assigned by the Issuer to the Trustee, and the Company will pay such amounts directly to the Trustee. The obligations of the Company to make the payments pursuant to the Loan Agreement are absolute and unconditional.

#### **Maintenance of Tax Exemption**

The Company and the Issuer have agreed not to take any action that would result in the interest paid on the Bonds being included in gross income of any Bondholder (other than a holder who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes or that adversely affects the validity of the Bonds.

#### **Issuance and Delivery of First Mortgage Bonds**

For the purpose of providing security for the Bonds, the Company has executed and delivered to the Trustee the First Mortgage Bonds. The principal amount of the First Mortgage Bonds executed and delivered to the Trustee equals the aggregate principal amount of the Bonds. If the Bonds become immediately due and payable as a result of a default in payment of the principal of, premium, if any, or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of default under the Loan Agreement and upon receipt by the First Mortgage Trustee of a Redemption Demand, or if all first mortgage bonds outstanding under the First Mortgage Indenture shall have been immediately due and payable, such First Mortgage Bonds will bear interest at the same interest rate or rates borne by the Bonds and the principal of such First Mortgage Bonds, together with interest accrued thereon from the last date to which interest on the Bonds shall have been paid in full, will then be payable. See, however, “Summary of the Indenture — Waiver of Events of Default.”

Upon payment of the principal of, premium, if any, and interest on any of the Bonds, and the surrender to and cancellation thereof by the Trustee, or upon provision for the payment thereof having been made in accordance with the Indenture, First Mortgage Bonds with corresponding principal amounts equal to the aggregate principal amount of the Bonds so surrendered and canceled or for the payment of which provision has been made, will be surrendered by the Trustee to the First Mortgage Trustee and will be canceled by the First

Mortgage Trustee. The First Mortgage Bonds are registered in the name of the Trustee and are non transferable, except to effect transfers to any successor trustee under the Indenture.

#### **Payment of Taxes**

The Company has agreed to pay certain taxes and other governmental charges that may be lawfully assessed, levied or charged against or with respect to the Project (see, however, subparagraph (i) under “Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole”). The Company may contest such taxes or other governmental charges unless the security provided by the Indenture would be materially endangered.

#### **Maintenance; Damage, Destruction and Condemnation**

So long as any Bonds are outstanding, the Company will maintain the Project or cause the Project to be maintained in good working condition and will make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as air and water pollution control and abatement facilities and solid waste disposal facilities under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended. However, the Company will have no obligation to maintain, repair, replace or renew any portion of the Project, the maintenance, repair, replacement or renewal of which becomes uneconomical to the Company because of certain events, including damage or destruction by a cause not within the Company’s control, condemnation of the Project, change in government standards and regulations, economic or other obsolescence or termination of operation of generating facilities to the Project.

The Company, at its own expense, may remodel the Project or make substitutions, modifications and improvements to the Project as it deems desirable, which remodeling, substitutions, modifications and improvements shall be deemed, under the terms of the Loan Agreement to be a part of the Project. The Company may not, however, change or alter the basic nature of the Project or cause it to lose its status under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended.

If, prior to the payment of all Bonds outstanding, the Project or any portion thereof is destroyed, damaged or taken by the exercise of the power of eminent domain and the Issuer, the Company or the First Mortgage Trustee receives net proceeds from insurance or a condemnation award in connection therewith, the Company shall (i) cause such net proceeds to be used to repair or restore the Project or (ii) take any other action, including the redemption of the Bonds in whole or in part at their principal amount, which, by the opinion of Bond Counsel, will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes. See “Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole or in Part.”

#### **Insurance**

The Company has agreed to insure the Project in accordance with the provisions of the First Mortgage Indenture.

### **Assignment, Merger and Release of Obligations of the Company**

The Company may assign the Loan Agreement, pursuant to an opinion of Bond Counsel that such assignment will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, without obtaining the consent of either the Issuer or the Trustee. Such assignment, however, shall not relieve the Company from primary liability for any of its obligations under the Loan Agreement and performance and observance of the other covenants and agreements to be performed by the Company. The Company may dispose of all or substantially all of its assets or consolidate with or merge into another corporation, provided the acquirer of the Company's assets or the corporation with which it shall consolidate with or merge into shall be a corporation organized and existing under the laws of one of the states of the United States of America, shall be qualified and admitted to do business in the Commonwealth of Kentucky, and shall assume in writing all of the obligations of the Company under the Loan Agreement.

### **Release and Indemnification Covenant**

The Company will indemnify and hold the Issuer harmless against any expense or liability incurred, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof.

### **Events of Default**

Each of the following events constitutes an "event of default" under the Loan Agreement:

- (1) failure by the Company to pay the amounts required for payment of the principal of, including purchase price for tendered Bonds and redemption and acceleration prices, and interest accrued, on the Bonds, at the times specified therein taking into account any periods of grace provided in the Indenture and the Bonds for the applicable payment of interest on the Bonds (see "Summary of the Indenture — Defaults and Remedies");
- (2) failure by the Company to observe and perform any covenant, condition or agreement, other than as referred to in paragraph (1) above, for a period of thirty days after written notice by the Issuer or Trustee, provided, however, that if such failure is capable of being corrected, but cannot be corrected in such 30-day period, it will not constitute an event of default under the Loan Agreement if corrective action with respect thereto is being diligently pursued;
- (3) all first mortgage bonds outstanding under the First Mortgage Indenture, if not already due, shall have become immediately due and payable, whether by declaration or otherwise, and such acceleration shall not have been rescinded by the First Mortgage Trustee;
- (4) certain events of bankruptcy, dissolution, liquidation, reorganization or insolvency of the Company; or

- (5) the occurrence of an event of default under the Indenture.

Under the Loan Agreement, certain of the Company's obligations (other than the Company's obligations, among others, (i) not to permit any action which would result in interest paid on the Bonds being included in gross income for federal and Kentucky income taxes, (ii) to maintain its corporate existence and good standing, and to neither dispose of all or substantially all of its assets or consolidate with or merge into another corporation unless certain provisions of the Loan Agreement are satisfied; and (iii) to make loan payments and certain other payments under the provisions of the Loan Agreement) may be suspended if by reason of force majeure (as defined in the Loan Agreement) the Company is unable to carry out such obligations.

#### **Remedies**

Upon the happening of an event of default under the Loan Agreement, the Trustee, on behalf of the Issuer, may, among other things, take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company, under the Loan Agreement, including any remedies available in respect of the First Mortgage Bonds.

Upon the happening of an event of default under the Loan Agreement that results in an event of a default in payment of the principal of, premium, if any, or interest on the Bonds or a default in the payment of the purchase price of the Bonds tendered for purchase, and the acceleration of the maturity date of the Bonds (to the extent not already due and payable) as a consequence of such event of default, the Trustee may demand redemption of the First Mortgage Bonds. See "Summary of the First Mortgage Bonds and the First Mortgage Indenture" and "Summary of the Indenture — Defaults and Remedies." Any amounts collected upon the happening of any such event of default will be applied in accordance with the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture) and all other liabilities of the Company accrued under the Indenture and the Loan Agreement have been paid or satisfied, made available to the Company.

#### **Options to Prepay, Obligation to Prepay**

The Company may prepay the loan pursuant to the Loan Agreement, in whole or in part, on certain dates, at the prepayment prices as shown under the captions "Summary of the Bonds — Redemptions — Optional Redemption," "Extraordinary Optional Redemption in Whole" and "Extraordinary Optional Redemption in Whole or in Part." Upon the occurrence of the event described under the caption "Summary of the Bonds — Redemptions — Mandatory Redemption; Determination of Taxability," the Company shall be obligated to prepay the loan in an aggregate amount sufficient to redeem the required principal amount of the Bonds.

In each instance, the loan prepayment price shall be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem the requisite amount of the Bonds at a price equal to the applicable redemption price plus accrued interest to the redemption date, and to pay all reasonable and necessary fees and expenses of the Trustee, the

Paying Agent and all other liabilities of the Company under the Loan Agreement accrued to the redemption date.

#### **Amendments and Modifications**

No amendment or modification of the Loan Agreement is permissible without the written consent of the Trustee. The Issuer and the Trustee may, however, without the consent of or notice to any Bondholders, enter into any amendment or modification of the Loan Agreement (i) which may be required by the provisions of the Loan Agreement or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with any modification or change necessary to conform the Loan Agreement with changes and modifications in the Indenture or (iv) in connection with any other change which, in the judgment of the Trustee, does not adversely affect the Trustee or the Bondholders. Except for such amendments, the Loan Agreement may be amended or modified only with the consent of the Bondholders holding a majority in principal amount of the Bonds then outstanding (see “Summary of the Indenture — Supplemental Indentures” for an explanation of the procedures necessary for Bondholder consent); provided, however, that the approval of the Bondholders holding 100% in principal amount of the Bonds then outstanding is necessary to effectuate an amendment or modification with respect to the Loan Agreement of the type described in clauses (i) through (iv) of the first sentence of the second paragraph of “Summary of the Indenture — Supplemental Indentures.”

#### **SUMMARY OF THE FIRST MORTGAGE BONDS AND THE FIRST MORTGAGE INDENTURE**

*The following, in addition to the provisions contained elsewhere in this Reoffering Circular, is a brief description of certain provisions of the First Mortgage Bonds and the First Mortgage Indenture. Reference is made to the First Mortgage Indenture and to the form of the First Mortgage Bonds for the detailed provisions thereof.*

#### **General**

The First Mortgage Bonds, in a principal amount equal to the principal amount of the Bonds, were issued as a new tranche from a new series of first mortgage bonds under the First Mortgage Indenture (see “Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds”). The statements herein made (being for the most part summaries of certain provisions of the First Mortgage Indenture) are subject to the detailed provisions of the First Mortgage Indenture, which is incorporated herein by this reference. Words or phrases italicized are defined in the First Mortgage Indenture.

The First Mortgage Bonds will mature on the same date and bear interest at the same rate or rates as the Bonds; however, the principal of and interest on the First Mortgage Bonds will not be payable other than upon the occurrence of an event of default under the Loan Agreement. If the Bonds become immediately due and payable as a result of the occurrence of an event of default under the Loan Agreement that has resulted in a default in payment of the principal of, premium, if any, or interest on the Bonds, or a default in payment of the purchase price of any such Bonds tendered for purchase, and the maturity date of the Bonds has been accelerated (to

the extent the Bonds are not already due and payable) as a consequence of such event of default, and if all first mortgage bonds outstanding under the First Mortgage Indenture shall not have become immediately due and payable following an event of default under the First Mortgage Indenture, the Company will be obligated to redeem the First Mortgage Bonds upon receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee for redemption, at a redemption price equal to the principal amount thereof plus accrued interest at the rates borne by the Bonds from the last date to which interest on the Bonds has been paid.

The First Mortgage Bonds at all times will be in fully registered form registered in the name of the Trustee, will be non-negotiable, and will be non-transferable except to any successor trustee under the Indenture. Upon payment and cancellation of Bonds by the Trustee or the Paying Agent (other than any Bond or portion thereof that was canceled by the Trustee or the Paying Agent and for which one or more Bonds were delivered and authenticated pursuant to the Indenture), whether at maturity, by redemption or otherwise, or upon provision for the payment of the Bonds having been made in accordance with the Indenture, an equal principal amount of First Mortgage Bonds will be deemed fully paid and the obligations of the Company thereunder will cease.

#### **Security; Lien of the First Mortgage Indenture**

*General.* Except as described below under this heading and under “— Issuance of Additional First Mortgage Bonds,” and subject to the exceptions described under “— Satisfaction and Discharge,” all first mortgage bonds issued under the First Mortgage Indenture, including the First Mortgage Bonds, will be secured, equally and ratably, by the lien of the First Mortgage Indenture, which constitutes, subject to *permitted liens* and exclusions as described below, a first mortgage lien on substantially all of the Company’s real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and the storage, transportation and distribution of natural gas (other than property duly released from the lien of the First Mortgage Indenture in accordance with the provisions thereof and other than *excepted property*, as described below). Property that is subject to the lien of the First Mortgage Indenture is referred to below as “Mortgaged Property.”

The Company may obtain the release of property from the lien of the First Mortgage Indenture from time to time, upon the bases provided for such release in the First Mortgage Indenture. See “— Release of Property.”

The Company may enter into supplemental indentures with the First Mortgage Trustee, without the consent of the holders of the first mortgage bonds, in order to subject additional property (including property that would otherwise be excepted from such lien) to the lien of the First Mortgage Indenture. This property would constitute *property additions* and would be available as a basis for the issuance of additional first mortgage bonds. See “— Issuance of Additional First Mortgage Bonds.”

The First Mortgage Indenture provides that after-acquired property (other than *excepted property*) will be subject to the lien of the First Mortgage Indenture. However, in the case of consolidation or merger (whether or not the Company is the surviving company) or transfer of

the Mortgaged Property as or substantially as an entirety, the First Mortgage Indenture will not be required to be a lien upon any of the properties either owned or subsequently acquired by the successor company except properties acquired from the Company in or as a result of such transfer, as well as improvements, extensions and additions (as defined in the First Mortgage Indenture) to such properties and renewals, replacements and substitutions of or for any part or parts thereof. See “— Consolidation, Merger and Conveyance of Assets as an Entirety.”

**Excepted Property.** The lien of the First Mortgage Indenture does not cover, among other things, the following types of property: property located outside of Kentucky and not specifically subjected or required to be subjected to the lien of the First Mortgage Indenture; property not used by the Company in its electric generation, transmission and distribution business or its natural gas storage, transportation and distribution business; cash and securities not paid, deposited or held under the First Mortgage Indenture or required so to be; contracts, leases and other agreements of all kinds, contract rights, bills, notes and other instruments, revenues, accounts receivable, claims, demands and judgments; governmental and other licenses, permits, franchises, consents and allowances; intellectual property rights and other general intangibles; vehicles, movable equipment, aircraft and vessels; all goods, stock in trade, wares, merchandise and inventory held for the purpose of sale or lease in the ordinary course of business; materials, supplies, inventory and other personal property consumable in the operation of the Company’s business; fuel; tools and equipment; furniture and furnishings; computers and data processing, telecommunications and other facilities used primarily for administrative or clerical purposes or otherwise not used in connection with the operation or maintenance of electric generation, transmission and distribution facilities or natural gas storage, transportation and distribution facilities; coal, ore, gas, oil and other minerals and timber rights; electric energy and capacity, gas, steam, water and other products generated, produced, manufactured, purchased or otherwise acquired; real property and facilities used primarily for the production or gathering of natural gas; property which has been released from the lien of the First Mortgage Indenture; and leasehold interests. Property of the Company not covered by the lien of the First Mortgage Indenture is referred to herein as excepted property. Properties held by any of the Company’s subsidiaries, as well as properties leased from others, would not be subject to the lien of the First Mortgage Indenture.

**Permitted Liens.** The lien of the First Mortgage Indenture is subject to permitted liens described in the First Mortgage Indenture. Such *permitted liens* include liens existing at the execution date of the First Mortgage Indenture, purchase money liens and other liens placed or otherwise existing on property acquired by the Company after the execution date of the First Mortgage Indenture at the time the Company acquires it, tax liens and other governmental charges which are not delinquent or which are being contested in good faith, mechanics’, construction and materialmen’s liens, certain judgment liens, easements, reservations and rights of others (including governmental entities) in, and defects of title to, the Company’s property, certain leases and leasehold interests, liens to secure public obligations, rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by the Company or by others on the Company’s property, rights and interests of persons other than the Company arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of such persons in such property and liens which have been bonded or for which other security arrangements have been made.

The First Mortgage Indenture also provides that the First Mortgage Trustee will have a lien, prior to the lien on behalf of the holders of the first mortgage bonds, including the First Mortgage Bonds, upon the Mortgaged Property as security for the Company's payment of its reasonable compensation and expenses and for indemnity against certain liabilities. Any such lien would be a *permitted lien* under the First Mortgage Indenture.

#### **Issuance of Additional First Mortgage Bonds**

The maximum principal amount of first mortgage bonds that may be authenticated and delivered under the First Mortgage Indenture is subject to the issuance restrictions described below; provided, however, that the maximum principal amount of first mortgage bonds outstanding at any one time shall not exceed One Quintillion Dollars (\$1,000,000,000,000,000), which amount may be changed by supplemental indenture. As of December 31, 2017, first mortgage bonds in an aggregate principal amount of \$1,624,200,000 were outstanding under the First Mortgage Indenture, of which \$539,200,000 were issued to secure the Company's payment obligations with respect to its outstanding pollution control and environmental facilities revenue bonds, including the Bonds.

First mortgage bonds of any series may be issued from time to time on the basis of, and in an aggregate principal amount not exceeding:

- 66 2/3% of the *cost* or *fair value* to the Company (whichever is less) of *property additions* (as described below) which do not constitute *funded property* (generally, *property additions* which have been made the basis of the authentication and delivery of first mortgage bonds, the release of Mortgaged Property or the withdrawal of cash, which have been substituted for retired *funded property* or which have been used for other specified purposes) after certain deductions and additions, primarily including adjustments to offset property retirements;
- the aggregate principal amount of *retired securities* (as described below); or
- an amount of cash deposited with the First Mortgage Trustee.

*Property additions* generally include any property which is owned by the Company and is subject to the lien of the First Mortgage Indenture except (with certain exceptions) goodwill, going concern value rights or intangible property, or any property the acquisition or construction of which is properly chargeable to one of the Company's operating expense accounts in accordance with U.S. generally accepted accounting principles.

*Retired securities* means, generally, first mortgage bonds which are no longer outstanding under the First Mortgage Indenture, which have not been retired by the application of *funded cash* and which have not been used as the basis for the authentication and delivery of first mortgage bonds, the release of property or the withdrawal of cash.

At December 31, 2017, approximately \$1.77 billion of property additions and \$285 million of retired securities were available to be used as the basis for the authentication and delivery of first mortgage bonds.



### Release of Property

Unless an *event of default* has occurred and is continuing, the Company may obtain the release from the lien of the First Mortgage Indenture of any Mortgaged Property, except for cash held by the First Mortgage Trustee, upon delivery to the First Mortgage Trustee of an amount in cash equal to the amount, if any, by which sixty-six and two-thirds percent (66-2/3%) of the cost of the property to be released (or, if less, the *fair value* to the Company of such property at the time it became *funded property*) exceeds the aggregate of:

- an amount equal to 66 2/3% of the aggregate principal amount of obligations secured by *purchase money liens* upon the property to be released and delivered to the First Mortgage Trustee;
- an amount equal to 66 2/3% of the *cost* or *fair value* to the Company (whichever is less) of certified *property additions* not constituting *funded property* after certain deductions and additions, primarily including adjustments to offset property retirements (except that such adjustments need not be made if such *property additions* were acquired or made within the 90-day period preceding the release);
- the aggregate principal amount of first mortgage bonds the Company would be entitled to issue on the basis of *retired securities* (with such entitlement being waived by operation of such release);
- the aggregate principal amount of first mortgage bonds delivered to the First Mortgage Trustee (with such first mortgage bonds to be canceled by the First Mortgage Trustee);
- any amount of cash and/or an amount equal to 66 2/3% of the aggregate principal amount of obligations secured by *purchase money liens* upon the property released that is delivered to the trustee or other holder of a lien prior to the lien of the First Mortgage Indenture, subject to certain limitations described in the First Mortgage Indenture; and
- any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released.

As used in the First Mortgage Indenture, the term *purchase money lien* means, generally, a lien on the property being released which is retained by the transferor of such property or granted to one or more other persons in connection with the transfer or release thereof, or granted to or held by a trustee or agent for any such persons, and may include liens which cover property in addition to the property being released and/or which secure indebtedness in addition to indebtedness to the transferor of such property.

Unless an *event of default* has occurred and is continuing, property which is not *funded property* may generally be released from the lien of the First Mortgage Indenture without depositing any cash or property with the First Mortgage Trustee as long as (a) the aggregate amount of *cost* or *fair value* to the Company (whichever is less) of all *property additions* which do not constitute *funded property* (excluding the property to be released) after certain deductions and additions, primarily including adjustments to offset property retirements, is not less than zero

or (b) the cost or *fair value* (whichever is less) of property to be released does not exceed the aggregate amount of the cost or fair value to the Company (whichever is less) of *property additions* acquired or made within the 90-day period preceding the release.

The First Mortgage Indenture provides simplified procedures for the release of minor properties and property taken by eminent domain and provides for dispositions of certain obsolete property and grants or surrender of certain rights without any release or consent by the First Mortgage Trustee.

If the Company retains any interest in any property released from the lien of the First Mortgage Indenture, the First Mortgage Indenture will not become a lien on such property or such interest therein or any improvements, extensions or additions to such property or renewals, replacements or substitutions of or for such property or any part or parts thereof.

#### **Withdrawal of Cash**

Unless an *event of default* has occurred and is continuing, and subject to certain limitations, cash held by the First Mortgage Trustee may, generally, (1) be withdrawn by the Company (a) to the extent of sixty-six and two-thirds percent (66-2/3%) of the cost or *fair value* to the Company (whichever is less) of *property additions* not constituting *funded property*, after certain deductions and additions, primarily including adjustments to offset retirements (except that such adjustments need not be made if such *property additions* were acquired or made within the 90-day period preceding the withdrawal) or (b) in an amount equal to the aggregate principal amount of first mortgage bonds that the Company would be entitled to issue on the basis of *retired securities* (with the entitlement to such issuance being waived by operation of such withdrawal) or (c) in an amount equal to the aggregate principal amount of any outstanding first mortgage bonds delivered to the First Mortgage Trustee; or (2) upon the Company's request, be applied to (a) the purchase of first mortgage bonds in a manner and at a price approved by the Company or (b) the payment (or provision for payment) at stated maturity of any first mortgage bonds or the redemption (or provision for payment) of any first mortgage bonds which are redeemable; provided, however, that cash deposited with the First Mortgage Trustee as the basis for the authentication and delivery of first mortgage bonds may, in addition, be withdrawn in an amount not exceeding the aggregate principal amount of cash delivered to the First Mortgage Trustee for such purpose.

#### **Events of Default**

An "*event of default*" occurs under the First Mortgage Indenture if

- the Company does not pay any interest on any first mortgage bonds within 30 days of the due date;
- the Company does not pay principal or premium, if any, on any first mortgage bonds on the due date;
- the Company remains in breach of any other covenant (excluding covenants specifically dealt with elsewhere in this section) in respect of any first mortgage bonds for 90 days after

the Company receives a written notice of default stating the Company is in breach and requiring remedy of the breach; the notice must be sent by either the First Mortgage Trustee or holders of 25% of the principal amount of outstanding first mortgage bonds; the First Mortgage Trustee or such holders can agree to extend the 90-day period and such an agreement to extend will be automatically deemed to occur if the Company initiates corrective action within such 90 day period and the Company is diligently pursuing such action to correct the default; or

- the Company files for bankruptcy or certain other events in bankruptcy, insolvency, receivership or reorganization occur.

### **Remedies**

***Acceleration of Maturity.*** If an event of default occurs and is continuing, then either the First Mortgage Trustee or the holders of not less than 25% in principal amount of the outstanding first mortgage bonds may declare the principal amount of all of the first mortgage bonds to be due and payable immediately.

***Rescission of Acceleration.*** After the declaration of acceleration has been made and before the First Mortgage Trustee has obtained a judgment or decree for payment of the money due, such declaration and its consequences will be rescinded and annulled, if

- the Company pays or deposits with the First Mortgage Trustee a sum sufficient to pay:
  - all overdue interest;
  - the principal of and premium, if any, which have become due otherwise than by such declaration of acceleration and interest thereon;
  - interest on overdue interest to the extent lawful; and
  - all amounts due to the First Mortgage Trustee under the First Mortgage Indenture; and
- all *events of default*, other than the nonpayment of the principal which has become due solely by such declaration of acceleration, have been cured or waived as provided in the First Mortgage Indenture.

For more information as to waiver of defaults, see “— Waiver of Default and of Compliance” below.

***Appointment of Receiver and Other Remedies.*** Subject to the First Mortgage Indenture, under certain circumstances and to the extent permitted by law, if an *event of default* occurs and is continuing, the First Mortgage Trustee has the power to appoint a receiver of the Mortgaged Property, and is entitled to all other remedies available to mortgagees and secured parties under the Uniform Commercial Code or any other applicable law.

**Control by Holders; Limitations.** Subject to the First Mortgage Indenture, if an *event of default* occurs and is continuing, the holders of a majority in principal amount of the outstanding first mortgage bonds will have the right to

- direct the time, method and place of conducting any proceeding for any remedy available to the First Mortgage Trustee, or
- exercise any trust or power conferred on the First Mortgage Trustee.

The rights of holders to make direction are subject to the following limitations:

- the holders' directions may not conflict with any law or the First Mortgage Indenture; and
- the holders' directions may not involve the First Mortgage Trustee in personal liability where the First Mortgage Trustee believes indemnity is not adequate.

The First Mortgage Trustee may also take any other action it deems proper which is not inconsistent with the holders' direction.

In addition, the First Mortgage Indenture provides that no holder of any first mortgage bond will have any right to institute any proceeding, judicial or otherwise, with respect to the First Mortgage Indenture for the appointment of a receiver or for any other remedy thereunder unless

- that holder has previously given the First Mortgage Trustee written notice of a continuing *event of default*;
- the holders of 25% in aggregate principal amount of the outstanding first mortgage bonds have made written request to the First Mortgage Trustee to institute proceedings in respect of that *event of default* and have offered the First Mortgage Trustee reasonable indemnity against costs, expenses and liabilities incurred in complying with such request; and
- for 60 days after receipt of such notice, request and offer of indemnity, the First Mortgage Trustee has failed to institute any such proceeding and no direction inconsistent with such request has been given to the First Mortgage Trustee during such 60-day period by the holders of a majority in aggregate principal amount of outstanding first mortgage bonds.

Furthermore, no holder of first mortgage bonds will be entitled to institute any such action if and to the extent that such action would disturb or prejudice the rights of other holders of first mortgage bonds.

However, each holder of first mortgage bonds has an absolute and unconditional right to receive payment when due and to bring a suit to enforce that right.

**Notice of Default.** The First Mortgage Trustee is required to give the holders of the first mortgage bonds notice of any default under the First Mortgage Indenture to the extent required by the Trust Indenture Act, unless such default has been cured or waived; except that in the case

of an *event of default* of the character specified in the third bullet point under “— Events of Default” (regarding a breach of certain covenants continuing for 90 days after the receipt of a written notice of default), no such notice shall be given to such holders until at least 60 days after the occurrence thereof. The Trust Indenture Act currently permits the First Mortgage Trustee to withhold notices of default (except for certain payment defaults) if the First Mortgage Trustee in good faith determines the withholding of such notice to be in the interests of the holders of the first mortgage bonds.

The Company will furnish the First Mortgage Trustee with an annual statement as to its compliance with the conditions and covenants in the First Mortgage Indenture.

***Waiver of Default and of Compliance.*** The holders of a majority in aggregate principal amount of the outstanding first mortgage bonds may waive, on behalf of the holders of all outstanding first mortgage bonds, any past default under the First Mortgage Indenture, except a default in the payment of principal, premium or interest, or with respect to compliance with certain provisions of the First Mortgage Indenture that cannot be amended without the consent of the holder of each outstanding first mortgage bond affected.

Compliance with certain covenants in the First Mortgage Indenture or otherwise provided with respect to first mortgage bonds may be waived by the holders of a majority in aggregate principal amount of the affected first mortgage bonds, considered as one class.

#### **Consolidation, Merger and Conveyance of Assets as an Entirety**

Subject to the provisions described below, the Company has agreed to preserve its corporate existence.

The Company has agreed not to consolidate with or merge with or into any other entity or convey, transfer or lease the Mortgaged Property as or substantially as an entirety to any entity unless

- the entity formed by such consolidation or into which the Company merges, or the entity which acquires or which leases the Mortgaged Property substantially as an entirety, is an entity organized and existing under the laws of the United States of America or any State or Territory thereof or the District of Columbia, and
- expressly assumes, by supplemental indenture, the due and punctual payment of the principal of, and premium and interest on, all the outstanding first mortgage bonds and the performance of all of the Company’s covenants under the First Mortgage Indenture, and
- such entity confirms the lien of the First Mortgage Indenture on the Mortgaged Property; and
- in the case of a lease, such lease is made expressly subject to termination by (i) the Company or by the First Mortgage Trustee and (ii) the purchaser of the property so leased at any sale thereof, at any time during the continuance of an *event of default*; and

- immediately after giving effect to such transaction, no *event of default*, and no event which after notice or lapse of time or both would become an *event of default*, will have occurred and be continuing.

In the case of the conveyance or other transfer of the Mortgaged Property as or substantially as an entirety to any other person, upon the satisfaction of all the conditions described above the Company would be released and discharged from all obligations under the First Mortgage Indenture and on the first mortgage bonds then outstanding unless the Company elects to waive such release and discharge.

The First Mortgage Indenture does not prevent or restrict:

- any consolidation or merger after the consummation of which the Company would be the surviving or resulting entity; or
- any conveyance or other transfer, or lease, of any part of the Mortgaged Property which does not constitute the entirety or substantially the entirety thereof.

If following a conveyance or other transfer, or lease, of any part of the Mortgaged Property, the fair value of the Mortgaged Property retained by the Company exceeds an amount equal to three-halves (3/2) of the aggregate principal amount of all outstanding first mortgage bonds, then the part of the Mortgaged Property so conveyed, transferred or leased shall be deemed not to constitute the entirety or substantially the entirety of the Mortgaged Property. This fair value will be determined within 90 days of the conveyance or transfer by an independent expert that the Company selects and that is approved by the First Mortgage Trustee.

#### **Modification of First Mortgage Indenture**

***Without Holder Consent.*** Without the consent of any holders of first mortgage bonds, the Company and the First Mortgage Trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the succession of another entity to the Company;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series or tranche of first mortgage bonds, or to surrender any right or power conferred upon the Company;
- to correct or amplify the description of any property at any time subject to the lien of the First Mortgage Indenture; or to better assure, convey and confirm unto the First Mortgage Trustee any property subject or required to be subjected to the lien of the First Mortgage Indenture; or to subject to the lien of the First Mortgage Indenture additional property (including property of others), to specify any additional Permitted Liens with respect to such additional property and to modify the provisions in the First Mortgage Indenture for dispositions of certain types of property without release in order to specify any additional items with respect to such additional property;

- to add any additional *events of default*, which may be stated to remain in effect only so long as the first mortgage bonds of any one more particular series remains outstanding;
- to change or eliminate any provision of the First Mortgage Indenture or to add any new provision to the First Mortgage Indenture that does not adversely affect the interests of the holders in any material respect;
- to establish the form or terms of any series or tranche of first mortgage bonds;
- to provide for the issuance of bearer securities;
- to evidence and provide for the acceptance of appointment of a successor First Mortgage Trustee or by a co-trustee or separate trustee;
- to provide for the procedures required to permit the utilization of a noncertificated system of registration for any series or tranche of first mortgage bonds;
- to change any place or places where
  - the Company may pay principal, premium and interest,
  - first mortgage bonds may be surrendered for transfer or exchange, and
  - notices and demands to or upon the Company may be served;
- to amend and restate the First Mortgage Indenture as originally executed, and as amended from time to time, with such additions, deletions and other changes that do not adversely affect the interest of the holders in any material respect;
- to cure any ambiguity, defect or inconsistency or to make any other changes that do not adversely affect the interests of the holders in any material respect; or
- to increase or decrease the maximum principal amount of first mortgage bonds that may be outstanding at any time.

In addition, if the Trust Indenture Act is amended after the date of the First Mortgage Indenture so as to require changes to the First Mortgage Indenture or so as to permit changes to, or the elimination of, provisions which, at the date of the First Mortgage Indenture or at any time thereafter, were required by the Trust Indenture Act to be contained in the First Mortgage Indenture, the First Mortgage Indenture will be deemed to have been amended so as to conform to such amendment or to effect such changes or elimination, and the Company and the First Mortgage Trustee may, without the consent of any holders, enter into one or more supplemental indentures to effect or evidence such amendment.

***With Holder Consent.*** Except as provided above, the consent of the holders of at least a majority in aggregate principal amount of the first mortgage bonds of all outstanding series, considered as one class, is generally required for the purpose of adding to, or changing or

eliminating any of the provisions of, the First Mortgage Indenture pursuant to a supplemental indenture. However, if less than all of the series of outstanding first mortgage bonds are directly affected by a proposed supplemental indenture, then such proposal only requires the consent of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds of all directly affected series, considered as one class. Moreover, if the first mortgage bonds of any series have been issued in more than one tranche and if the proposed supplemental indenture directly affects the rights of the holders of first mortgage bonds of one or more, but less than all, of such tranches, then such proposal only requires the consent of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds of all directly affected tranches, considered as one class.

However, no amendment or modification may, without the consent of the holder of each outstanding first mortgage bond directly affected thereby:

- change the stated maturity of the principal or interest on any first mortgage bond (other than pursuant to the terms thereof), or reduce the principal amount, interest or premium payable (or the method of calculating such rates) or change the currency in which any first mortgage bond is payable, or impair the right to bring suit to enforce any payment;
- create any lien (not otherwise permitted by the First Mortgage Indenture) ranking prior to the lien of the First Mortgage Indenture with respect to all or substantially all of the Mortgaged Property, or terminate the lien of the First Mortgage Indenture on all or substantially all of the Mortgaged Property (other than in accordance with the terms of the First Mortgage Indenture), or deprive any holder of the benefits of the security of the lien of the First Mortgage Indenture;
- reduce the percentages of holders whose consent is required for any supplemental indenture or waiver of compliance with any provision of the First Mortgage Indenture or of any default thereunder and its consequences, or reduce the requirements for quorum and voting under the First Mortgage Indenture; or
- modify certain of the provisions of the First Mortgage Indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to first mortgage bonds.

A supplemental indenture which changes, modifies or eliminates any provision of the First Mortgage Indenture expressly included solely for the benefit of holders of first mortgage bonds of one or more particular series or tranches will be deemed not to affect the rights under the First Mortgage Indenture of the holders of first mortgage bonds of any other series or tranche.

#### **Satisfaction and Discharge**

Any first mortgage bonds or any portion thereof will be deemed to have been paid and no longer outstanding for purposes of the First Mortgage Indenture and, at the Company's election, the Company's entire indebtedness with respect to those securities will be satisfied and



discharged, if there shall have been irrevocably deposited with the First Mortgage Trustee or any Paying Agent (other than the Company), in trust:

- money sufficient, or
- in the case of a deposit made prior to the maturity of such first mortgage bonds, non-redeemable *eligible obligations* (as defined in the First Mortgage Indenture) sufficient, or
- a combination of the items listed in the preceding two bullet points, which in total are sufficient,

to pay when due the principal of, and any premium, and interest due and to become due on such first mortgage bonds or portions of such first mortgage bonds on and prior to their maturity.

The Company's right to cause its entire indebtedness in respect of the first mortgage bonds of any series to be deemed to be satisfied and discharged as described above will be subject to the satisfaction of any conditions specified in the instrument creating such series.

The First Mortgage Indenture will be deemed satisfied and discharged when no first mortgage bonds remain outstanding and when the Company has paid all other sums payable by it under the First Mortgage Indenture.

All moneys the Company pays to the First Mortgage Trustee or any Paying Agent on First Mortgage Bonds that remain unclaimed at the end of two years after payments have become due may be paid to or upon the Company's order. Thereafter, the holder of such First Mortgage Bond may look only to the Company for payment.

**Duties of the First Mortgage Trustee; Resignation and Removal of the First Mortgage Trustee; Deemed Resignation**

The First Mortgage Trustee will have, and will be subject to, all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to these provisions, the First Mortgage Trustee will be under no obligation to exercise any of the powers vested in it by the First Mortgage Indenture at the request of any holder of first mortgage bonds, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The First Mortgage Trustee will not be required to expend or risk its own funds or otherwise incur financial liability in the performance of its duties if the First Mortgage Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The First Mortgage Trustee may resign at any time by giving written notice to the Company.

The First Mortgage Trustee may also be removed by act of the holders of a majority in principal amount of the then outstanding first mortgage bonds.

No resignation or removal of the First Mortgage Trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the First Mortgage Indenture.

Under certain circumstances, the Company may appoint a successor trustee and if the successor accepts, the First Mortgage Trustee will be deemed to have resigned.

#### **Evidence to be Furnished to the First Mortgage Trustee**

Compliance with First Mortgage Indenture provisions is evidenced by written statements of the Company's officers or persons selected or paid by the Company. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. In addition, the First Mortgage Indenture requires the Company to give to the First Mortgage Trustee, not less than annually, a brief statement as to the Company's compliance with the conditions and covenants under the First Mortgage Indenture.

#### **Miscellaneous Provisions**

The First Mortgage Indenture provides that certain first mortgage bonds, including those for which payment or redemption money has been deposited or set aside in trust as described under "— Satisfaction and Discharge" above, will not be deemed to be "outstanding" in determining whether the holders of the requisite principal amount of the outstanding first mortgage bonds have given or taken any demand, direction, consent or other action under the First Mortgage Indenture as of any date, or are present at a meeting of holders for quorum purposes.

The Company will be entitled to set any day as a record date for the purpose of determining the holders of outstanding first mortgage bonds of any series entitled to give or take any demand, direction, consent or other action under the First Mortgage Indenture, in the manner and subject to the limitations provided in the First Mortgage Indenture. In certain circumstances, the First Mortgage Trustee also will be entitled to set a record date for action by holders. If such a record date is set for any action to be taken by holders of particular first mortgage bonds, such action may be taken only by persons who are holders of such first mortgage bonds on the record date.

#### **Governing Law**

The First Mortgage Indenture and the first mortgage bonds provide that they are to be governed by and construed in accordance with the laws of the State of New York except where the Trust Indenture Act is applicable or where otherwise required by law. The effectiveness of the lien of the First Mortgage Indenture, and the perfection and priority thereof, will be governed by Kentucky law.

## SUMMARY OF THE INDENTURE

*The following, in addition to the provisions contained elsewhere in this Reoffering Circular, is a brief description of certain provisions of the Indenture. Reference is made to the Indenture for the detailed provisions thereof.*

### **Security**

Pursuant to the Indenture, the Issuer has assigned and pledged to the Trustee its interest in and to the Loan Agreement, including payments and other amounts due the Issuer thereunder, together with all moneys, property and securities from time to time held by the Trustee under the Indenture (with certain exceptions, including moneys held in or earnings on the Rebate Fund and the Purchase Fund). The Bonds have been further secured by the First Mortgage Bonds delivered to the Trustee (see “Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds”). The First Mortgage Bonds have been registered in the name of the Trustee and are nontransferable, except to effect a transfer to any successor trustee. The Bonds will not be directly secured by the Project (although the Project is subject to the lien of the First Mortgage Indenture).

### **No Pecuniary Liability of the Issuer**

No provision, covenant or agreement contained in the Indenture or in the Loan Agreement, nor any breach thereof, shall give rise to any pecuniary liability of the Issuer or any charge upon its general credit or taxing powers. The Issuer has not obligated itself by making the covenants, agreements or provisions contained in the Indenture or in the Loan Agreement, except with respect to the Project and the application of the amounts assigned to payment of the principal of, premium, if any, and interest on the Bonds.

### **The Bond Fund**

The payments to be made by the Company pursuant to the Loan Agreement to the Issuer and certain other amounts specified in the Indenture will be deposited into a Bond Fund established pursuant to the Indenture (the “Bond Fund”) and will be maintained in trust by the Trustee. Moneys in the Bond Fund will be used solely for the payment of the principal of, premium, if any, and interest on the Bonds, for the redemption of Bonds prior to maturity and for the payment of the reasonable and necessary fees and expenses to which the Trustee, Paying Agent and the Issuer are entitled pursuant to the Indenture or the Loan Agreement. Any moneys held in the Bond Fund will be invested by the Trustee at the specific written direction of the Company in certain Governmental Obligations, investment-grade corporate obligations and other investments permitted under the Indenture.

### **The Rebate Fund**

A Rebate Fund has been created by the Indenture (the “Rebate Fund”) and will be maintained as a separate fund free and clear of the lien of the Indenture. The Issuer, the Trustee and the Company have agreed to comply with all rebate requirements of the Code and, in particular, the Company has agreed that if necessary, it will deposit in the Rebate Fund any such amount as is required under the Code. However, the Issuer, the Trustee and the Company may

disregard the Rebate Fund provisions to the extent that they shall receive an opinion of Bond Counsel that such failure to comply will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

#### **Discharge of Indenture**

When all the Bonds and all fees and charges accrued and to accrue of the Trustee and the Paying Agent have been paid or provided for, and when proper notice has been given to the Bondholders or the Trustee that the proper amounts have been so paid or provided for, and if the Issuer is not in default in any other respect under the Indenture, the Indenture shall become null and void. The Bonds shall be deemed to have been paid and discharged when there shall have been irrevocably deposited with the Trustee moneys sufficient to pay the principal, premium, if any, and accrued interest on such Bonds to the due date (whether such date be by reason of maturity or upon redemption) or, in lieu thereof, Governmental Obligations shall have been deposited which mature in such amounts and at such times as will provide the funds necessary to so pay such Bonds, and when all reasonable and necessary fees and expenses of the Trustee, the Authenticating Agent, the Bond Registrar and the Paying Agent have been paid or provided for.

#### **Surrender of First Mortgage Bonds**

Upon payment of any principal of, premium, if any, and interest on any of the Bonds which reduces the principal amount of Bonds outstanding, or upon provision for the payment thereof having been made in accordance with the Indenture (see "Discharge of Indenture" above), First Mortgage Bonds in a principal amount equal to the principal amount of the Bonds so paid, or for the payment of which such provision has been made, shall be surrendered by the Trustee to the First Mortgage Trustee. The First Mortgage Bonds so surrendered shall be deemed fully paid and the obligations of the Company thereunder terminated.

#### **Defaults and Remedies**

Each of the following events constitutes an "Event of Default" under the Indenture:

(a) Failure to make payment of any installment of interest on any Bond (i) if such Bond bears interest at other than the Long Term Rate, within a period of one Business Day from the due date and (ii) if such Bond bears interest at the Long Term Rate, within a period of five Business Days from the date due;

(b) Failure to make punctual payment of the principal of, or premium, if any, on any Bond on the due date, whether at the stated maturity thereof, or upon proceedings for redemption, or upon the maturity thereof by declaration or if payment of the purchase price of any Bond required to be purchased pursuant to the Indenture is not made when such payment has become due and payable, provided that no event of default shall have occurred in respect of failure to receive such purchase price for any Bond if the Company shall have made the payment on the next Business Day as described in the last paragraph under "Summary of the Bonds — Mandatory Purchase of Bonds — Remarketing and Purchase of Bonds" above;

(c) Failure of the Issuer to perform or observe any other of the covenants, agreements or conditions in the Indenture or in the Bonds which failure continues for a period of 30 days after written notice by the Trustee, provided, however, that if such failure is capable of being cured, but cannot be cured in such 30-day period, it will not constitute an event of default under the Indenture if corrective action in respect of such failure is being diligently pursued;

(d) The occurrence of an “event of default” under the Loan Agreement (see “Summary of the Loan Agreement — Events of Default”); or

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

Upon the occurrence of an Event of Default under the Indenture, the Trustee may, and upon the written request of the registered owners holding not less than 25% in principal amount of Bonds then outstanding and upon receipt of indemnity satisfactory to it shall: (i) enforce each and every right granted to the Trustee as a holder of the First Mortgage Bonds (see “Summary of the First Mortgage Bonds and the First Mortgage Indenture”), (ii) declare the principal of all Bonds and interest accrued thereon to be immediately due and payable and (iii) declare all payments under the Loan Agreement to be immediately due and payable and enforce each and every other right granted to the Issuer under the Loan Agreement for the benefit of the Bondholders. Interest on the Bonds will cease to accrue on the date of issuance of the declaration of acceleration of payment of principal and interest on the Bonds. In exercising such rights, the Trustee shall take any action that, in the judgment of the Trustee, would best serve the interests of the registered owners. Upon the occurrence of an Event of Default under the Indenture, the Trustee may also proceed to pursue any available remedy by suit at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds then outstanding and may also issue a Redemption Demand for such First Mortgage Bonds to the First Mortgage Trustee.

If an Event of Default under the Indenture shall occur and be continuing and the maturity date of the Bonds has been accelerated (to the extent the Bonds are not already due and payable) as a consequence of such event of default, the Trustee may, and upon the written request of the registered owners holding not less than 25% in principal amount of all Bonds then outstanding and upon receipt of indemnity satisfactory to it shall, exercise such rights as it shall possess under the First Mortgage Indenture as a holder of the First Mortgage Bonds.

If the Trustee recovers any moneys following an Event of Default, unless the principal of the Bonds shall have been declared due and payable, all such moneys shall be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and the payment of any sums due and payable to the United States pursuant to Section 148(f) of the Code, (ii) to the payment of all interest then due on the Bonds, and (iii) to the payment of unpaid principal and premium, if any, of the Bonds. If the principal of the Bonds has become due or has been accelerated, such moneys shall be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred

or made by the Trustee and the Paying Agent and the payment of any sums due and payable to the United States pursuant to Section 148(f) of the Code and (ii) to the payment of principal of and interest then due and unpaid on the Bonds.

No Bondholder may institute any suit or proceeding in equity or at law for the enforcement of the Indenture unless an Event of Default has occurred of which the Trustee has been notified or is deemed to have notice, and registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee to proceed to exercise the powers granted under the Indenture or to institute such action in their own name and the Trustee shall fail or refuse to exercise its powers within a reasonable time after receipt of indemnity satisfactory to it.

Any judgment against the Issuer pursuant to the exercise of rights under the Indenture shall be enforceable only against specific assigned payments, funds and accounts under the Indenture in the hands of the Trustee. No deficiency judgment shall be authorized against the general credit of the Issuer.

No default under paragraph (c) above shall constitute an Event of Default until actual notice is given to the Issuer and the Company by the Trustee, or to the Issuer, the Company and the Trustee by the registered owners holding not less than 25% in aggregate principal amount of all Bonds outstanding and the Issuer and the Company shall have had thirty days after such notice to correct the default and failed to do so. If the default is such that it cannot be corrected within the applicable period but is capable of being cured, it will not constitute an Event of Default if corrective action is instituted within the applicable period.

#### **Waiver of Events of Default**

Except as provided below, the Trustee may in its discretion waive any Event of Default under the Indenture and shall do so upon the written request of the registered owners holding a majority in principal amount of all Bonds then outstanding. If, after the principal of all Bonds then outstanding shall have been declared to be due and payable and prior to any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been entered, (i) the Company has caused to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of and premium, if any, on any and all Bonds which shall have become due otherwise than by reason of such declaration (with interest thereon as provided in the Indenture) and the expenses of the Trustee in connection with such default and (ii) all Events of Default under the Indenture (other than nonpayment of the principal of Bonds due by said declaration) shall have been remedied, then such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled by the Trustee. Such waiver, rescission and annulment shall be binding upon all Bondholders. No such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Upon any waiver or rescission as described above or any discontinuance or abandonment of proceedings under the Indenture, the Trustee shall immediately rescind in writing any Redemption Demand of First Mortgage Bonds previously given to the First Mortgage Trustee. The rescission under the First Mortgage Indenture of a declaration that all first mortgage bonds

outstanding under the First Mortgage Indenture are immediately due and payable shall also constitute a waiver of an Event of Default described in paragraph (e) under the subcaption "Defaults and Remedies" above and a waiver and rescission of its consequences, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Notwithstanding the foregoing, nothing in the Indenture shall affect the right of a registered owner to enforce the payment of principal of, premium, if any, and interest on the Bonds after the maturity thereof.

#### **Voting of First Mortgage Bonds Held by Trustee**

The Trustee, as holder of the First Mortgage Bonds, shall attend any meeting of holders of first mortgage bonds outstanding under the First Mortgage Indenture as to which it receives due notice. The Trustee shall vote the First Mortgage Bonds held by it, or shall consent with respect thereto, proportionally in the way in which the Trustee reasonably believes will be the vote or consent of all other holders of first mortgage bonds outstanding under the First Mortgage Indenture then eligible to vote or consent.

Notwithstanding the foregoing, the Trustee may not vote the First Mortgage Bonds in favor of, or give consent to, any action which, in the Trustee's opinion, would materially adversely affect the First Mortgage Bonds in a manner not generally shared by all other series of first mortgage bonds, except upon notification by the Trustee to the registered owners of all Bonds then outstanding of such proposal and consent thereto of the registered owners of at least 66-2/3% in aggregate principal amount of all Bonds then outstanding.

#### **Supplemental Indentures**

The Issuer and the Trustee may enter into indentures supplemental to the Indenture without the consent of or notice to, the Bondholders in order (i) to cure any ambiguity or formal defect or omission in the Indenture, (ii) to grant to the Trustee, as may lawfully be granted, additional rights for the benefit of the Bondholders, (iii) to subject to the Indenture additional revenues, properties or collateral, (iv) to permit qualification of the Indenture under any federal statute or state blue sky law, (v) to add additional covenants and agreements of the Issuer for the protection of the Bondholders or to surrender or limit any rights reserved to the Issuer, (vi) to make any modification or change to the Indenture which, in the sole judgment of the Trustee, does not adversely affect the Trustee or any Bondholder, (vii) to make amendments to provisions relating to federal income tax matters under the Code or other relevant provisions if, in the opinion of Bond Counsel, those amendments would not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, (viii) to make any modification or change to the Indenture necessary to provide liquidity or credit support for the Bonds, or (ix) to permit the issuance of the Bonds in other than book-entry-only form or to provide changes to or for the book-entry system.

Exclusive of supplemental indentures for the purposes set forth in the preceding paragraph, the consent of registered owners holding a majority in principal amount of all Bonds then outstanding is required to approve any supplemental indenture, except no such supplemental

indenture shall permit, without the consent of all of the registered owners of the Bonds then outstanding, (i) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture or a reduction in the principal amount of any Bond or the rate of interest or time of redemption or redemption premium thereon, (ii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iii) a reduction in the principal amount of the Bonds required for consent to such supplemental indenture, or (iv) the deprivation of any registered owners of the lien of the Indenture.

If at any time the Issuer shall request the Trustee to enter into any supplemental indenture requiring the consent of the registered owners of the Bonds, the Trustee, upon being satisfactorily indemnified with respect to expenses, must notify all such registered owners. Such notice shall set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection. If, within sixty days (or such longer period as shall be prescribed by the Issuer or the Company) following the mailing of such notice, the registered owners holding the requisite amount of the Bonds outstanding shall have consented to the execution thereof, no Bondholder shall have any right to object or question the execution thereof.

No supplemental indenture shall become effective unless the Company consents to the execution and delivery of such supplemental indenture. The Company shall be deemed to have consented to the execution and delivery of any supplemental indenture if the Trustee does not receive a notice of protest or objection signed by the Company on or before 4:30 p.m., local time in the city in which the principal office of the Trustee is located, on the fifteenth day after the mailing to the Company of a notice of the proposed changes and a copy of the proposed supplemental indenture.

#### **ENFORCEABILITY OF REMEDIES**

The remedies available to the Trustee, the Issuer and the owners upon an event of default under the Loan Agreement, the Indenture or the First Mortgage Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Loan Agreement, the Indenture and the First Mortgage Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by principles of equity, bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors generally.

#### **REOFFERING**

Subject to the terms and conditions of the Remarketing and Bond Purchase Agreement dated as of February 27, 2018 (the "Remarketing Agreement"), between the Company and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Remarketing Agent, the Remarketing Agent has agreed to purchase and reoffer the Bonds delivered to the Paying Agent for purchase on March 1, 2018, at a price equal to 100% of the principal amount of the Bonds, plus accrued interest (if any), and in connection therewith will receive compensation in the amount of \$89,375, plus reimbursement of certain expenses. Under the terms of the Remarketing Agreement, the



Company has agreed to indemnify the Remarketing Agent against certain civil liabilities, including liabilities under federal securities laws.

The Remarketing Agent and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Remarketing Agent and certain of its affiliates have, from time to time, performed, and may in the future perform, various investment banking and commercial banking services for the Company, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Remarketing Agent and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Company.

#### **TAX TREATMENT**

On March 6, 2002, the date on which the Bonds were originally issued, Bond Counsel delivered its opinion that stated that, under existing law, including then current statutes, regulations, administrative rulings and official interpretations, subject to the qualifications and exceptions set forth below, interest on the Bonds (i) would be excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion would be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" of the Project or a "related person" of a substantial user as such terms are used in Section 147(a) of the Code and (ii) would not be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Bond Counsel further opined that, subject to the assumptions stated in the preceding sentence, (i) interest on the Bonds would be excluded from gross income of the owners thereof for Kentucky income tax purposes and (ii) the Bonds would be exempt from all ad valorem taxes in Kentucky. Such opinions have not been updated as of the date hereof and no continuing tax exemption opinions are expressed by Bond Counsel.

Bond Counsel also will deliver an opinion in connection with this reoffering to the effect that the change to the Long Term Rate Period on the Bonds (i) is authorized or permitted by Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act") and the Indenture and (ii) will not adversely affect the validity of the Bonds or any exclusion from gross income of interest on the Bonds for federal income tax purposes to which interest on the Bonds would otherwise be entitled.

The opinion of Bond Counsel as to the excludability of interest from gross income for federal income tax purposes was based upon and assumed the accuracy of certain representations of facts and circumstances, including with respect to the Project, which are within the knowledge of the Company and compliance by the Company with certain covenants and undertakings set forth in the proceedings authorizing the Bonds which are intended to assure that the Bonds are and will remain obligations the interest on which is not includable in gross income of the

recipients thereof under the law in effect on the date of such opinion. Bond Counsel did not independently verify the accuracy of the certifications and representations made by the Company and the Issuer. On the date of the opinion and subsequent to the original delivery of the Bonds, such representations of facts and circumstances must be accurate and such covenants and undertakings must continue to be complied with in order that interest on the Bonds be and remain excludable from gross income of the recipients thereof for federal income tax purposes under existing law. Bond Counsel expressed no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents other than with the approval of Bond Counsel is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the Issuer to the federal government, require future or continued compliance after issuance of the Bonds in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with certain of these requirements by the Company or the Issuer with respect to the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes and to be subject to federal income taxation retroactively to the date of their issuance. The Company and the Issuer have each covenanted to take all actions required of each to assure that the interest on the Bonds shall be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

The opinion of Bond Counsel as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds was subject to the following exceptions and qualifications:

(a) Provisions of the Code applicable to corporations (as defined for federal income tax purposes) which impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income may subject a portion of the interest on the Bonds earned by certain corporations to such corporate alternative minimum tax. Such corporate alternative minimum tax does not apply to any S corporation, regulated investment company, real estate investment trust or REMIC. The alternative minimum tax has been repealed with respect to corporations for taxable years beginning after December 31, 2017

(b) The Code also provides for "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(c) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C

earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, Bond Counsel expressed no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Owners of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income tax credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of Section 32 of the Code, which exceeds \$2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters and any other tax consequences of holding the Bonds.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend one or more of the federal tax matters referred to above or could adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

The opinion of Bond Counsel delivered on the date of issuance of the Bonds is attached as Appendix B-1. The opinion of Bond Counsel relating to change in the Long Term Rate Period of the Bonds in substantially the form in which it is expected to be delivered on the Change Date, redated to the Change Date, is attached as Appendix B-2.

#### **LEGAL MATTERS**

Certain legal matters in connection with the mandatory purchase and reoffering of the Bonds will be passed upon by Stoll Keenon Ogden PLLC, Louisville, Kentucky, Bond Counsel. Certain legal matters pertaining to the Company will be passed upon by Jones Day, Chicago, Illinois, and John R. Crockett III, General Counsel, Chief Compliance Officer and Corporate Secretary of the Company. McGuireWoods LLP, Chicago, Illinois, will pass upon certain legal matters for the Remarketing Agents.

### CONTINUING DISCLOSURE

Because the Bonds are special and limited obligations of the Issuer, the Issuer is not an “obligated person” for purposes of Rule 15c2-12 (the “Rule”) promulgated by the SEC under the Exchange Act, and does not have any continuing obligations thereunder. Accordingly, the Issuer will not provide any continuing disclosure information with respect to the Bonds or the Issuer.

In order to enable the Remarketing Agents to comply with the requirements of the Rule, the Company has covenanted in a continuing disclosure undertaking agreement delivered to the Trustee for the benefit of the holders of the Bonds (the “Continuing Disclosure Agreement”) to provide certain continuing disclosure for the benefit of the holders of the Bonds. Under its Continuing Disclosure Agreement, the Company has covenanted to take the following actions:

(i) The Company will provide to the Municipal Securities Rulemaking Board (“MSRB”) (in electronic format) (a) annual financial information of the type set forth in Appendix A to this Reoffering Circular (including any information incorporated by reference in Appendix A) and (b) audited financial statements prepared in accordance with generally accepted accounting principles, in each case not later than 120 days after the end of the Company’s fiscal year.

(ii) The Company will file in a timely manner not in excess of 10 business days after the occurrence of the event with the MSRB notice of the occurrence of any of the following events (if applicable) with respect to the Bonds: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) any unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancement facilities reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (g) modifications to rights of the holders of the Bonds, if material; (h) the giving of notice of optional or unscheduled redemption of any Bonds, if material, and tender offers; (i) defeasance of the Bonds or any portion thereof; (j) release, substitution, or sale of property securing repayment of the Bonds, if material; (k) rating changes; (l) bankruptcy, insolvency, receivership or similar event of the Company; (m) the consummation of a merger, consolidation or acquisition involving the Company, or the sale of all or substantially all of the assets of the Company, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (n) appointment of a successor or additional trustee or a change of name of a trustee, if material.

(iii) The Company will file in a timely manner with the MSRB notice of a failure by the Company to file any of the information referred to in paragraph (i) above by the due date.

The Company may amend its Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Company that does not change the duties of the Trustee thereunder) or waive any provision thereof, but only with a change in circumstances that arises from a change in legal requirements, change in law, or change in the nature or status of the Company with respect to the Bonds or the type of business conducted by the Company; provided that the undertaking, as amended or following such waiver, would have complied with the requirements of the Rule on the date of issuance of the Bonds, after taking into account any amendments to the Rule as well as any change in circumstances, and the amendment or waiver does not materially impair the interests of the holders of the Bonds to which such undertaking relates, in the opinion of the Trustee or counsel expert in federal securities laws acceptable to both the Company and the Trustee, or is approved by the Beneficial Owners of a majority in aggregate principal amount of the outstanding Bonds. The Company acknowledges that its undertakings pursuant to the Rule described under this heading are intended to be for the benefit of the holders of the Bonds and shall be enforceable by the holders of those Bonds or by the Trustee on behalf of such holders. Any breach by the Company of these undertakings pursuant to the Rule will not constitute an event of default under the Indenture, the Loan Agreement or the Bonds.

The Company is a party to continuing disclosure agreements with respect to nine series of pollution control bonds. The MSRB's Electronic Municipal Market Access ("EMMA") website reflects that, within the past five years, for two series of such bonds, the Company's 2011 annual financial statements were timely posted, but to outdated CUSIP numbers. The 2011 annual financial statements were re-posted to the correct CUSIP numbers for those series in May 2012. With respect to both series of bonds, the Company also failed to file on the MSRB's EMMA website in a timely manner a notice of the Company's failure to file such 2011 financial statements in accordance with the applicable continuing disclosure agreements. The Company has subsequently made all of these corrective filings. The Company's 2011 annual financial statements had been filed with the SEC on February 28, 2012. The Company has had, and continues to have, procedures in place in order to make material event notices and financial statement filings on an ongoing basis.

This Reoffering Circular has been duly approved, executed and delivered by the Company.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

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**Appendix A**

**THE COMPANY**

Louisville Gas and Electric Company (the “Company”), incorporated in Kentucky in 1913, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy and the distribution and sale of natural gas. As of December 31, 2017, the Company provides electric service to approximately 411,000 customers in Louisville and adjacent areas in Kentucky, covering approximately 700 square miles in nine counties and provides natural gas service to approximately 326,000 customers in its electric service area and eight additional counties in Kentucky. The Company’s coal-fired electric generating stations, all equipped with systems to reduce sulphur dioxide emissions, produce most of the Company’s electricity. The remainder is generated by a natural gas combined cycle combustion turbine, a hydroelectric power plant, natural gas and oil fueled combustion turbines and a small solar facility. Underground natural gas storage fields help the Company provide economical and reliable natural gas service to customers.

The Company is a wholly-owned subsidiary of LG&E and KU Energy LLC and an indirect wholly-owned subsidiary of PPL Corporation. The Company’s affiliate, Kentucky Utilities Company (“KU”), is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy in Kentucky, Virginia and Tennessee. The Company’s obligations under the Loan Agreement are solely its own, and not those of any of its affiliates. None of KU, PPL Corporation or the Company’s other affiliates will be obligated to make any payment on the Loan Agreement or the Bonds.

The Company’s executive offices are located at 220 West Main Street, Louisville, Kentucky 40202, telephone: (502) 627-2000.

The information above concerning the Company is only a summary and does not purport to be comprehensive. Additional information regarding the Company, including audited financial statements, is available in the documents listed under the heading “Documents Incorporated by Reference,” which documents are incorporated by reference herein.



**Selected Financial Data**  
(Dollars in millions)

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Operating revenues	\$ 1,453	\$ 1,430	\$ 1,444
Operating income	\$ 420	\$ 405	\$ 362
Net income	\$ 213	\$ 203	\$ 185
Total assets	\$ 6,559	\$ 6,300	\$ 6,068
Long-term debt obligations (including amounts due within one year)	\$ 1,709	\$ 1,617	\$ 1,642
Ratio of earnings to fixed charges <sup>(1)</sup>	5.5	5.3	5.9

Capitalization:

	December 31, 2017	% of Capitalization
Long-term debt and notes payable	\$1,908	43.0%
Common equity	\$2,527	57.0%
Total capitalization	\$ 4,435	100.0%

<sup>(1)</sup> For purposes of this ratio, "Earnings" consist of earnings (as defined below) from continuing operations plus fixed charges. Fixed charges consist of all interest on indebtedness, amortization of debt discount and expense and the portion of rental expense that represents an imputed interest component. Earnings from continuing operations consist of income before taxes and the mark-to-market impact of derivative instruments.

The selected financial data presented above for the three fiscal years ended December 31, 2017, and as of December 31 for each of those years, have been derived from the Company's audited financial statements. The Company's audited financial statements for the three fiscal years ended December 31, 2017, and as of December 31 for each of those years, are included in the Company's Form 10-K for the year ended December 31, 2017 incorporated by reference herein. "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-K for the year ended December 31, 2017, as well as the Combined Notes to Financial Statements as of December 31, 2017, 2016 and 2015, should be read in conjunction with the above information. Deloitte & Touche LLP audited the Company's financial statements for the fiscal years ended December 31, 2017 and 2016. Ernst & Young LLP audited the Company's financial statements for the fiscal year ended December 31, 2015.

### **Risk Factors**

Investing in the Bonds involves risk. Please see the risk factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, which is incorporated by reference in this Appendix A. Before making an investment decision, you should carefully consider these risks as well as the other information contained or incorporated by reference in this Appendix A. Risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair its business operations, its financial results and the value of the Bonds.

### **Available Information**

The Company is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and, accordingly, files reports and other information with the Securities and Exchange Commission (the "SEC"). Such reports and other information on file can be inspected and copied at the public reference facilities of the SEC, currently at 100 F Street, N.E., Room 1580, Washington, D.C. 20549; or from the SEC's Web Site (<http://www.sec.gov>). Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

### **Documents Incorporated by Reference**

The following documents, as filed by the Company with the SEC, are incorporated herein by reference:

1. Form 10-K Annual Report of the Company for the year ended December 31, 2017; and
2. Form 8-K Current Report of the Company filed with the SEC on January 16, 2018.

All documents filed by the Company with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 subsequent to the date of this Reoffering Circular and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference in this Appendix and to be made a part hereof from their respective dates of filing. Any statement contained in a document incorporated or deemed to be incorporated by reference in this Reoffering Circular shall be deemed to be modified or superseded for purposes of this Reoffering Circular to the extent that a statement contained in this Reoffering Circular or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Reoffering Circular modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Reoffering Circular.

The Company hereby undertakes to provide without charge to each person (including any beneficial owner) to whom a copy of this Reoffering Circular has been delivered, on the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Reoffering Circular by reference, other than certain exhibits to such documents. Requests for such copies should be directed to Treasurer, Louisville Gas and Electric Company, 220 West Main Street, Louisville, Kentucky 40202, telephone: (502) 627-2000.

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**APPENDIX B-1**

**OPINION OF BOND COUNSEL DATED MARCH 6, 2002**

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**HARPER, FERGUSON & DAVIS**

ATTORNEYS AT LAW

1730 MEIDINGER TOWER

462 SOUTH FOURTH AVENUE

LOUISVILLE, KENTUCKY 40202-3413

28 WEST FIFTH STREET

COVINGTON, KENTUCKY 41011

LOUISVILLE OFFICE  
(502) 582-3871  
TELECOPIER (502) 582-3905

COVINGTON OFFICE  
(606) 491-0712  
TELECOPIER (606) 491-0187

March 6, 2002

Re: \$27,500,000 County of Trimble, Kentucky, Pollution Control Revenue Bonds,  
2001 Series A (Louisville Gas and Electric Company Project)

We hereby certify that we have examined certified copies of the proceedings of record of the County of Trimble, Kentucky (the "County"), acting by and through its Fiscal Court as its duly authorized governing body, preliminary to and in connection with the issuance by the County of its Pollution Control Revenue Bonds, 2001 Series A (Louisville Gas and Electric Company Project), dated their date of issuance, in the aggregate principal amount of \$27,500,000 (the "Bonds"). The Bonds are issued under the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), for the purpose of providing funds which will be used, with other funds provided by Louisville Gas and Electric Company (the "Company") for the current refunding of \$27,500,000 aggregate principal amount of the County's Pollution Control Revenue Bonds, 1996 Series A (Louisville Gas and Electric Company Project), dated October 2, 1996 (the "Prior Bonds"), the proceeds of which were loaned to the Company to currently refund a portion of the costs of construction of air and water pollution control facilities and solid waste disposal facilities to serve certain electric generating units of the Company in Trimble County, Kentucky ("the Project") in order to provide for the control, containment, reduction and abatement of atmospheric and liquid pollutants and contaminants and for the disposal of solid wastes, as provided by the Act.

The Bonds mature on September 1, 2026 and bear interest initially at Flexible Rates, as defined in the Indenture, hereinafter described, subject to change as provided in such Indenture. The Bonds will be subject to optional and mandatory redemption prior to maturity at the times, in the manner and upon the terms set forth in each of the Bonds. From such examination of the proceedings of the Fiscal Court of the County referred to above and from an examination of the Act, we are of the opinion that the County is duly authorized and empowered to issue the Bonds under the laws of the Commonwealth of Kentucky now in force.

We have examined an executed counterpart of a certain Loan Agreement, dated as of November 1, 2001 (the "Loan Agreement"), between the County and the Company and a certified copy of the proceedings of record of the Fiscal Court of the County preliminary to and in connection with the execution and delivery of the Loan Agreement, pursuant to which the County has agreed to issue the Bonds and to lend the proceeds thereof to the Company to provide funds to pay and discharge, with other funds provided by the Company, the Prior Bonds and the Company has agreed

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**HARPER, FERGUSON & DAVIS**

March 6, 2002  
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to make Loan payments to the Trustee at times and in amounts fully adequate to pay maturing principal of, interest on and redemption premium, if any, on the Bonds as same become due and payable. From such examination, we are of the opinion that such proceedings of the Fiscal Court of the County show lawful authority for the execution and delivery of the Loan Agreement; that the Loan Agreement has been duly authorized, executed and delivered by the County; and that the Loan Agreement is a legal, valid and binding obligation of the County, enforceable in accordance with its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

We have also examined an executed counterpart of a certain Indenture of Trust, dated as of November 1, 2001 (the "Indenture"), by and between the County and Bankers Trust Company, as trustee (the "Trustee"), securing the Bonds and setting forth the covenants and undertakings of the County in connection with the Bonds and a certified copy of the proceedings of record of the Fiscal Court of the County preliminary to and in connection with the execution and delivery of the Indenture. Pursuant to the Indenture, certain of the County's rights under the Loan Agreement, including the right to receive payments thereunder, and all moneys and securities held by the Trustee in accordance with the Indenture (except moneys and securities in the Rebate Fund created thereby) have been assigned to the Trustee, as security for the holders of the Bonds. From such examination, we are of the opinion that such proceedings of the Fiscal Court of the County show lawful authority for the execution and delivery of the Indenture; that the Indenture has been duly authorized, executed and delivered by the County; and that the Indenture is a legal, valid and binding obligation upon the parties thereto according to its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

In our opinion the Bonds have been validly authorized, executed and issued in accordance with the laws of the Commonwealth of Kentucky now in full force and effect, and constitute legal, valid and binding special obligations of the County entitled to the benefit of the security provided by the Indenture and enforceable in accordance with their terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought. The Bonds are payable by the County solely and only from payments and other amounts derived from the Loan Agreement and as provided in the Indenture.

In our opinion, under existing laws, including current statutes, regulations, administrative rulings and official interpretations by the Internal Revenue Service, subject to the exceptions and qualifications contained in the succeeding paragraphs, (i) interest on the Bonds is excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion is expressed regarding such exclusion from gross income with respect to any Bond during any period

**HARPER, FERGUSON & DAVIS**

March 6, 2002

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in which it is held by a "substantial user" of the Project or a "related person," as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. In arriving at this opinion, we have relied upon representations, factual statements and certifications of the Company with respect to certain material facts which are solely within the Company's knowledge in reaching our conclusion, inter alia, that all of the proceeds of the Prior Bonds were used to currently refinance certain bonds, all of the proceeds of which were used to currently refinance certain original bonds, substantially all of the proceeds of which original bonds were used to finance air and water pollution control facilities and solid waste disposal facilities qualified for financing under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, and Section 1313(a) of the Tax Reform Act of 1986. Further, in arriving at the opinion set forth in this paragraph as to the exclusion from gross income of interest on the Bonds, we have assumed and this opinion is conditioned on, the accuracy of and continuing compliance by the Company and the County with representations and covenants set forth in the Loan Agreement and the Indenture which are intended to assure compliance with certain tax-exempt interest provisions of the Code. Such representations and covenants must be accurate and must be complied with subsequent to the issuance of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes. Failure to comply with certain of such representations and covenants in respect of the Bonds (or with similar requirements with respect to certain other bonds issued by the County of Jefferson, Kentucky at substantially the same time as the Bonds) subsequent to the issuance of the Bonds could cause the interest thereon to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents (other than with approval of this firm) is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability. We are further of the opinion that interest on the Bonds is excluded from gross income of the recipients thereof for Kentucky income tax purposes and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof.

Our opinion as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds is subject to the following exceptions and qualifications:

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**HARPER, FERGUSON & DAVIS**

March 6, 2002  
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(a) Provisions of the Code applicable to corporations (as defined for federal income tax purposes) which impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income may subject a portion of the interest on the Bonds earned by certain corporations to such corporate alternative minimum tax. Such corporate alternative minimum tax does not apply to any S corporation, regulated investment company, real estate investment trust or REMIC.

(b) The Code provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(c) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, we express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Holders of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that, for taxable years beginning after December 31, 1986, property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of section 32 of the Code, which exceeds \$2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income.

**HARPER, FERGUSON & DAVIS**

March 6, 2002

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We have received opinions of John R. McCall, Esq., General Counsel of the Company and Jones, Day, Reavis & Pogue, Chicago, Illinois, counsel to the Company, of even date herewith. In rendering this opinion, we have relied upon said opinions with respect to the matters therein. We have also received an opinion of even date herewith of Hon. Perry Arnold, County Attorney of the County, and relied upon said opinion with respect to the matters therein. Said opinions are in forms satisfactory to us as to both scope and content.

We express no opinion as to the title to, the description of, or the existence or priority of any liens, charges or encumbrances on, the Project.

In rendering the foregoing opinions, we are passing upon only those matters specifically set forth in such opinions and are not passing upon the investment quality of the Bonds or the accuracy or completeness of any statements made in connection with any sale thereof. The opinions herein are expressed as of the date hereof and we assume no obligation to supplement or update such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We are members of the Bar of the Commonwealth of Kentucky and do not purport to be experts on the laws of any jurisdiction other than the Commonwealth of Kentucky and the United States of America, and we express no opinion as to the laws of any jurisdiction other than those specified.

**HARPER, FERGUSON & DAVIS**

By:   
SPENCER E. HARPER, JR.

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APPENDIX B-2

FORM OF OPINION OF BOND COUNSEL

March 1, 2018

County of Trimble, Kentucky  
Bedford, Kentucky

U.S. Bank National Association, as  
Successor Trustee  
Louisville, Kentucky

**Re: Change in Long Term Rate Period of \$27,500,000 County of Trimble, Kentucky, Pollution Control Revenue Bonds, 2001 Series A (Louisville Gas and Electric Company Project)**

Ladies and Gentlemen:

This opinion is being furnished in accordance with the requirements of the Indenture of Trust, dated as of November 1, 2001, as amended and supplemented pursuant to Supplemental Indenture No. 1 to Indenture of Trust dated as of September 1, 2010 (collectively, the “**Indenture**”), between the County of Trimble, Kentucky (the “**Issuer**”) and U.S. Bank National Association, as successor Trustee, Bond Registrar, Paying Agent, and Tender Agent (the “**Trustee**”), pertaining to \$27,500,000 principal amount of County of Trimble, Kentucky, Pollution Control Revenue Bonds, 2001 Series A (Louisville Gas and Electric Company Project), dated March 6, 2002 (the “**2001 Series A Bonds**”), in order to satisfy certain requirements of Section 2.02(d)(ii) of the Indenture. Pursuant to Section 2.02(d)(ii) of the Indenture, the Company has elected to change the existing Long Term Rate Period applicable to the 2001 Series A Bonds expiring on February 28, 2018 to a new Long Term Rate Period applicable to the 2001 Series A Bonds commencing on and effective as of March 1, 2018 and ending on August 31, 2021. The 2001 Series A Bonds will be subject to mandatory tender for purchase on September 1, 2021 following expiration of the new Long Term Rate Period. The 2001 Series A Bonds mature on September 1, 2026. The terms used herein denoted by initial capitals and not otherwise defined shall have the meanings specified in the Indenture.

We have examined the law and such documents and matters as we have deemed necessary to provide this opinion. As to questions of fact material to the opinions expressed herein, we have relied upon the provisions of the Indenture and related documents, and upon representations made to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, as of the date hereof, we are of the opinion that the change in the Long Term Rate Period applicable to the 2001 Series A Bonds expiring on February 28, 2018 to a new Long Term Rate Period commencing on and effective as of March 1, 2018 and ending on August 31, 2021 as described herein (a) is authorized or permitted by the Act and is authorized by the Indenture and (b) will not adversely affect the validity of the 2001 Series A Bonds or any exclusion from gross income of the interest on the 2001 Series A Bonds for federal

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income tax purposes to which interest on the 2001 Series A Bonds would otherwise be entitled. Interest on the 2001 Series A Bonds is not and will not be excluded from gross income during any period when the 2001 Series A Bonds are held by the Company or a “related person” of the Company as defined in Section 147(a) of the Internal Revenue Code of 1986, as amended.

In rendering this opinion, we assume, without verifying, that the Issuer and the Company have complied and will comply with all covenants contained in the Indenture, the Loan Agreement between the Issuer and the Company, dated as of November 1, 2001, as amended and supplemented pursuant to Amendment No. 1 to Loan Agreement dated as of September 1, 2010, and other documents relating to the 2001 Series A Bonds. We rendered our approving opinion at the time of the issuance of the 2001 Series A Bonds relating to, among other things, the validity of the 2001 Series A Bonds and the exclusion from federal income taxation of interest on the 2001 Series A Bonds. We have not been requested to update or continue our opinion and have not undertaken to do so. Accordingly, we do not express any opinion with respect to the 2001 Series A Bonds except as set forth above.

Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We express no opinion herein as to the investment quality of the 2001 Series A Bonds or the adequacy, accuracy, or completeness of any information furnished to any person in connection with any offer or sale of the 2001 Series A Bonds.

Respectfully submitted,

**STOLL KEENON OGDEN PLLC**





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**NOT NEW ISSUES**

**BOOK-ENTRY-ONLY**

*On March 22, 2002, the date on which the Bonds of each series were originally issued, Bond Counsel delivered its opinions that stated that, subject to the conditions and exceptions set forth under the caption "Tax Treatment," under then current law, interest on each series of Bonds would be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion was expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" of the related Project or a "related person" of a substantial user as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on each series of Bonds will be an item of tax preference in determining alternative minimum taxable income for individuals or corporations under the Code. The alternative minimum tax has been repealed with respect to corporations for taxable years beginning after December 31, 2017. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the branch profits tax on a portion of such interest. Bond Counsel was further of the opinion that interest on each series of Bonds would be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under then current law, principal of the Bonds would be exempt from ad valorem taxes in Kentucky. Such opinions have not been updated as of the date hereof and no continuing tax exemption opinions are expressed by Bond Counsel. However, in connection with the expiration of the current Long Term Rate Period and the change to a new Long Term Rate Period on each series of Bonds, as more fully described in this Reoffering Circular, Bond Counsel will deliver its opinions to the effect that such change for each series of Bonds (a) is authorized or permitted by the Act and the related Indenture and (b) will not adversely affect the validity of the Bonds or any exclusion of the interest thereon from the gross income of the owners of the Bonds for federal income tax purposes. See the information under the caption "Tax Treatment" in this Reoffering Circular.*

**\$35,000,000**  
**LOUISVILLE/JEFFERSON COUNTY**  
**METRO GOVERNMENT, KENTUCKY**  
**Pollution Control Revenue Bonds,**  
**2001 Series B**  
**(Louisville Gas and Electric Company Project)**  
**Due: November 1, 2027**  
**Mandatory Purchase Date: May 3, 2021**  
**Interest Payment Dates: May 1 and November 1**  
**Interest Rate: 2.55%**

**\$35,000,000**  
**COUNTY OF TRIMBLE, KENTUCKY**  
**Pollution Control Revenue Bonds,**  
**2001 Series B**  
**(Louisville Gas and Electric Company Project)**  
**Due: November 1, 2027**  
**Mandatory Purchase Date: May 3, 2021**  
**Interest Payment Dates: May 1 and November 1**  
**Interest Rate: 2.55%**

**Date of Change of Long Term Rate Period: May 1, 2018**

The Bonds of each issue (individually, the "Jefferson County Bonds" and the "Trimble County Bonds" and, collectively, the "Bonds") are special and limited obligations of the Louisville/Jefferson County Metro Government, Kentucky (as successor in interest to the County of Jefferson) and Trimble County, Kentucky (the "Issuers"), payable by the respective Issuers solely from and secured by payments to be received by the Issuers pursuant to separate Loan Agreements with Louisville Gas and Electric Company (the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds do not constitute general obligations of the Issuers or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky.

Principal of, and interest on, the Bonds are further secured by the delivery to U.S. Bank National Association, as Trustee, of First Mortgage Bonds of

**LOUISVILLE GAS AND ELECTRIC COMPANY**

The Bonds of each issue were originally issued on March 22, 2002 and each series currently bears interest at a Long Term Rate. Pursuant to the Indentures under which the Bonds were issued, the Company has elected to exercise its option to change the existing Long Term Rate Period on each series of Bonds to a new Long Term Rate Period, effective as of May 1, 2018 (the "Change Date"). As a result of the expiration of the current Long Term Rate Period on each series of Bonds, the Bonds are subject to mandatory purchase on the Change Date and are being reoffered hereby. Morgan Stanley & Co. LLC and PNC Capital Markets LLC will serve as Initial Co-Remarketing Agents for purposes of this reoffering of the Bonds. Following this reoffering, Morgan Stanley & Co. LLC will serve as the sole Remarketing Agent for the Bonds.

The Bonds of each issue are separate series, and the sale and delivery of one series is not dependent on the sale and delivery of the other series. The Bonds will accrue interest from the Change Date, payable on May 1 and November 1, commencing on November 1, 2018 and will be subject to mandatory purchase following this Long Term Rate Period on May 3, 2021 (the "Mandatory Purchase Date"). Failure to pay the purchase price of a series of the Bonds on the Mandatory Purchase Date will constitute an Event of Default under the applicable Indenture (as defined herein). See the information contained under the caption "Summary of the Bonds — Mandatory Purchase of Bonds — Remarketing and Purchase of Bonds" below. The interest rate period, interest rate and Interest Rate Mode for each series of the Bonds will be subject to change under certain conditions, in whole or in part, as described in this Reoffering Circular. Prior to the Mandatory Purchase Date, the Bonds will not be subject to optional redemption, but will be subject to extraordinary redemption and mandatory redemption following any determination of taxability prior to maturity as described under the caption "Summary of the Bonds — Redemptions."

The Bonds are registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Except as described in this Reoffering Circular, purchases of beneficial ownership interests in the Bonds will be made in book-entry only form in denominations of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their beneficial interest in the Bonds. See the information contained under the caption "Summary of the Bonds—Book-Entry-Only System" herein. The principal of, premium, if any, and interest on the Bonds will be paid by U.S. Bank National Association, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC Direct Participants and Indirect Participants, as more fully described herein.

PRICE: 100%

The Bonds are reoffered subject to prior sale, withdrawal or modification of the offer without notice (provided, however, that any such notice of withdrawal must be given on the Business Day prior to the Change Date) and to the approval of legality by Stoll Keenon Ogden PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois, and John R. Crockett III, General Counsel, Chief Compliance Officer and Corporate Secretary of the Company, and for the Remarketing Agents by their counsel, McGuireWoods LLP, Chicago, Illinois. It is expected that the Bonds will be available for redelivery to DTC in New York, New York on or about May 1, 2018.

**Morgan Stanley**

**PNC Capital Markets LLC**

April 24, 2018



No dealer, broker, salesman or other person has been authorized by the Issuers or either of them, the Company or the Remarketing Agents to give any information or to make any representation with respect to the Bonds, other than those contained in this Reoffering Circular, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The Remarketing Agents have provided the following sentence for inclusion in this Reoffering Circular. The Remarketing Agents have reviewed the information in this Reoffering Circular in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agents do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Reoffering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. The information set forth herein with respect to the Issuers has been obtained from the respective Issuer, and all other information has been obtained from the Company and from other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Remarketing Agents.

In connection with the reoffering of the Bonds, the Remarketing Agents may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE REOFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**\$35,000,000**  
**Louisville/Jefferson County Metro Government,**  
**Kentucky**  
**Pollution Control Revenue Bonds,**  
**2001 Series B**  
**(Louisville Gas and Electric Company Project)**

**\$35,000,000**  
**County of Trimble, Kentucky**  
**Pollution Control Revenue Bonds,**  
**2001 Series B**  
**(Louisville Gas and Electric Company Project)**

### INTRODUCTORY STATEMENT

This Reoffering Circular, including the cover page and Appendices, is provided to furnish information in connection with the reoffering of (i) the Louisville/Jefferson County Metro Government, Kentucky (“Jefferson County”) Pollution Control Revenue Bonds, 2001 Series B (Louisville Gas and Electric Company Project), in the aggregate principal amount of \$35,000,000 (the “Jefferson County Bonds”) issued pursuant to an Indenture of Trust dated as of November 1, 2001, and as amended by Supplemental Indenture No. 1 dated as of September 1, 2010 (collectively, the “Jefferson County Indenture”) between Louisville/Jefferson County Metro Government, as successor in interest to the County of Jefferson, and U.S. Bank National Association, as successor trustee (the “Jefferson County Trustee”), and (ii) the County of Trimble, Kentucky (“Trimble County”) Pollution Control Revenue Bonds, 2001 Series B (Louisville Gas and Electric Company Project), in the aggregate principal amount of \$35,000,000 (the “Trimble County Bonds”) issued pursuant to an Indenture of Trust dated as of November 1, 2001 and as amended by Supplemental Indenture No. 1 dated as of September 1, 2010 (collectively, the “Trimble County Indenture”) between Trimble County and U.S. Bank National Association, as successor trustee (the “Trimble County Trustee”).

Pursuant to separate Loan Agreements by and between Louisville Gas and Electric Company (the “Company”) and each of the Issuers, dated as of November 1, 2001, and as amended by Amendment No. 1 dated as of September 1, 2010 (each a “Loan Agreement” and, collectively, the “Loan Agreements”), proceeds from the sale of the Jefferson County Bonds and the Trimble County Bonds were loaned by the applicable Issuer to the Company. The Loan Agreements are separate undertakings by and between the Company and the applicable Issuer.

The proceeds of the Jefferson County Bonds were applied to pay and discharge \$35,000,000 in outstanding principal amount of “County of Jefferson, Kentucky, Pollution Control Revenue Bonds, 1997 Series A (Louisville Gas and Electric Company Project),” dated November 13, 1997 (the “1997 Jefferson Bonds”) on the date of issuance of the Jefferson County Bonds. The proceeds of the Trimble County Bonds were applied to pay and discharge \$35,000,000 in outstanding principal amount of “County of Trimble, Kentucky, Pollution Control Revenue Bonds, 1997 Series A (Louisville Gas and Electric Company Project),” dated November 13, 1997 (the “1997 Trimble Bonds”), on the date of issuance of the Trimble County Bonds. The 1997 Jefferson Bonds and the 1997 Trimble Bonds were issued to refinance the costs of construction of, respectively, the Jefferson County Project and the Trimble County Project (each as described herein).

The Company will continue to repay each loan under the applicable Loan Agreement by making payments to the applicable Trustee in sufficient amounts to pay the principal of and interest and any premium on, and the purchase price of, the applicable series of Bonds. See “Summary of the Loan Agreement—General.” Pursuant to the applicable Indenture, an Issuer’s

rights under the applicable Loan Agreement (other than with respect to certain indemnification and expense payments) were assigned to the applicable Trustee as security for the applicable series of Bonds.

For the purpose of further securing the Bonds of a series, the Company has issued and delivered to each of the Trustees a separate tranche of the Company's First Mortgage Bonds, Collateral Series 2010 (the "First Mortgage Bonds"). The principal amount, maturity date and interest rate (or method of determining interest rates) of each such tranche of First Mortgage Bonds are identical to the principal amount, maturity date and interest rate (or method of determining interest rates) of the related series of Bonds. The First Mortgage Bonds will only be payable, and interest thereon will only accrue, as described herein. See "Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds" and "Summary of the First Mortgage Bonds and the First Mortgage Indenture." The First Mortgage Bonds will not provide a direct source of liquidity to pay the purchase price of Bonds of a series tendered for purchase in accordance with the applicable Indenture.

The First Mortgage Bonds have been issued under, and are secured by, an Indenture, dated as of October 1, 2010, as supplemented by a supplemental indenture dated as of October 15, 2010 relating to the Bonds (the "Supplemental Indenture"), (the Indenture, as so supplemented, the "First Mortgage Indenture"), between the Company and The Bank of New York Mellon, as trustee (the "First Mortgage Trustee").

The Company is a wholly-owned subsidiary of LG&E and KU Energy LLC and an indirect wholly-owned subsidiary of PPL Corporation. The Company's obligations under the Loan Agreements are solely its own, and not those of any of its affiliates. None of PPL Corporation or the Company's other affiliates will be obligated to make any payments due under the Loan Agreements or First Mortgage Bonds or any other payments of principal, interest, premium or purchase price of the Bonds.

The Company has elected to exercise its option to change the existing Long Term Rate Period for the Bonds to a new Long Term Rate Period commencing on the Change Date. On the Mandatory Purchase Date of May 3, 2021, each series of Bonds may be subsequently converted to a new Interest Rate Mode or the Long Term Rate Period for each series of Bonds may be changed at its expiration to a new Long Term Rate Period. ***This Reoffering Circular pertains only to the Bonds during such period of time that they bear interest at the Long Term Rate established on the Change Date of May 1, 2018. In the event of a remarketing of the Bonds on or after the Mandatory Purchase Date, a supplement to this Reoffering Circular or a new reoffering circular will be prepared to describe the new terms and provisions then applicable to the Bonds.***

The Bonds are special and limited obligations of the respective Issuer and the respective Issuer's obligation to pay the principal of and interest and any premium on, and purchase price of, its respective series of Bonds is limited solely to the revenues and other amounts received by the Trustee under the applicable Indenture pursuant to the applicable Loan Agreement and amounts payable under the applicable First Mortgage Bonds. The Bonds will not constitute an indebtedness, general obligation or pledge of the faith and credit or taxing power of the respective Issuer, the Commonwealth of Kentucky or any political subdivision thereof.

Morgan Stanley & Co. LLC and PNC Capital Markets LLC (each, a “Remarketing Agent” and collectively, the “Remarketing Agents”) will be appointed under the Indenture to serve as Initial Co-Remarketing Agents for purposes of this reoffering of the Bonds. Following this reoffering, Morgan Stanley & Co. LLC will serve as the sole Remarketing Agent for the Bonds. Any Remarketing Agent may resign or be removed and a successor Remarketing Agent may be appointed in accordance with the terms of the Indenture and the Remarketing Agreement for the Bonds between such Remarketing Agent and the Company.

Brief descriptions of the Company, the Issuers, the Bonds, the Loan Agreements, the Indentures and the First Mortgage Bonds (including the First Mortgage Indenture) are included in this Reoffering Circular. Such descriptions and information do not purport to be complete, comprehensive or definitive and are not to be construed as a representation or a guaranty of accuracy or completeness. All references herein to the documents are qualified in their entirety by reference to such documents, and references herein to a series of Bonds are qualified in their entirety by reference to the definitive form thereof included in the applicable Indenture. Copies of the Loan Agreements and the Indentures will be available for inspection at the principal corporate trust office of the Trustee. The First Mortgage Indenture (including the forms of the First Mortgage Bonds) is available for inspection at the office of the Company in Louisville, Kentucky, and at the corporate trust office of the First Mortgage Trustee in New York, New York. Certain information relating to The Depository Trust Company (“DTC”) and the book-entry-only system has been furnished by DTC. Appendix A to this Reoffering Circular and all information contained under the heading “The Projects” has been furnished by the Company. The Issuers and Bond Counsel assume no responsibility for the accuracy or completeness of such Appendix A or such information. Appendix B to this Reoffering Circular contains the opinions of Bond Counsel delivered in connection with the initial issuance and delivery of the Bonds and the proposed forms of opinion of Bond Counsel to be delivered in connection with the change in the Long Term Rate Period on the Bonds.

#### **THE ISSUERS**

Each Issuer is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky. Each Issuer is authorized by Section 103.200 to 103.285, inclusive, and, with respect to Jefferson County, Chapter 67C, of the Kentucky Revised Statutes (collectively, the “Act”) to (i) convert and reoffer the respective series of Bonds and (ii) continue to perform its obligations under the Loan Agreements and the Indentures. The Issuers, through their respective legislative bodies, the Metro Government Legislative Council or Fiscal Court, have adopted one or more ordinances authorizing the issuance of the Bonds and the execution and delivery of the related documents.

THE BONDS OF EACH ISSUE ARE SPECIAL AND LIMITED OBLIGATIONS PAYABLE SOLELY AND ONLY FROM CERTAIN SOURCES, INCLUDING AMOUNTS TO BE RECEIVED BY OR ON BEHALF OF THE APPLICABLE ISSUER UNDER THE APPLICABLE LOAN AGREEMENT AND OTHER AMOUNTS RECEIVED FROM PAYMENTS MADE UNDER THE APPLICABLE FIRST MORTGAGE BONDS. THE BONDS OF EACH ISSUE WILL NOT CONSTITUTE AN INDEBTEDNESS, GENERAL OBLIGATION OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE RESPECTIVE ISSUER, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL

SUBDIVISION THEREOF, AND WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OF THE RESPECTIVE ISSUER OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS.

### **THE PROJECTS**

#### **Jefferson County Project**

The Jefferson County Project has been completed and consists of certain air pollution control facilities completed in connection with the Mill Creek and Cane Run Stations of the Company situated in Jefferson County, Kentucky. Major components of the Jefferson County Project include the acquisition, construction, installation and equipping of major reconstructions, and modifications for the sulphur dioxide removal systems serving seven generating units at the two generating stations.

The Department for Natural Resources and Environmental Protection of the Commonwealth of Kentucky and the Air Pollution Control District of Jefferson County, Kentucky, the agencies exercising jurisdiction with respect to the Jefferson County Project, have previously certified that the Jefferson County Project, as designed, was in furtherance of the purposes of controlling atmospheric pollutants or contaminants.

The Company has retired all coal units at the Cane Run Station, including units that include components that are part of the Jefferson County Project.

#### **Trimble County Project**

The Trimble County Project has been completed and consists of certain air and water pollution control and solid waste disposal facilities in connection with Unit 1 of the Trimble County Station situated in Trimble County, Kentucky. Major components of the Project include electrostatic precipitators to capture flyash and particulate emissions from the Unit 1 steam-boilers; sulphur dioxide removal systems (scrubbers) to remove sulphur dioxide from flue gases; water pollution control and solid waste disposal facilities, including retention basins, sludge and ash ponds for the receipt of sludge wastes produced by sulphur dioxide removal facilities and by electrostatic precipitators as well as bottom ash; both exterior and interior systems for the collection and transmission to treatment and neutralization facilities of polluted liquids, including coal pile liquid runoffs and fuel oil and other chemical spills; a natural draft cooling tower for the abatement of thermal pollution to the interstate stream (Ohio River); and facilities for the reception, transportation, preparation and holding of reactant chemicals and materials used in sulphur dioxide removal systems, which facilities are functionally related and subordinate to such sulphur dioxide removal systems.

The Department for Natural Resources and Environmental Protection of the Commonwealth of Kentucky, the agency exercising jurisdiction with respect to the Trimble County Project, has previously certified that the Trimble County Project, as designed, was in furtherance of the purposes of controlling atmospheric pollutants or contaminants and water pollution.

**SEPARATE SERIES**

The Jefferson County Bonds and the Trimble County Bonds will be paid from payments made by or on behalf of the Company, will have substantially the same claim to such source of funds and are treated for federal income tax purposes as a single issue of obligations. However, the Jefferson County Bonds and the Trimble County Bonds are separate series and optional or mandatory redemption of either the Jefferson County Bonds or the Trimble County Bonds may be made in the manner described below without the redemption of the other series. Similarly, a default under one of the series of Bonds or Loan Agreements will not necessarily constitute a default under the other series of Bonds or Loan Agreement. Each series of Bonds can bear interest at an Interest Rate Mode different from the Interest Rate Mode borne by the other series of Bonds. Each series of Bonds is separately secured by a separate tranche of First Mortgage Bonds. Unless specifically otherwise noted, the following discussion under the captions "Summary of the Bonds," "Summary of the Loan Agreement," "Summary of the Indenture," "Summary of the First Mortgage Bonds and the First Mortgage Indenture," "Enforceability of Remedies," "Tax Treatment" and "Continuing Disclosure" applies equally, but separately, to the Jefferson County Bonds and the Trimble County Bonds.

As used under such captions with respect to the Jefferson County Bonds, the term "Issuer" shall mean Jefferson County, the term "Project" shall mean the Jefferson County Project, the term "Generating Station" shall mean the Mill Creek Station or the Cane Run Station, the term "Bonds" shall mean the Jefferson County Bonds, the term "First Mortgage Bonds" shall mean the related tranche of First Mortgage Bonds, the term "1997 Bonds" shall mean the 1997 Jefferson Bonds, the term "Loan Agreement" shall mean the Loan Agreement pursuant to which Jefferson County loaned the proceeds from the sale of the Jefferson County Bonds to the Company, the term "Indenture" shall mean the Jefferson County Indenture, and the term "Trustee" shall mean the Jefferson County Trustee.

As used under such captions with respect to the Trimble County Bonds, the term "Issuer" shall mean Trimble County, the term "Project" shall mean the Trimble County Project, the term "Generating Station" shall mean the Trimble County Station, the term "Bonds" shall mean the Trimble County Bonds, the term "First Mortgage Bonds" shall mean the related tranche of First Mortgage Bonds, the term "1997 Bonds" shall mean the 1997 Trimble Bonds, the term, "Loan Agreement" shall mean the Loan Agreement pursuant to which Trimble County loaned the proceeds from the sale of the Trimble County Bonds to the Company, the term "Indenture" shall mean the Trimble County Indenture, and the term "Trustee" shall mean the Trimble County Trustee.

## SUMMARY OF THE BONDS

### General

The Bonds will be reoffered in the aggregate principal amount set forth on the cover page of this Reoffering Circular and will mature on November 1, 2027. The Bonds are also subject to redemption prior to maturity as described herein.

The Bonds currently bear interest at a Long Term Rate to and including April 30, 2018. Pursuant to the terms and provisions of the Indentures summarized below, the Company has exercised its option, effective on the Change Date, to change the existing Long Term Rate Period to a new Long Term Rate Period. The Jefferson County Bonds will bear interest at the Long Term Rate of 2.55% per annum from May 1, 2018 and, following the expiration of this new Long Term Rate Period, will be subject to mandatory purchase on the Mandatory Purchase Date of May 3, 2021. The Trimble County Bonds will bear interest at the Long Term Rate of 2.55% per annum from May 1, 2018 and, following the expiration of this new Long Term Rate Period, will be subject to mandatory purchase on the Mandatory Purchase Date of May 3, 2021. Interest on the Bonds is payable on each May 1 and November 1, commencing November 1, 2018 (unless any such interest payment date is not a Business Day, in which case interest will be paid on the next succeeding Business Day), to the persons who are the registered owners of the Bonds as of the Record Date preceding such interest payment date.

The Bonds will continue to bear interest at a Long Term Rate until a Conversion to another Interest Rate Mode is specified by the Company or until the redemption or maturity of the Bonds. Also, following the new Long Term Rate Period, the Company may elect to change the Long Term Rate Period to a different Long Term Rate Period. The permitted Interest Rate Modes for the Bonds are (i) the "Flexible Rate," (ii) the "Daily Rate," (iii) the "Weekly Rate," (iv) the "Semi-Annual Rate," (v) the "Annual Rate," (vi) the "Long Term Rate" and (vii) the "Dutch Auction Rate."

This Reoffering Circular pertains only to the Bonds during such period of time that they bear interest at the Long Term Rate established on the Change Date of May 1, 2018. In the event of a remarketing of the Bonds on or after the Mandatory Purchase Date, a supplement to this Reoffering Circular or a new reoffering circular will be prepared describing the new terms and provisions then applicable to such Bonds.

Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Interest payable on any Interest Payment Date will be payable to the registered owner of the Bond as of the Record Date for such payment. The Record Date will be the close of business on the fifteenth day (whether or not a Business Day) of the month preceding each Interest Payment Date.

The Bonds have been issued solely in book-entry-only form through DTC (or its nominee, Cede & Co.). So long as the Bonds are held in the book-entry-only system, DTC or its nominee will be the registered owner or holder of the Bonds for all purposes of the Indenture, the Bonds and this Reoffering Circular. See " — Book-Entry-Only System" below. Individual

purchases of book-entry interests in the Bonds will be made in book-entry-only form in denominations of \$5,000 and integral multiples thereof.

Except as otherwise described below for Bonds held in DTC's book-entry-only system, the principal or redemption price of the Bonds is payable at the designated corporate trust office in New York, New York, of the Trustee, as paying agent (the "Paying Agent"). Except as otherwise described below for Bonds held in DTC's book-entry-only system, interest on the Bonds is payable by check mailed to the owner of record; provided that interest payable on each Bond will be payable in immediately available funds by wire transfer within the continental United States or by deposit into a bank account maintained with the Paying Agent at the written request of any owner of record holding at least \$1,000,000 aggregate principal amount of the Bonds, received by the Trustee, as bond registrar (the "Bond Registrar"), at least one Business Day prior to any Record Date.

Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the principal office of the Bond Registrar, accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond (i) during the fifteen days before any mailing of a notice of redemption of Bonds, (ii) after such Bond has been called for redemption or (iii) which has been purchased (see "— Mandatory Purchase of Bonds — Payment of Purchase Price" below). Registration of transfers and exchanges will be made without charge to the registered owners of Bonds, except that the Bond Registrar may require any registered owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

### **Security**

Payment of the principal of and interest and any premium on the Bonds is secured by an assignment by the Issuer to the Trustee of the Issuer's interest in and to the Loan Agreement and all payments to be made pursuant thereto (other than certain indemnification and expense payments). Pursuant to the Loan Agreement, the Company has agreed to pay, among other things, amounts sufficient to pay the aggregate principal amount of and premium, if any, on the Bonds, together with interest thereon as and when the same become due. The Company further has agreed to make payments of the purchase price of the Bonds tendered for purchase to the extent that funds are not otherwise available therefor under the provisions of the Indenture.

The payment of the principal of and interest and any premium on the Bonds is further secured by a separate tranche of the Company's First Mortgage Bonds issued under the First Mortgage Indenture between the Company and the First Mortgage Trustee. The principal amount of the First Mortgage Bonds equals the principal amount of the Bonds. If the Bonds become immediately due and payable as a result of a default in payment of the principal of, premium, if any, or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of default under the Loan Agreement and upon receipt by the First Mortgage Trustee of a written demand from the Trustee for redemption of the First Mortgage Bonds ("Redemption Demand"), or if all first mortgage bonds outstanding under the First



Mortgage Indenture shall have been immediately due and payable, such First Mortgage Bonds will bear interest at the same interest rate or rates borne by the Bonds and the principal of such First Mortgage Bonds, together with interest accrued thereon from the last date or dates to which interest on the Bonds has been paid in full, will be payable in accordance with the Supplemental Indenture. See “Summary of the First Mortgage Bonds and the First Mortgage Indenture.”

The First Mortgage Bonds are not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase in accordance with the Indenture. The First Mortgage Bonds are secured by a lien on certain property owned by the Company. In certain circumstances, the Company is permitted to reduce the aggregate principal amount of its First Mortgage Bonds held by the Trustee, but in no event to an amount lower than the aggregate outstanding principal amount of the Bonds.

#### **Tender Agent**

Owners will be required to tender their Bonds to the Tender Agent for purchase at the times and in the manner described herein under “— Mandatory Purchase of Bonds.” So long as the Bonds are held in DTC’s book-entry-only system, the Trustee will act as Tender Agent under the Indenture. Any successor Tender Agent appointed pursuant to the Indenture will also be a Paying Agent.

#### **Remarketing Agents**

Morgan Stanley & Co. LLC and PNC Capital Markets LLC will serve as Initial Co-Remarketing Agents for purposes of this reoffering of the Bonds. Following this reoffering, Morgan Stanley & Co. LLC will serve as the sole Remarketing Agent for the Bonds. The Remarketing Agent may be removed by the Issuer, if so directed by the Company, upon seven days’ notice, and may resign in accordance with the Remarketing Agreement upon sixty days’ notice.

#### **Certain Definitions**

As used herein, each of the following terms will have the meaning indicated:

“*Beneficial Owner*” means the person in whose name a Bond is recorded as such upon the systems of DTC and each DTC Participant or the registered holder of such Bonds if such Bond is not then registered in the name of CEDE & Co.

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

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

“*Interest Payment Date*” means each May 1 and November 1 and also the day following the end of the Long Term Rate Period.

“*Interest Period*” means the period from and including each Interest Payment Date to and including the day immediately preceding the next Interest Payment Date, provided, however that the first Interest Period for the Bonds will begin on (and include) the date of issuance of the Bonds and the final Interest Period will end on October 31, 2027.

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

“*Long Term Rate Period*” means any period established by the Company and beginning on, and including, the date of Conversion to the Long Term Rate and ending on, and including, the day preceding the last Interest Payment Date for such period and, thereafter, each successive period of the same duration as the Long Term Rate Period previously established until the day preceding the earliest of the change to a different Long Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

#### **Mandatory Purchase of Bonds**

**General.** The Bonds will be subject to mandatory purchase on the Mandatory Purchase Date at a purchase price equal to the principal amount thereof plus accrued and unpaid interest. Notice to owners of Bonds subject to such mandatory purchase will be given by the Bond Registrar by first class mail at least 30 days prior the Mandatory Purchase Date. The notice of mandatory purchase will state those matters required to be set forth therein under the Indenture.

**Remarketing and Purchase of Bonds.** The Indenture provides that, subject to the terms of a Remarketing Agreement with the Company, unless otherwise instructed by the Company, the Remarketing Agent will use its commercially reasonable best efforts to remarket Bonds purchased on the Mandatory Purchase Date. Each such sale will be at a price equal to the principal amount thereof, plus interest accrued to the date of sale. The Remarketing Agent, the Trustee, the Paying Agent, the Bond Registrar or the Tender Agent each may purchase any Bonds offered for sale for its own account.

The purchase price of Bonds tendered for purchase will be paid by the Tender Agent from moneys derived from the remarketing of such Bonds by the Remarketing Agent and, if such remarketing proceeds are insufficient, from moneys made available by the Company. The Company is obligated to purchase any Bonds tendered for purchase to the extent such Bonds have not been remarketed. Any such purchases by the Company will not result in the extinguishment of the purchased Bonds. The Company currently maintains lines of credit or other liquidity facilities in amounts determined by it to be sufficient to meet its current needs and expects to continue to maintain such lines of credit or other liquidity facilities from time to time to the extent determined by it to be necessary to meet its then-current needs. The Trustee, any Paying Agent, the Tender Agent and the owners of the Bonds have no right to draw under any line of credit or other liquidity facility maintained by the Company. There is no provision in the Indenture or the Loan Agreement requiring the Company to maintain such financing arrangements which may be discontinued at any time without notice. The First Mortgage Bonds

are not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase pursuant to the Indenture.

Any deficiency in purchase price payments resulting from the Remarketing Agent's failure to deliver remarketing proceeds of all Bonds with respect to which the Remarketing Agent notified the Tender Agent were remarketed will not result in an Event of Default under the Indenture until the opening of business on the next succeeding Business Day unless the Company fails to provide sufficient funds to pay such purchase price by the opening of business on such next succeeding Business Day. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase of Bonds will be consummated, but failure to consummate such purchase will not be deemed to be an Event of Default under the Indenture if sufficient funds have been provided in a timely manner by the Company to the Tender Agent for such purpose.

***Payment of Purchase Price.*** Payment of the purchase price of any Bond will be payable on the Mandatory Purchase Date upon delivery of such Bond to the Tender Agent on such Mandatory Purchase Date; provided that such Bond must be delivered to the Tender Agent at or prior to 11:00 a.m. (New York City time). When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Tender Agent. If the Mandatory Purchase Date is not a Business Day, the purchase price will be payable on the next succeeding Business Day.

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

If the registered owner of any Bond (or portion thereof) that is subject to purchase pursuant to the Indenture fails to deliver such Bond with an appropriate instrument of transfer to the Tender Agent for purchase on the Mandatory Purchase Date, and if the Tender Agent is in receipt of the purchase price therefor, such Bond (or portion thereof) nevertheless will be deemed purchased on the Mandatory Purchase Date. Any owner who so fails to deliver such Bond for purchase on (or before) the Mandatory Purchase Date will have no further rights thereunder, except the right to receive the purchase price thereof from those moneys deposited with the Tender Agent in the Purchase Fund pursuant to the Indenture upon presentation and surrender of such Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

### **Redemptions**

***Optional Redemption.*** Except as described below under the subheadings “--- Extraordinary Optional Redemption in Whole” and “--- Extraordinary Optional Redemption in Whole or in Part,” the Bonds are not subject to optional redemption prior to the Mandatory Purchase Date.

***Extraordinary Optional Redemption in Whole.*** The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events shall have occurred within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

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

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

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

(iv) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Generating Station where any of the Project is located to such extent that the Company will be prevented from carrying on its normal operations at such Generating Station for a period of six months.

As a result of a Company Letter Agreement between the Issuer and the Company, dated as of December 15, 2014, and as to be extended pursuant to a notice dated as of April 30, 2018, the Company will agree that it will not, prior to the Mandatory Purchase Date, exercise the rights under the Loan Agreement it would otherwise have to redeem the Bonds under the following circumstances:

(i) if in the judgment of the Company, unreasonable burdens or excessive liabilities have been imposed upon the Company after the issuance of the Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem property, income or other taxes not imposed on the date the Bonds are issued, other than ad valorem taxes levied upon privately owned property used for the same general purpose as the Project; or

(ii) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station where any of the Project is located have occurred, which, in the judgment of the Company, render the

continued operation of such Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in clean air or other air and water pollution control requirements or solid waste disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable.

***Extraordinary Optional Redemption in Whole or in Part.*** The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project, subject to receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See "Summary of the Loan Agreement — Maintenance; Damage, Destruction and Condemnation."

***Mandatory Redemption; Determination of Taxability.*** The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a "Determination of Taxability." As used herein, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" of the Project or a "related person" of a substantial user within the meaning of Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be

redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" of a substantial user within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

**General Redemption Terms.** Notice of redemption will be given by mailing a redemption notice by first class mail to the registered owners of the Bonds to be redeemed not less than 30 days but not more than 45 days prior to the redemption date. Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

#### **Conversion of Interest Rate Modes**

The Interest Rate Mode for the Bonds is subject to Conversion from time to time, including on the Mandatory Purchase Date following the end of the new Long Term Rate Period, at the option of the Company in accordance with the terms of the Indenture, upon notice from the Bond Registrar to the registered owners of the Bonds. With any notice of Conversion, the Company must also deliver to the Bond Registrar an opinion of Bond Counsel stating that such Conversion is authorized or permitted by the Act and is authorized by the Indenture and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

**Book-Entry-Only System**

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

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

A Beneficial Owner will effect delivery of purchased Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds on DTC's records to the Tender Agent. The requirement for physical delivery of Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer, the Company, the Tender Agent and



the Trustee. The Issuer, at the request of the Company, may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository for the Bonds). Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered as described in the Indenture (see “— Revision of Book -Entry-Only System; Replacement Bonds” below). The Beneficial Owner, upon registration of certificates held in the Beneficial Owner’s name, will become the registered owner of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners. Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Issuer’s obligations under the Indenture and the Company’s obligations under the Loan Agreement and the First Mortgage Bonds, to the extent of the payments so made. Beneficial Owners will not be, and will not be considered by the Issuer or the Trustee to be, and will not have any rights as, owners of Bonds under the Indenture.

The Trustee and the Issuer, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption or of proposed document amendments requiring consent of registered owners and any other notices required by the document (including notices of Conversion and mandatory purchase) to be sent to registered owners only to DTC (or any successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption, the document amendment, the Conversion, the mandatory purchase or any other action premised on that notice.

The Issuer, the Company, the Trustee and the Remarketing Agents cannot and do not give any assurances that DTC will distribute payments on the Bonds made to DTC or its nominee as the registered owner or any redemption or other notices, to the Participants, or that the Participants or others will distribute such payments or notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Reoffering Circular.

THE ISSUER, THE COMPANY, THE REMARKETING AGENTS AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A REGISTERED OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OR PURCHASE PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OF ANY NOTICE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE INDENTURE; (4) THE SELECTION OF THE BENEFICIAL

OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

***Revision of Book-Entry-Only System; Replacement Bonds.*** In the event that DTC determines not to continue as securities depository or is removed by the Issuer, at the direction of the Company, as securities depository, the Issuer, at the direction of the Company, may appoint a successor securities depository reasonably acceptable to the Trustee. If the Issuer does not or is unable to appoint a successor securities depository, the Issuer will issue and the Trustee will authenticate and deliver fully registered Bonds, in authorized denominations, to the assignees of DTC or their nominees.

In the event that the book-entry-only system is discontinued, the following provisions will apply. The Bonds may be issued in denominations of \$5,000 and integral multiples thereof. Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the principal office of the Bond Registrar, accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or the registered owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond during the fifteen days before any mailing of a notice of redemption, after such Bond has been called for redemption in whole or in part, or after such Bond has been tendered or deemed tendered for mandatory purchase as described under "— Mandatory Purchase of Bonds." Registration of transfers and exchanges will be made without charge to the registered owners of Bonds, except that the Bond Registrar may require any registered owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

#### **SUMMARY OF THE LOAN AGREEMENT**

*The following, in addition to the provisions contained elsewhere in this Reoffering Circular, is a brief description of certain provisions of the Loan Agreement. Reference is made to the Loan Agreement for the detailed provisions thereof.*

##### **General**

The term of the Loan Agreement commenced as of its date and will end on the earliest to occur of November 1, 2027, or the date on which all of the Bonds shall have been fully paid or provision has been made for such payment pursuant to the Indenture. See "Summary of the Indenture — Discharge of Indenture."

The Company has agreed to repay the loan pursuant to the Loan Agreement by making timely payments to the Trustee in sufficient amounts to pay the principal of, premium, if any, and interest required to be paid on the Bonds on each date upon which any such payments are due. The Company has also agreed to pay (a) the reasonable fees and expenses of the Trustee, the Bond Registrar, any Tender Agent and any Paying Agent appointed under the Indenture, (b) the expenses in connection with any redemption of the Bonds and (c) the reasonable expenses of the Issuer.

The Company covenants and agrees with the Issuer that it will cause the purchase of tendered Bonds that are not remarketed in accordance with the Indenture and, to that end, the Company shall cause funds to be made available to the Tender Agent at the times and in the manner required to effect such purchases in accordance with the Indenture (see “Summary of the Bonds — Mandatory Purchase of Bonds — Remarketing and Purchase of Bonds”).

All payments to be made by the Company to the Issuer pursuant to the Loan Agreement (except the reasonable out-of-pocket expenses of the Issuer, the Trustee, the Paying Agent, the Bond Registrar, the Tender Agent and amounts related to indemnification) have been assigned by the Issuer to the Trustee, and the Company will pay such amounts directly to the Trustee. The obligations of the Company to make the payments pursuant to the Loan Agreement are absolute and unconditional.

#### **Maintenance of Tax Exemption**

The Company and the Issuer have agreed not to take any action that would result in the interest paid on the Bonds being included in gross income of any Bondholder (other than a holder who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes or that adversely affects the validity of the Bonds.

#### **Issuance and Delivery of First Mortgage Bonds**

For the purpose of providing security for the Bonds, the Company has executed and delivered to the Trustee the First Mortgage Bonds. The principal amount of the First Mortgage Bonds executed and delivered to the Trustee equals the aggregate principal amount of the Bonds. If the Bonds become immediately due and payable as a result of a default in payment of the principal of, premium, if any, or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of default under the Loan Agreement and upon receipt by the First Mortgage Trustee of a Redemption Demand, or if all first mortgage bonds outstanding under the First Mortgage Indenture shall have been immediately due and payable, such First Mortgage Bonds will bear interest at the same interest rate or rates borne by the Bonds and the principal of such First Mortgage Bonds, together with interest accrued thereon from the last date to which interest on the Bonds shall have been paid in full, will then be payable. See, however, “Summary of the Indenture — Waiver of Events of Default.”

Upon payment of the principal of, premium, if any, and interest on any of the Bonds, and the surrender to and cancellation thereof by the Trustee, or upon provision for the payment thereof having been made in accordance with the Indenture, First Mortgage Bonds with corresponding principal amounts equal to the aggregate principal amount of the Bonds so surrendered and canceled or for the payment of which provision has been made, will be surrendered by the Trustee to the First Mortgage Trustee and will be canceled by the First Mortgage Trustee. The First Mortgage Bonds are registered in the name of the Trustee and are nontransferable, except to effect transfers to any successor trustee under the Indenture.

### **Payment of Taxes**

The Company has agreed to pay certain taxes and other governmental charges that may be lawfully assessed, levied or charged against or with respect to the Project (see, however, subparagraph (i) under “Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole”). The Company may contest such taxes or other governmental charges unless the security provided by the Indenture would be materially endangered.

### **Maintenance; Damage, Destruction and Condemnation**

So long as any Bonds are outstanding, the Company will maintain the Project or cause the Project to be maintained in good working condition and will make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as air and water pollution control and abatement facilities and solid waste disposal facilities, as applicable, under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended. However, the Company will have no obligation to maintain, repair, replace or renew any portion of the Project, the maintenance, repair, replacement or renewal of which becomes uneconomical to the Company because of certain events, including damage or destruction by a cause not within the Company’s control, condemnation of the Project, change in government standards and regulations, economic or other obsolescence or termination of operation of generating facilities to the Project.

The Company, at its own expense, may remodel the Project or make substitutions, modifications and improvements to the Project as it deems desirable, which remodeling, substitutions, modifications and improvements shall be deemed, under the terms of the Loan Agreement to be a part of the Project. The Company may not, however, change or alter the basic nature of the Project or cause it to lose its status under Section 103(b) (4) (E) and (F) of the Internal Revenue Code of 1954, as amended.

If, prior to the payment of all Bonds outstanding, the Project or any portion thereof is destroyed, damaged or taken by the exercise of the power of eminent domain and the Issuer, the Company or the First Mortgage Trustee receives net proceeds from insurance or a condemnation award in connection therewith, the Company shall (i) cause such net proceeds to be used to repair or restore the Project or (ii) take any other action, including the redemption of the Bonds in whole or in part at their principal amount, which, by the opinion of Bond Counsel, will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes. See “Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole or in Part.”

### **Insurance**

The Company has agreed to insure the Project in accordance with the provisions of the First Mortgage Indenture.

### **Assignment, Merger and Release of Obligations of the Company**

The Company may assign the Loan Agreement, pursuant to an opinion of Bond Counsel that such assignment will not adversely affect the exclusion of the interest on the Bonds from

gross income for federal income tax purposes, without obtaining the consent of either the Issuer or the Trustee. Such assignment, however, shall not relieve the Company from primary liability for any of its obligations under the Loan Agreement and performance and observance of the other covenants and agreements to be performed by the Company. The Company may dispose of all or substantially all of its assets or consolidate with or merge into another corporation, provided the acquirer of the Company's assets or the corporation with which it shall consolidate with or merge into shall be a corporation organized and existing under the laws of one of the states of the United States of America, shall be qualified and admitted to do business in the Commonwealth of Kentucky, and shall assume in writing all of the obligations of the Company under the Loan Agreement.

#### **Release and Indemnification Covenant**

The Company will indemnify and hold the Issuer harmless against any expense or liability incurred, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof.

#### **Events of Default**

Each of the following events constitutes an "event of default" under the Loan Agreement:

(1) failure by the Company to pay the amounts required for payment of the principal of, including purchase price for tendered Bonds and redemption and acceleration prices, and interest accrued, on the Bonds, at the times specified therein taking into account any periods of grace provided in the Indenture and the Bonds for the applicable payment of interest on the Bonds (see "Summary of the Indenture — Defaults and Remedies");

(2) failure by the Company to observe and perform any covenant, condition or agreement, other than as referred to in paragraph (1) above, for a period of thirty days after written notice by the Issuer or Trustee, provided, however, that if such failure is capable of being corrected, but cannot be corrected in such 30-day period, it will not constitute an event of default under the Loan Agreement if corrective action with respect thereto is being diligently pursued;

(3) all first mortgage bonds outstanding under the First Mortgage Indenture, if not already due, shall have become immediately due and payable, whether by declaration or otherwise, and such acceleration shall not have been rescinded by the First Mortgage Trustee;

(4) certain events of bankruptcy, dissolution, liquidation, reorganization or insolvency of the Company; or

(5) the occurrence of an event of default under the Indenture.

Under the Loan Agreement, certain of the Company's obligations (other than the Company's obligations, among others, (i) not to permit any action which would result in interest

paid on the Bonds being included in gross income for federal and Kentucky income taxes, (ii) to maintain its corporate existence and good standing, and to neither dispose of all or substantially all of its assets or consolidate with or merge into another corporation unless certain provisions of the Loan Agreement are satisfied; and (iii) to make loan payments and certain other payments under the provisions of the Loan Agreement) may be suspended if by reason of force majeure (as defined in the Loan Agreement) the Company is unable to carry out such obligations.

### **Remedies**

Upon the happening of an event of default under the Loan Agreement, the Trustee, on behalf of the Issuer, may, among other things, take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company, under the Loan Agreement, including any remedies available in respect of the First Mortgage Bonds.

Upon the happening of an event of default under the Loan Agreement that results in an event of a default in payment of the principal of, premium, if any, or interest on the Bonds or a default in the payment of the purchase price of the Bonds tendered for purchase, and the acceleration of the maturity date of the Bonds (to the extent not already due and payable) as a consequence of such event of default, the Trustee may demand redemption of the First Mortgage Bonds. See "Summary of the First Mortgage Bonds and the First Mortgage Indenture" and "Summary of the Indenture — Defaults and Remedies." Any amounts collected upon the happening of any such event of default will be applied in accordance with the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture) and all other liabilities of the Company accrued under the Indenture and the Loan Agreement have been paid or satisfied, made available to the Company.

### **Options to Prepay, Obligation to Prepay**

The Company may prepay the loan pursuant to the Loan Agreement, in whole or in part, on certain dates, at the prepayment prices as shown under the captions "Summary of the Bonds — Redemptions — Optional Redemption," "Extraordinary Optional Redemption in Whole" and "Extraordinary Optional Redemption in Whole or in Part." Upon the occurrence of the event described under the caption "Summary of the Bonds — Redemptions — Mandatory Redemption; Determination of Taxability," the Company shall be obligated to prepay the loan in an aggregate amount sufficient to redeem the required principal amount of the Bonds.

In each instance, the loan prepayment price shall be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem the requisite amount of the Bonds at a price equal to the applicable redemption price plus accrued interest to the redemption date, and to pay all reasonable and necessary fees and expenses of the Trustee, the Paying Agent and all other liabilities of the Company under the Loan Agreement accrued to the redemption date.

### **Amendments and Modifications**

No amendment or modification of the Loan Agreement is permissible without the written consent of the Trustee. The Issuer and the Trustee may, however, without the consent of or notice to any Bondholders, enter into any amendment or modification of the Loan Agreement (i) which may be required by the provisions of the Loan Agreement or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with any modification or change necessary to conform the Loan Agreement with changes and modifications in the Indenture or (iv) in connection with any other change which, in the judgment of the Trustee, does not adversely affect the Trustee or the Bondholders. Except for such amendments, the Loan Agreement may be amended or modified only with the consent of the Bondholders holding a majority in principal amount of the Bonds then outstanding (see "Summary of the Indenture — Supplemental Indentures" for an explanation of the procedures necessary for Bondholder consent); provided, however, that the approval of the Bondholders holding 100% in principal amount of the Bonds then outstanding is necessary to effectuate an amendment or modification with respect to the Loan Agreement of the type described in clauses (i) through (iv) of the first sentence of the second paragraph of "Summary of the Indenture — Supplemental Indentures."

### **SUMMARY OF THE FIRST MORTGAGE BONDS AND THE FIRST MORTGAGE INDENTURE**

*The following, in addition to the provisions contained elsewhere in this Reoffering Circular, is a brief description of certain provisions of the First Mortgage Bonds and the First Mortgage Indenture. Reference is made to the First Mortgage Indenture and to the form of the First Mortgage Bonds for the detailed provisions thereof.*

#### **General**

The First Mortgage Bonds, in a principal amount equal to the principal amount of the Bonds, were issued as a new tranche from a new series of first mortgage bonds under the First Mortgage Indenture (see "Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds"). The statements herein made (being for the most part summaries of certain provisions of the First Mortgage Indenture) are subject to the detailed provisions of the First Mortgage Indenture, which is incorporated herein by this reference. Words or phrases italicized are defined in the First Mortgage Indenture.

The First Mortgage Bonds will mature on the same date and bear interest at the same rate or rates as the Bonds; however, the principal of and interest on the First Mortgage Bonds will not be payable other than upon the occurrence of an event of default under the Loan Agreement. If the Bonds become immediately due and payable as a result of the occurrence of an event of default under the Loan Agreement that has resulted in a default in payment of the principal of, premium, if any, or interest on the Bonds, or a default in payment of the purchase price of any such Bonds tendered for purchase, and the maturity date of the Bonds has been accelerated (to the extent the Bonds are not already due and payable) as a consequence of such event of default, and if all first mortgage bonds outstanding under the First Mortgage Indenture shall not have become immediately due and payable following an event of default under the First Mortgage

Indenture, the Company will be obligated to redeem the First Mortgage Bonds upon receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee for redemption, at a redemption price equal to the principal amount thereof plus accrued interest at the rates borne by the Bonds from the last date to which interest on the Bonds has been paid.

The First Mortgage Bonds at all times will be in fully registered form registered in the name of the Trustee, will be non-negotiable, and will be nontransferable except to any successor trustee under the Indenture. Upon payment and cancellation of Bonds by the Trustee or the Paying Agent (other than any Bond or portion thereof that was canceled by the Trustee or the Paying Agent and for which one or more Bonds were delivered and authenticated pursuant to the Indenture), whether at maturity, by redemption or otherwise, or upon provision for the payment of the Bonds having been made in accordance with the Indenture, an equal principal amount of First Mortgage Bonds will be deemed fully paid and the obligations of the Company thereunder will cease.

#### **Security; Lien of the First Mortgage Indenture**

*General.* Except as described below under this heading and under “— Issuance of Additional First Mortgage Bonds,” and subject to the exceptions described under “— Satisfaction and Discharge,” all first mortgage bonds issued under the First Mortgage Indenture, including the First Mortgage Bonds, will be secured, equally and ratably, by the lien of the First Mortgage Indenture, which constitutes, subject to *permitted liens* and exclusions as described below, a first mortgage lien on substantially all of the Company’s real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and the storage, transportation and distribution of natural gas (other than property duly released from the lien of the First Mortgage Indenture in accordance with the provisions thereof and other than *excepted property*, as described below). Property that is subject to the lien of the First Mortgage Indenture is referred to below as “Mortgaged Property.”

The Company may obtain the release of property from the lien of the First Mortgage Indenture from time to time, upon the bases provided for such release in the First Mortgage Indenture. See “— Release of Property.”

The Company may enter into supplemental indentures with the First Mortgage Trustee, without the consent of the holders of the first mortgage bonds, in order to subject additional property (including property that would otherwise be excepted from such lien) to the lien of the First Mortgage Indenture. This property would constitute *property additions* and would be available as a basis for the issuance of additional first mortgage bonds. See “— Issuance of Additional First Mortgage Bonds.”

The First Mortgage Indenture provides that after-acquired property (other than *excepted property*) will be subject to the lien of the First Mortgage Indenture. However, in the case of consolidation or merger (whether or not the Company is the surviving company) or transfer of the Mortgaged Property as or substantially as an entirety, the First Mortgage Indenture will not be required to be a lien upon any of the properties either owned or subsequently acquired by the successor company except properties acquired from the Company in or as a result of such



transfer, as well as improvements, extensions and additions (as defined in the First Mortgage Indenture) to such properties and renewals, replacements and substitutions of or for any part or parts thereof. See “— Consolidation, Merger and Conveyance of Assets as an Entirety.”

***Excepted Property.*** The lien of the First Mortgage Indenture does not cover, among other things, the following types of property: property located outside of Kentucky and not specifically subjected or required to be subjected to the lien of the First Mortgage Indenture; property not used by the Company in its electric generation, transmission and distribution business or its natural gas storage, transportation and distribution business; cash and securities not paid, deposited or held under the First Mortgage Indenture or required so to be; contracts, leases and other agreements of all kinds, contract rights, bills, notes and other instruments, revenues, accounts receivable, claims, demands and judgments; governmental and other licenses, permits, franchises, consents and allowances; intellectual property rights and other general intangibles; vehicles, movable equipment, aircraft and vessels; all goods, stock in trade, wares, merchandise and inventory held for the purpose of sale or lease in the ordinary course of business; materials, supplies, inventory and other personal property consumable in the operation of the Company’s business; fuel; tools and equipment; furniture and furnishings; computers and data processing, telecommunications and other facilities used primarily for administrative or clerical purposes or otherwise not used in connection with the operation or maintenance of electric generation, transmission and distribution facilities or natural gas storage, transportation and distribution facilities; coal, ore, gas, oil and other minerals and timber rights; electric energy and capacity, gas, steam, water and other products generated, produced, manufactured, purchased or otherwise acquired; real property and facilities used primarily for the production or gathering of natural gas; property which has been released from the lien of the First Mortgage Indenture; and leasehold interests. Property of the Company not covered by the lien of the First Mortgage Indenture is referred to herein as excepted property. Properties held by any of the Company’s subsidiaries, as well as properties leased from others, would not be subject to the lien of the First Mortgage Indenture.

***Permitted Liens.*** The lien of the First Mortgage Indenture is subject to permitted liens described in the First Mortgage Indenture. Such *permitted liens* include liens existing at the execution date of the First Mortgage Indenture, purchase money liens and other liens placed or otherwise existing on property acquired by the Company after the execution date of the First Mortgage Indenture at the time the Company acquires it, tax liens and other governmental charges which are not delinquent or which are being contested in good faith, mechanics’, construction and materialmen’s liens, certain judgment liens, easements, reservations and rights of others (including governmental entities) in, and defects of title to, the Company’s property, certain leases and leasehold interests, liens to secure public obligations, rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by the Company or by others on the Company’s property, rights and interests of persons other than the Company arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of such persons in such property and liens which have been bonded or for which other security arrangements have been made.

The First Mortgage Indenture also provides that the First Mortgage Trustee will have a lien, prior to the lien on behalf of the holders of the first mortgage bonds, including the First Mortgage Bonds, upon the Mortgaged Property as security for the Company’s payment of its

reasonable compensation and expenses and for indemnity against certain liabilities. Any such lien would be a *permitted lien* under the First Mortgage Indenture.

#### **Issuance of Additional First Mortgage Bonds**

The maximum principal amount of first mortgage bonds that may be authenticated and delivered under the First Mortgage Indenture is subject to the issuance restrictions described below; provided, however, that the maximum principal amount of first mortgage bonds outstanding at any one time shall not exceed One Quintillion Dollars (\$1,000,000,000,000,000), which amount may be changed by supplemental indenture. As of December 31, 2017, first mortgage bonds in an aggregate principal amount of \$1,624,200,000 were outstanding under the First Mortgage Indenture, of which \$539,200,000 were issued to secure the Company's payment obligations with respect to its outstanding pollution control and environmental facilities revenue bonds, including the Bonds.

First mortgage bonds of any series may be issued from time to time on the basis of, and in an aggregate principal amount not exceeding:

- 66 2/3% of the *cost* or *fair value* to the Company (whichever is less) of *property additions* (as described below) which do not constitute *funded property* (generally, *property additions* which have been made the basis of the authentication and delivery of first mortgage bonds, the release of Mortgaged Property or the withdrawal of cash, which have been substituted for retired *funded property* or which have been used for other specified purposes) after certain deductions and additions, primarily including adjustments to offset property retirements;
- the aggregate principal amount of *retired securities* (as described below); or
- an amount of cash deposited with the First Mortgage Trustee.

*Property additions* generally include any property which is owned by the Company and is subject to the lien of the First Mortgage Indenture except (with certain exceptions) goodwill, going concern value rights or intangible property, or any property the acquisition or construction of which is properly chargeable to one of the Company's operating expense accounts in accordance with U.S. generally accepted accounting principles.

*Retired securities* means, generally, first mortgage bonds which are no longer outstanding under the First Mortgage Indenture, which have not been retired by the application of *funded cash* and which have not been used as the basis for the authentication and delivery of first mortgage bonds, the release of property or the withdrawal of cash.

At December 31, 2017, approximately \$1.77 billion of property additions and \$285 million of retired securities were available to be used as the basis for the authentication and delivery of first mortgage bonds.

### Release of Property

Unless an *event of default* has occurred and is continuing, the Company may obtain the release from the lien of the First Mortgage Indenture of any Mortgaged Property, except for cash held by the First Mortgage Trustee, upon delivery to the First Mortgage Trustee of an amount in cash equal to the amount, if any, by which sixty-six and two-thirds percent (66-2/3%) of the cost of the property to be released (or, if less, the *fair value* to the Company of such property at the time it became *funded property*) exceeds the aggregate of:

- an amount equal to 66 2/3% of the aggregate principal amount of obligations secured by *purchase money liens* upon the property to be released and delivered to the First Mortgage Trustee;
- an amount equal to 66 2/3% of the *cost* or *fair value* to the Company (whichever is less) of certified *property additions* not constituting *funded property* after certain deductions and additions, primarily including adjustments to offset property retirements (except that such adjustments need not be made if such *property additions* were acquired or made within the 90-day period preceding the release);
- the aggregate principal amount of first mortgage bonds the Company would be entitled to issue on the basis of *retired securities* (with such entitlement being waived by operation of such release);
- the aggregate principal amount of first mortgage bonds delivered to the First Mortgage Trustee (with such first mortgage bonds to be canceled by the First Mortgage Trustee);
- any amount of cash and/or an amount equal to 66 2/3% of the aggregate principal amount of obligations secured by *purchase money liens* upon the property released that is delivered to the trustee or other holder of a lien prior to the lien of the First Mortgage Indenture, subject to certain limitations described in the First Mortgage Indenture; and
- any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released.

As used in the First Mortgage Indenture, the term *purchase money* lien means, generally, a lien on the property being released which is retained by the transferor of such property or granted to one or more other persons in connection with the transfer or release thereof, or granted to or held by a trustee or agent for any such persons, and may include liens which cover property in addition to the property being released and/or which secure indebtedness in addition to indebtedness to the transferor of such property.

Unless an *event of default* has occurred and is continuing, property which is not *funded property* may generally be released from the lien of the First Mortgage Indenture without depositing any cash or property with the First Mortgage Trustee as long as (a) the aggregate amount of *cost* or *fair value* to the Company (whichever is less) of all *property additions* which do not constitute *funded property* (excluding the property to be released) after certain deductions and additions, primarily including adjustments to offset property retirements, is not less than zero

or (b) the cost or *fair value* (whichever is less) of property to be released does not exceed the aggregate amount of the cost or fair value to the Company (whichever is less) of *property additions* acquired or made within the 90-day period preceding the release.

The First Mortgage Indenture provides simplified procedures for the release of minor properties and property taken by eminent domain and provides for dispositions of certain obsolete property and grants or surrender of certain rights without any release or consent by the First Mortgage Trustee.

If the Company retains any interest in any property released from the lien of the First Mortgage Indenture, the First Mortgage Indenture will not become a lien on such property or such interest therein or any improvements, extensions or additions to such property or renewals, replacements or substitutions of or for such property or any part or parts thereof.

#### **Withdrawal of Cash**

Unless an *event of default* has occurred and is continuing, and subject to certain limitations, cash held by the First Mortgage Trustee may, generally, (1) be withdrawn by the Company (a) to the extent of sixty-six and two-thirds percent (66-2/3%) of the cost or *fair value* to the Company (whichever is less) of *property additions* not constituting *funded property*, after certain deductions and additions, primarily including adjustments to offset retirements (except that such adjustments need not be made if such *property additions* were acquired or made within the 90-day period preceding the withdrawal) or (b) in an amount equal to the aggregate principal amount of first mortgage bonds that the Company would be entitled to issue on the basis of *retired securities* (with the entitlement to such issuance being waived by operation of such withdrawal) or (c) in an amount equal to the aggregate principal amount of any outstanding first mortgage bonds delivered to the First Mortgage Trustee; or (2) upon the Company's request, be applied to (a) the purchase of first mortgage bonds in a manner and at a price approved by the Company or (b) the payment (or provision for payment) at stated maturity of any first mortgage bonds or the redemption (or provision for payment) of any first mortgage bonds which are redeemable; provided, however, that cash deposited with the First Mortgage Trustee as the basis for the authentication and delivery of first mortgage bonds may, in addition, be withdrawn in an amount not exceeding the aggregate principal amount of cash delivered to the First Mortgage Trustee for such purpose.

#### **Events of Default**

An "*event of default*" occurs under the First Mortgage Indenture if

- the Company does not pay any interest on any first mortgage bonds within 30 days of the due date;
- the Company does not pay principal or premium, if any, on any first mortgage bonds on the due date;
- the Company remains in breach of any other covenant (excluding covenants specifically dealt with elsewhere in this section) in respect of any first mortgage bonds for 90 days after

the Company receives a written notice of default stating the Company is in breach and requiring remedy of the breach; the notice must be sent by either the First Mortgage Trustee or holders of 25% of the principal amount of outstanding first mortgage bonds; the First Mortgage Trustee or such holders can agree to extend the 90-day period and such an agreement to extend will be automatically deemed to occur if the Company initiates corrective action within such 90 day period and the Company is diligently pursuing such action to correct the default; or

- the Company files for bankruptcy or certain other events in bankruptcy, insolvency, receivership or reorganization occur.

### Remedies

***Acceleration of Maturity.*** If an event of default occurs and is continuing, then either the First Mortgage Trustee or the holders of not less than 25% in principal amount of the outstanding first mortgage bonds may declare the principal amount of all of the first mortgage bonds to be due and payable immediately.

***Rescission of Acceleration.*** After the declaration of acceleration has been made and before the First Mortgage Trustee has obtained a judgment or decree for payment of the money due, such declaration and its consequences will be rescinded and annulled, if

- the Company pays or deposits with the First Mortgage Trustee a sum sufficient to pay:
  - all overdue interest;
  - the principal of and premium, if any, which have become due otherwise than by such declaration of acceleration and interest thereon;
  - interest on overdue interest to the extent lawful; and
  - all amounts due to the First Mortgage Trustee under the First Mortgage Indenture; and
- all *events of default*, other than the nonpayment of the principal which has become due solely by such declaration of acceleration, have been cured or waived as provided in the First Mortgage Indenture.

For more information as to waiver of defaults, see “— Waiver of Default and of Compliance” below.

***Appointment of Receiver and Other Remedies.*** Subject to the First Mortgage Indenture, under certain circumstances and to the extent permitted by law, if an *event of default* occurs and is continuing, the First Mortgage Trustee has the power to appoint a receiver of the Mortgaged Property, and is entitled to all other remedies available to mortgagees and secured parties under the Uniform Commercial Code or any other applicable law.

***Control by Holders; Limitations.*** Subject to the First Mortgage Indenture, if an *event of default* occurs and is continuing, the holders of a majority in principal amount of the outstanding first mortgage bonds will have the right to

- direct the time, method and place of conducting any proceeding for any remedy available to the First Mortgage Trustee, or
- exercise any trust or power conferred on the First Mortgage Trustee.

The rights of holders to make direction are subject to the following limitations:

- the holders' directions may not conflict with any law or the First Mortgage Indenture; and
- the holders' directions may not involve the First Mortgage Trustee in personal liability where the First Mortgage Trustee believes indemnity is not adequate.

The First Mortgage Trustee may also take any other action it deems proper which is not inconsistent with the holders' direction.

In addition, the First Mortgage Indenture provides that no holder of any first mortgage bond will have any right to institute any proceeding, judicial or otherwise, with respect to the First Mortgage Indenture for the appointment of a receiver or for any other remedy thereunder unless

- that holder has previously given the First Mortgage Trustee written notice of a continuing *event of default*;
- the holders of 25% in aggregate principal amount of the outstanding first mortgage bonds have made written request to the First Mortgage Trustee to institute proceedings in respect of that *event of default* and have offered the First Mortgage Trustee reasonable indemnity against costs, expenses and liabilities incurred in complying with such request; and
- for 60 days after receipt of such notice, request and offer of indemnity, the First Mortgage Trustee has failed to institute any such proceeding and no direction inconsistent with such request has been given to the First Mortgage Trustee during such 60-day period by the holders of a majority in aggregate principal amount of outstanding first mortgage bonds.

Furthermore, no holder of first mortgage bonds will be entitled to institute any such action if and to the extent that such action would disturb or prejudice the rights of other holders of first mortgage bonds.

However, each holder of first mortgage bonds has an absolute and unconditional right to receive payment when due and to bring a suit to enforce that right.

***Notice of Default.*** The First Mortgage Trustee is required to give the holders of the first mortgage bonds notice of any default under the First Mortgage Indenture to the extent required by the Trust Indenture Act, unless such default has been cured or waived; except that in the case

of an *event of default* of the character specified in the third bullet point under “— Events of Default” (regarding a breach of certain covenants continuing for 90 days after the receipt of a written notice of default), no such notice shall be given to such holders until at least 60 days after the occurrence thereof. The Trust Indenture Act currently permits the First Mortgage Trustee to withhold notices of default (except for certain payment defaults) if the First Mortgage Trustee in good faith determines the withholding of such notice to be in the interests of the holders of the first mortgage bonds.

The Company will furnish the First Mortgage Trustee with an annual statement as to its compliance with the conditions and covenants in the First Mortgage Indenture.

***Waiver of Default and of Compliance.*** The holders of a majority in aggregate principal amount of the outstanding first mortgage bonds may waive, on behalf of the holders of all outstanding first mortgage bonds, any past default under the First Mortgage Indenture, except a default in the payment of principal, premium or interest, or with respect to compliance with certain provisions of the First Mortgage Indenture that cannot be amended without the consent of the holder of each outstanding first mortgage bond affected.

Compliance with certain covenants in the First Mortgage Indenture or otherwise provided with respect to first mortgage bonds may be waived by the holders of a majority in aggregate principal amount of the affected first mortgage bonds, considered as one class.

#### **Consolidation, Merger and Conveyance of Assets as an Entirety**

Subject to the provisions described below, the Company has agreed to preserve its corporate existence.

The Company has agreed not to consolidate with or merge with or into any other entity or convey, transfer or lease the Mortgaged Property as or substantially as an entirety to any entity unless

- the entity formed by such consolidation or into which the Company merges, or the entity which acquires or which leases the Mortgaged Property substantially as an entirety, is an entity organized and existing under the laws of the United States of America or any State or Territory thereof or the District of Columbia, and
  - expressly assumes, by supplemental indenture, the due and punctual payment of the principal of, and premium and interest on, all the outstanding first mortgage bonds and the performance of all of the Company’s covenants under the First Mortgage Indenture, and
  - such entity confirms the lien of the First Mortgage Indenture on the Mortgaged Property; and
- in the case of a lease, such lease is made expressly subject to termination by (i) the Company or by the First Mortgage Trustee and (ii) the purchaser of the property so leased at any sale thereof, at any time during the continuance of an *event of default*; and

- immediately after giving effect to such transaction, no *event of default*, and no event which after notice or lapse of time or both would become an *event of default*, will have occurred and be continuing.

In the case of the conveyance or other transfer of the Mortgaged Property as or substantially as an entirety to any other person, upon the satisfaction of all the conditions described above the Company would be released and discharged from all obligations under the First Mortgage Indenture and on the first mortgage bonds then outstanding unless the Company elects to waive such release and discharge.

The First Mortgage Indenture does not prevent or restrict:

- any consolidation or merger after the consummation of which the Company would be the surviving or resulting entity; or
- any conveyance or other transfer, or lease, of any part of the Mortgaged Property which does not constitute the entirety or substantially the entirety thereof.

If following a conveyance or other transfer, or lease, of any part of the Mortgaged Property, the fair value of the Mortgaged Property retained by the Company exceeds an amount equal to three-halves (3/2) of the aggregate principal amount of all outstanding first mortgage bonds, then the part of the Mortgaged Property so conveyed, transferred or leased shall be deemed not to constitute the entirety or substantially the entirety of the Mortgaged Property. This fair value will be determined within 90 days of the conveyance or transfer by an independent expert that the Company selects and that is approved by the First Mortgage Trustee.

#### **Modification of First Mortgage Indenture**

***Without Holder Consent.*** Without the consent of any holders of first mortgage bonds, the Company and the First Mortgage Trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the succession of another entity to the Company;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series or tranche of first mortgage bonds, or to surrender any right or power conferred upon the Company;
- to correct or amplify the description of any property at any time subject to the lien of the First Mortgage Indenture; or to better assure, convey and confirm unto the First Mortgage Trustee any property subject or required to be subjected to the lien of the First Mortgage Indenture; or to subject to the lien of the First Mortgage Indenture additional property (including property of others), to specify any additional Permitted Liens with respect to such additional property and to modify the provisions in the First Mortgage Indenture for dispositions of certain types of property without release in order to specify any additional items with respect to such additional property;



- to add any additional *events of default*, which may be stated to remain in effect only so long as the first mortgage bonds of any one more particular series remains outstanding;
- to change or eliminate any provision of the First Mortgage Indenture or to add any new provision to the First Mortgage Indenture that does not adversely affect the interests of the holders in any material respect;
- to establish the form or terms of any series or tranche of first mortgage bonds;
- to provide for the issuance of bearer securities;
- to evidence and provide for the acceptance of appointment of a successor First Mortgage Trustee or by a co-trustee or separate trustee;
- to provide for the procedures required to permit the utilization of a noncertificated system of registration for any series or tranche of first mortgage bonds;
- to change any place or places where
  - the Company may pay principal, premium and interest,
  - first mortgage bonds may be surrendered for transfer or exchange, and
  - notices and demands to or upon the Company may be served;
- to amend and restate the First Mortgage Indenture as originally executed, and as amended from time to time, with such additions, deletions and other changes that do not adversely affect the interest of the holders in any material respect;
- to cure any ambiguity, defect or inconsistency or to make any other changes that do not adversely affect the interests of the holders in any material respect; or
- to increase or decrease the maximum principal amount of first mortgage bonds that may be outstanding at any time.

In addition, if the Trust Indenture Act is amended after the date of the First Mortgage Indenture so as to require changes to the First Mortgage Indenture or so as to permit changes to, or the elimination of, provisions which, at the date of the First Mortgage Indenture or at any time thereafter, were required by the Trust Indenture Act to be contained in the First Mortgage Indenture, the First Mortgage Indenture will be deemed to have been amended so as to conform to such amendment or to effect such changes or elimination, and the Company and the First Mortgage Trustee may, without the consent of any holders, enter into one or more supplemental indentures to effect or evidence such amendment.

***With Holder Consent.*** Except as provided above, the consent of the holders of at least a majority in aggregate principal amount of the first mortgage bonds of all outstanding series,

considered as one class, is generally required for the purpose of adding to, or changing or eliminating any of the provisions of, the First Mortgage Indenture pursuant to a supplemental indenture. However, if less than all of the series of outstanding first mortgage bonds are directly affected by a proposed supplemental indenture, then such proposal only requires the consent of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds of all directly affected series, considered as one class. Moreover, if the first mortgage bonds of any series have been issued in more than one tranche and if the proposed supplemental indenture directly affects the rights of the holders of first mortgage bonds of one or more, but less than all, of such tranches, then such proposal only requires the consent of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds of all directly affected tranches, considered as one class.

However, no amendment or modification may, without the consent of the holder of each outstanding first mortgage bond directly affected thereby:

- change the stated maturity of the principal or interest on any first mortgage bond (other than pursuant to the terms thereof), or reduce the principal amount, interest or premium payable (or the method of calculating such rates) or change the currency in which any first mortgage bond is payable, or impair the right to bring suit to enforce any payment;
- create any lien (not otherwise permitted by the First Mortgage Indenture) ranking prior to the lien of the First Mortgage Indenture with respect to all or substantially all of the Mortgaged Property, or terminate the lien of the First Mortgage Indenture on all or substantially all of the Mortgaged Property (other than in accordance with the terms of the First Mortgage Indenture), or deprive any holder of the benefits of the security of the lien of the First Mortgage Indenture;
- reduce the percentages of holders whose consent is required for any supplemental indenture or waiver of compliance with any provision of the First Mortgage Indenture or of any default thereunder and its consequences, or reduce the requirements for quorum and voting under the First Mortgage Indenture; or
- modify certain of the provisions of the First Mortgage Indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to first mortgage bonds.

A supplemental indenture which changes, modifies or eliminates any provision of the First Mortgage Indenture expressly included solely for the benefit of holders of first mortgage bonds of one or more particular series or tranches will be deemed not to affect the rights under the First Mortgage Indenture of the holders of first mortgage bonds of any other series or tranche.

#### **Satisfaction and Discharge**

Any first mortgage bonds or any portion thereof will be deemed to have been paid and no longer outstanding for purposes of the First Mortgage Indenture and, at the Company's election, the Company's entire indebtedness with respect to those securities will be satisfied and

discharged, if there shall have been irrevocably deposited with the First Mortgage Trustee or any Paying Agent (other than the Company), in trust:

- money sufficient, or
- in the case of a deposit made prior to the maturity of such first mortgage bonds, non-redeemable *eligible obligations* (as defined in the First Mortgage Indenture) sufficient, or
- a combination of the items listed in the preceding two bullet points, which in total are sufficient,

to pay when due the principal of, and any premium, and interest due and to become due on such first mortgage bonds or portions of such first mortgage bonds on and prior to their maturity.

The Company's right to cause its entire indebtedness in respect of the first mortgage bonds of any series to be deemed to be satisfied and discharged as described above will be subject to the satisfaction of any conditions specified in the instrument creating such series.

The First Mortgage Indenture will be deemed satisfied and discharged when no first mortgage bonds remain outstanding and when the Company has paid all other sums payable by it under the First Mortgage Indenture.

All moneys the Company pays to the First Mortgage Trustee or any Paying Agent on First Mortgage Bonds that remain unclaimed at the end of two years after payments have become due may be paid to or upon the Company's order. Thereafter, the holder of such First Mortgage Bond may look only to the Company for payment.

**Duties of the First Mortgage Trustee; Resignation and Removal of the First Mortgage Trustee; Deemed Resignation**

The First Mortgage Trustee will have, and will be subject to, all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to these provisions, the First Mortgage Trustee will be under no obligation to exercise any of the powers vested in it by the First Mortgage Indenture at the request of any holder of first mortgage bonds, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The First Mortgage Trustee will not be required to expend or risk its own funds or otherwise incur financial liability in the performance of its duties if the First Mortgage Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The First Mortgage Trustee may resign at any time by giving written notice to the Company.

The First Mortgage Trustee may also be removed by act of the holders of a majority in principal amount of the then outstanding first mortgage bonds.

No resignation or removal of the First Mortgage Trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the First Mortgage Indenture.

Under certain circumstances, the Company may appoint a successor trustee and if the successor accepts, the First Mortgage Trustee will be deemed to have resigned.

#### **Evidence to be Furnished to the First Mortgage Trustee**

Compliance with First Mortgage Indenture provisions is evidenced by written statements of the Company's officers or persons selected or paid by the Company. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. In addition, the First Mortgage Indenture requires the Company to give to the First Mortgage Trustee, not less than annually, a brief statement as to the Company's compliance with the conditions and covenants under the First Mortgage Indenture.

#### **Miscellaneous Provisions**

The First Mortgage Indenture provides that certain first mortgage bonds, including those for which payment or redemption money has been deposited or set aside in trust as described under "— Satisfaction and Discharge" above, will not be deemed to be "outstanding" in determining whether the holders of the requisite principal amount of the outstanding first mortgage bonds have given or taken any demand, direction, consent or other action under the First Mortgage Indenture as of any date, or are present at a meeting of holders for quorum purposes.

The Company will be entitled to set any day as a record date for the purpose of determining the holders of outstanding first mortgage bonds of any series entitled to give or take any demand, direction, consent or other action under the First Mortgage Indenture, in the manner and subject to the limitations provided in the First Mortgage Indenture. In certain circumstances, the First Mortgage Trustee also will be entitled to set a record date for action by holders. If such a record date is set for any action to be taken by holders of particular first mortgage bonds, such action may be taken only by persons who are holders of such first mortgage bonds on the record date.

#### **Governing Law**

The First Mortgage Indenture and the first mortgage bonds provide that they are to be governed by and construed in accordance with the laws of the State of New York except where the Trust Indenture Act is applicable or where otherwise required by law. The effectiveness of the lien of the First Mortgage Indenture, and the perfection and priority thereof, will be governed by Kentucky law.

## SUMMARY OF THE INDENTURE

*The following, in addition to the provisions contained elsewhere in this Reoffering Circular, is a brief description of certain provisions of the Indenture. Reference is made to the Indenture for the detailed provisions thereof.*

### **Security**

Pursuant to the Indenture, the Issuer has assigned and pledged to the Trustee its interest in and to the Loan Agreement, including payments and other amounts due the Issuer thereunder, together with all moneys, property and securities from time to time held by the Trustee under the Indenture (with certain exceptions, including moneys held in or earnings on the Rebate Fund and the Purchase Fund). The Bonds have been further secured by the First Mortgage Bonds delivered to the Trustee (see “Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds”). The First Mortgage Bonds have been registered in the name of the Trustee and are nontransferable, except to effect a transfer to any successor trustee. The Bonds will not be directly secured by the Project (although the Project is subject to the lien of the First Mortgage Indenture).

### **No Pecuniary Liability of the Issuer**

No provision, covenant or agreement contained in the Indenture or in the Loan Agreement, nor any breach thereof, shall give rise to any pecuniary liability of the Issuer or any charge upon its general credit or taxing powers. The Issuer has not obligated itself by making the covenants, agreements or provisions contained in the Indenture or in the Loan Agreement, except with respect to the Project and the application of the amounts assigned to the payment of the principal of, premium, if any, and interest on the Bonds.

### **The Bond Fund**

The payments to be made by the Company pursuant to the Loan Agreement to the Issuer and certain other amounts specified in the Indenture will be deposited into a Bond Fund established pursuant to the Indenture (the “Bond Fund”) and will be maintained in trust by the Trustee. Moneys in the Bond Fund will be used solely for the payment of the principal of, premium, if any, and interest on the Bonds, for the redemption of Bonds prior to maturity and for the payment of the reasonable and necessary fees and expenses to which the Trustee, Paying Agent and the Issuer are entitled pursuant to the Indenture or the Loan Agreement. Any moneys held in the Bond Fund will be invested by the Trustee at the specific written direction of the Company in certain Governmental Obligations, investment-grade corporate obligations and other investments permitted under the Indenture.

### **The Rebate Fund**

A Rebate Fund has been created by the Indenture (the “Rebate Fund”) and will be maintained as a separate fund free and clear of the lien of the Indenture. The Issuer, the Trustee and the Company have agreed to comply with all rebate requirements of the Code and, in particular, the Company has agreed that if necessary, it will deposit in the Rebate Fund any such amount as is required under the Code. However, the Issuer, the Trustee and the Company may

disregard the Rebate Fund provisions to the extent that they shall receive an opinion of Bond Counsel that such failure to comply will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

**Discharge of Indenture**

When all the Bonds and all fees and charges accrued and to accrue of the Trustee and the Paying Agent have been paid or provided for, and when proper notice has been given to the Bondholders or the Trustee that the proper amounts have been so paid or provided for, and if the Issuer is not in default in any other respect under the Indenture, the Indenture shall become null and void. The Bonds shall be deemed to have been paid and discharged when there shall have been irrevocably deposited with the Trustee moneys sufficient to pay the principal, premium, if any, and accrued interest on such Bonds to the due date (whether such date be by reason of maturity or upon redemption) or, in lieu thereof, Governmental Obligations shall have been deposited which mature in such amounts and at such times as will provide the funds necessary to so pay such Bonds, and when all reasonable and necessary fees and expenses of the Trustee, the Authenticating Agent, the Bond Registrar and the Paying Agent have been paid or provided for.

**Surrender of First Mortgage Bonds**

Upon payment of any principal of, premium, if any, and interest on any of the Bonds which reduces the principal amount of Bonds outstanding, or upon provision for the payment thereof having been made in accordance with the Indenture (see "Discharge of Indenture" above), First Mortgage Bonds in a principal amount equal to the principal amount of the Bonds so paid, or for the payment of which such provision has been made, shall be surrendered by the Trustee to the First Mortgage Trustee. The First Mortgage Bonds so surrendered shall be deemed fully paid and the obligations of the Company thereunder terminated.

**Defaults and Remedies**

Each of the following events constitutes an "Event of Default" under the Indenture:

(a) Failure to make payment of any installment of interest on any Bond (i) if such Bond bears interest at other than the Long Term Rate, within a period of one Business Day from the due date and (ii) if such Bond bears interest at the Long Term Rate, within a period of five Business Days from the date due;

(b) Failure to make punctual payment of the principal of, or premium, if any, on any Bond on the due date, whether at the stated maturity thereof, or upon proceedings for redemption, or upon the maturity thereof by declaration or if payment of the purchase price of any Bond required to be purchased pursuant to the Indenture is not made when such payment has become due and payable, provided that no event of default shall have occurred in respect of failure to receive such purchase price for any Bond if the Company shall have made the payment on the next Business Day as described in the last paragraph under "Summary of the Bonds — Mandatory Purchase of Bonds — Remarketing and Purchase of Bonds" above;

(c) Failure of the Issuer to perform or observe any other of the covenants, agreements or conditions in the Indenture or in the Bonds which failure continues for a period of 30 days after written notice by the Trustee, provided, however, that if such failure is capable of being cured, but cannot be cured in such 30-day period, it will not constitute an event of default under the Indenture if corrective action in respect of such failure is being diligently pursued;

(d) The occurrence of an “event of default” under the Loan Agreement (see “Summary of the Loan Agreement — Events of Default”); or

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

Upon the occurrence of an Event of Default under the Indenture, the Trustee may, and upon the written request of the registered owners holding not less than 25% in principal amount of Bonds then outstanding and upon receipt of indemnity satisfactory to it shall: (i) enforce each and every right granted to the Trustee as a holder of the First Mortgage Bonds (see “Summary of the First Mortgage Bonds and the First Mortgage Indenture”), (ii) declare the principal of all Bonds and interest accrued thereon to be immediately due and payable and (iii) declare all payments under the Loan Agreement to be immediately due and payable and enforce each and every other right granted to the Issuer under the Loan Agreement for the benefit of the Bondholders. Interest on the Bonds will cease to accrue on the date of issuance of the declaration of acceleration of payment of principal and interest on the Bonds. In exercising such rights, the Trustee shall take any action that, in the judgment of the Trustee, would best serve the interests of the registered owners. Upon the occurrence of an Event of Default under the Indenture, the Trustee may also proceed to pursue any available remedy by suit at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds then outstanding and may also issue a Redemption Demand for such First Mortgage Bonds to the First Mortgage Trustee.

If an Event of Default under the Indenture shall occur and be continuing and the maturity date of the Bonds has been accelerated (to the extent the Bonds are not already due and payable) as a consequence of such event of default, the Trustee may, and upon the written request of the registered owners holding not less than 25% in principal amount of all Bonds then outstanding and upon receipt of indemnity satisfactory to it shall, exercise such rights as it shall possess under the First Mortgage Indenture as a holder of the First Mortgage Bonds.

If the Trustee recovers any moneys following an Event of Default, unless the principal of the Bonds shall have been declared due and payable, all such moneys shall be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and the payment of any sums due and payable to the United States pursuant to Section 148(f) of the Code, (ii) to the payment of all interest then due on the Bonds, and (iii) to the payment of unpaid principal and premium, if any, of the Bonds. If the principal of the Bonds has become due or has been accelerated, such moneys shall be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred

or made by the Trustee and the Paying Agent and the payment of any sums due and payable to the United States pursuant to Section 148(f) of the Code and (ii) to the payment of principal of and interest then due and unpaid on the Bonds.

No Bondholder may institute any suit or proceeding in equity or at law for the enforcement of the Indenture unless an Event of Default has occurred of which the Trustee has been notified or is deemed to have notice, and registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee to proceed to exercise the powers granted under the Indenture or to institute such action in their own name and the Trustee shall fail or refuse to exercise its powers within a reasonable time after receipt of indemnity satisfactory to it.

Any judgment against the Issuer pursuant to the exercise of rights under the Indenture shall be enforceable only against specific assigned payments, funds and accounts under the Indenture in the hands of the Trustee. No deficiency judgment shall be authorized against the general credit of the Issuer.

No default under paragraph (c) above shall constitute an Event of Default until actual notice is given to the Issuer and the Company by the Trustee, or to the Issuer, the Company and the Trustee by the registered owners holding not less than 25% in aggregate principal amount of all Bonds outstanding and the Issuer and the Company shall have had thirty days after such notice to correct the default and failed to do so. If the default is such that it cannot be corrected within the applicable period but is capable of being cured, it will not constitute an Event of Default if corrective action is instituted within the applicable period.

#### **Waiver of Events of Default**

Except as provided below, the Trustee may in its discretion waive any Event of Default under the Indenture and shall do so upon the written request of the registered owners holding a majority in principal amount of all Bonds then outstanding. If, after the principal of all Bonds then outstanding shall have been declared to be due and payable and prior to any judgment or decree for the appointment of a receiver or for the payment of the moneys due shall have been entered, (i) the Company has caused to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of and premium, if any, on any and all Bonds which shall have become due otherwise than by reason of such declaration (with interest thereon as provided in the Indenture) and the expenses of the Trustee in connection with such default and (ii) all Events of Default under the Indenture (other than nonpayment of the principal of Bonds due by said declaration) shall have been remedied, then such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled by the Trustee. Such waiver, rescission and annulment shall be binding upon all Bondholders. No such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Upon any waiver or rescission as described above or any discontinuance or abandonment of proceedings under the Indenture, the Trustee shall immediately rescind in writing any Redemption Demand of First Mortgage Bonds previously given to the First Mortgage Trustee. The rescission under the First Mortgage Indenture of a declaration that all first mortgage bonds



outstanding under the First Mortgage Indenture are immediately due and payable shall also constitute a waiver of an Event of Default described in paragraph (e) under the sub caption “— Defaults and Remedies” above and a waiver and rescission of its consequences, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Notwithstanding the foregoing, nothing in the Indenture shall affect the right of a registered owner to enforce the payment of principal of, premium, if any, and interest on the Bonds after the maturity thereof.

#### **Voting of First Mortgage Bonds Held by Trustee**

The Trustee, as holder of the First Mortgage Bonds, shall attend any meeting of holders of first mortgage bonds outstanding under the First Mortgage Indenture as to which it receives due notice. The Trustee shall vote the First Mortgage Bonds held by it, or shall consent with respect thereto, proportionally in the way in which the Trustee reasonably believes will be the vote or consent of all other holders of first mortgage bonds outstanding under the First Mortgage Indenture then eligible to vote or consent.

Notwithstanding the foregoing, the Trustee may not vote the First Mortgage Bonds in favor of, or give consent to, any action which, in the Trustee’s opinion, would materially adversely affect the First Mortgage Bonds in a manner not generally shared by all other series of first mortgage bonds, except upon notification by the Trustee to the registered owners of all Bonds then outstanding of such proposal and consent thereto of the registered owners of at least 66<sup>2/3</sup>% in aggregate principal amount of all Bonds then outstanding.

#### **Supplemental Indentures**

The Issuer and the Trustee may enter into indentures supplemental to the Indenture without the consent of or notice to, the Bondholders in order (i) to cure any ambiguity or formal defect or omission in the Indenture, (ii) to grant to the Trustee, as may lawfully be granted, additional rights for the benefit of the Bondholders, (iii) to subject to the Indenture additional revenues, properties or collateral, (iv) to permit qualification of the Indenture under any federal statute or state blue sky law, (v) to add additional covenants and agreements of the Issuer for the protection of the Bondholders or to surrender or limit any rights reserved to the Issuer, (vi) to make any modification or change to the Indenture which, in the sole judgment of the Trustee, does not adversely affect the Trustee or any Bondholder, (vii) to make amendments to provisions relating to federal income tax matters under the Code or other relevant provisions if, in the opinion of Bond Counsel, those amendments would not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, (viii) to make any modification or change to the Indenture necessary to provide liquidity or credit support for the Bonds, or (ix) to permit the issuance of the Bonds in other than book-entry-only form or to provide changes to or for the book-entry system.

Exclusive of supplemental indentures for the purposes set forth in the preceding paragraph, the consent of registered owners holding a majority in principal amount of all Bonds then outstanding is required to approve any supplemental indenture, except no such supplemental

indenture shall permit, without the consent of all of the registered owners of the Bonds then outstanding, (i) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture or a reduction in the principal amount of any Bond or the rate of interest or time of redemption or redemption premium thereon, (ii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iii) a reduction in the principal amount of the Bonds required for consent to such supplemental indenture, or (iv) the deprivation of any registered owners of the lien of the Indenture.

If at any time the Issuer shall request the Trustee to enter into any supplemental indenture requiring the consent of the registered owners of the Bonds, the Trustee, upon being satisfactorily indemnified with respect to expenses, must notify all such registered owners. Such notice shall set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection. If, within sixty days (or such longer period as shall be prescribed by the Issuer or the Company) following the mailing of such notice, the registered owners holding the requisite amount of the Bonds outstanding shall have consented to the execution thereof, no Bondholder shall have any right to object or question the execution thereof.

No supplemental indenture shall become effective unless the Company consents to the execution and delivery of such supplemental indenture. The Company shall be deemed to have consented to the execution and delivery of any supplemental indenture if the Trustee does not receive a notice of protest or objection signed by the Company on or before 4:30 p.m., local time in the city in which the principal office of the Trustee is located, on the fifteenth day after the mailing to the Company of a notice of the proposed changes and a copy of the proposed supplemental indenture.

#### **ENFORCEABILITY OF REMEDIES**

The remedies available to the Trustee, the Issuer and the owners upon an event of default under the Loan Agreement, the Indenture or the First Mortgage Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Loan Agreement, the Indenture and the First Mortgage Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by principles of equity, bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors generally.

#### **REOFFERING**

Subject to the terms and conditions of the Remarketing and Bond Purchase Agreement dated as of April 24, 2018 (the "Remarketing Agreement"), between the Company and Morgan Stanley & Co. LLC, as Representative of the Remarketing Agents, the Remarketing Agents have agreed to purchase and reoffer the Bonds delivered to the Paying Agent for purchase on May 1, 2018, at a price equal to 100% of the principal amount of the Bonds, plus accrued interest (if any), and in connection therewith will receive compensation in the amount of \$113,750 for the Jefferson County Bonds and \$113,750 for the Trimble County Bonds, plus reimbursement of

certain expenses. Under the terms of the Remarketing Agreement, the Company has agreed to indemnify the Remarketing Agents against certain civil liabilities, including liabilities under federal securities laws.

The Remarketing Agents and their affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Remarketing Agents and certain of their affiliates have, from time to time, performed, and may in the future perform, various investment banking and commercial banking services for the Company, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Remarketing Agents and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Company.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Remarketing Agents of the Bonds, has entered into a retail brokerage joint venture. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

#### TAX TREATMENT

On March 22, 2002, the date on which the Bonds of each series were originally issued, Bond Counsel delivered its opinions that stated that, under existing law, including then current statutes, regulations, administrative rulings and official interpretations, subject to the qualifications and exceptions set forth below, interest on the Bonds would be excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion would be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" of the Project or a "related person" of a substantial user as such terms are used in Section 147(a) of the Code. Interest on the Bonds will be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. The alternative minimum tax has been repealed with respect to corporations for taxable years beginning after December 31, 2017. Bond Counsel further opined that, subject to the assumptions stated in the preceding sentence, (i) interest on the Bonds would be excluded from gross income of the owners thereof for Kentucky income tax purposes and (ii) the Bonds would be exempt from all ad valorem taxes in Kentucky. Such opinions have not been updated as of the date hereof and no continuing tax exemption opinions are expressed by Bond Counsel.

Bond Counsel also will deliver opinions in connection with this reoffering to the effect that the change to the Long Term Rate Period (i) is authorized or permitted by Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act") and the related Indenture and (ii) will not adversely affect the validity of the Bonds or any exclusion from gross income of interest on the Bonds for federal income tax purposes to which interest on the Bonds would otherwise be entitled.

The opinion of Bond Counsel as to the excludability of interest from gross income for federal income tax purposes was based upon and assumed the accuracy of certain representations of facts and circumstances, including with respect to the Project, which are within the knowledge of the Company and compliance by the Company with certain covenants and undertakings set forth in the proceedings authorizing the Bonds which are intended to assure that the Bonds are and will remain obligations the interest on which is not includable in gross income of the recipients thereof under the law in effect on the date of such opinion. Bond Counsel did not independently verify the accuracy of the certifications and representations made by the Company and the Issuer. On the date of the opinion and subsequent to the original delivery of the Bonds, such representations of facts and circumstances must be accurate and such covenants and undertakings must continue to be complied with in order that interest on the Bonds be and remain excludable from gross income of the recipients thereof for federal income tax purposes under existing law. Bond Counsel expressed no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents other than with the approval of Bond Counsel is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the Issuer to the federal government, require future or continued compliance after issuance of the Bonds in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with certain of these requirements by the Company or the Issuer with respect to the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes and to be subject to federal income taxation retroactively to the date of their issuance. The Company and the Issuer have each covenanted to take all actions required of each to assure that the interest on the Bonds shall be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

The opinion of Bond Counsel as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds was subject to the following exceptions and qualifications:

- (a) The Code provides for "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable

in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(b) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, Bond Counsel expressed no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Owners of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income tax credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of Section 32 of the Code, which exceeds \$2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters and any other tax consequences of holding the Bonds.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend one or more of the federal tax matters referred to above or could adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

The opinions of Bond Counsel delivered on the original date of issuance of the Bonds are attached as Appendix B-1. The opinions of Bond Counsel related to the change in the Long Term Rate Period of the Bonds as described herein, prepared as of the date the holders of the Bonds were previously notified of such change in accordance with the respective Indentures, and redated as of the effective date of such change, are attached as Appendix B-2.

#### **LEGAL MATTERS**

Certain legal matters in connection with the mandatory purchase and reoffering of the Bonds will be passed upon by Stoll Keenon Ogden PLLC, Louisville, Kentucky, Bond Counsel. Certain legal matters pertaining to the Company will be passed upon by Jones Day, Chicago,

Illinois, and John R. Crockett III, General Counsel, Chief Compliance Officer and Corporate Secretary of the Company. McGuireWoods LLP, Chicago, Illinois, will pass upon certain legal matters for the Remarketing Agents.

### CONTINUING DISCLOSURE

Because the Bonds are special and limited obligations of the Issuers, neither Issuer is an “obligated person” for purposes of Rule 15c2-12 (the “Rule”) promulgated by the SEC under the Exchange Act, or has any continuing obligations thereunder. Accordingly, neither Issuer will provide any continuing disclosure information with respect to the Bonds or such Issuer.

In order to enable the Remarketing Agents to comply with the requirements of the Rule, the Company has covenanted in a continuing disclosure undertaking agreement delivered to the Trustee for the benefit of the holders of the Bonds (the “Continuing Disclosure Agreement”) to provide certain continuing disclosure for the benefit of the holders of the Bonds. Under its Continuing Disclosure Agreement, the Company has covenanted to take the following actions:

(i) The Company will provide to the Municipal Securities Rulemaking Board (“MSRB”) (in electronic format) (a) annual financial information of the type set forth in Appendix A to this Reoffering Circular (including any information incorporated by reference in Appendix A) and (b) audited financial statements prepared in accordance with generally accepted accounting principles, in each case not later than 120 days after the end of the Company’s fiscal year.

(ii) The Company will file in a timely manner not in excess of 10 business days after the occurrence of the event with the MSRB notice of the occurrence of any of the following events (if applicable) with respect to the Bonds: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) any unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancement facilities reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (g) modifications to rights of the holders of the Bonds, if material; (h) the giving of notice of optional or unscheduled redemption of any Bonds, if material, and tender offers; (i) defeasance of the Bonds or any portion thereof; (j) release, substitution, or sale of property securing repayment of the Bonds, if material; (k) rating changes; (l) bankruptcy, insolvency, receivership or similar event of the Company; (m) the consummation of a merger, consolidation or acquisition involving the Company, or the sale of all or substantially all of the assets of the Company, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (n) appointment of a successor or additional trustee or a change of name of a trustee, if material.

(iii) The Company will file in a timely manner with the MSRB notice of a failure by the Company to file any of the information referred to in paragraph (i) above by the due date.

The Company may amend its Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Company that does not change the duties of the Trustee thereunder) or waive any provision thereof, but only with a change in circumstances that arises from a change in legal requirements, change in law, or change in the nature or status of the Company with respect to the Bonds or the type of business conducted by the Company; provided that the undertaking, as amended or following such waiver, would have complied with the requirements of the Rule on the date of issuance of the Bonds, after taking into account any amendments to the Rule as well as any change in circumstances, and the amendment or waiver does not materially impair the interests of the holders of the Bonds to which such undertaking relates, in the opinion of the Trustee or counsel expert in federal securities laws acceptable to both the Company and the Trustee, or is approved by the Beneficial Owners of a majority in aggregate principal amount of the outstanding Bonds. The Company acknowledges that its undertakings pursuant to the Rule described under this heading are intended to be for the benefit of the holders of the Bonds and shall be enforceable by the holders of those Bonds or by the Trustee on behalf of such holders. Any breach by the Company of these undertakings pursuant to the Rule will not constitute an event of default under the Indenture, the Loan Agreement or the Bonds.

The Company is a party to continuing disclosure agreements with respect to nine series of pollution control bonds. The MSRB's Electronic Municipal Market Access ("EMMA") website reflects that, within the past five years, for two series of such bonds, the Company's 2011 annual financial statements were timely posted, but to outdated CUSIP numbers. The 2011 annual financial statements were re-posted to the correct CUSIP numbers for those series in May 2012. With respect to both series of bonds, the Company also failed to file on the MSRB's EMMA website in a timely manner a notice of the Company's failure to file such 2011 financial statements in accordance with the applicable continuing disclosure agreements. The Company has subsequently made these corrective filings. The Company's 2011 annual financial statements had been filed with the SEC on February 28, 2012. The Company has had, and continues to have, procedures in place in order to make material event notices and financial statement filings on an ongoing basis.

This Reoffering Circular has been duly approved, executed and delivered by the Company.

LOUISVILLE GAS AND ELECTRIC COMPANY

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



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**APPENDIX A**

**THE COMPANY**

Louisville Gas and Electric Company (the “Company”), incorporated in Kentucky in 1913, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy and the distribution and sale of natural gas. As of December 31, 2017, the Company provides electric service to approximately 411,000 customers in Louisville and adjacent areas in Kentucky, covering approximately 700 square miles in nine counties and provides natural gas service to approximately 326,000 customers in its electric service area and eight additional counties in Kentucky. The Company’s coal-fired electric generating stations, all equipped with systems to reduce sulphur dioxide emissions, produce most of the Company’s electricity. The remainder is generated by a natural gas combined cycle combustion turbine, a hydroelectric power plant, natural gas and oil fueled combustion turbines and a small solar facility. Underground natural gas storage fields help the Company provide economical and reliable natural gas service to customers.

The Company is a wholly-owned subsidiary of LG&E and KU Energy LLC and an indirect wholly-owned subsidiary of PPL Corporation. The Company’s affiliate, Kentucky Utilities Company (“KU”), is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy in Kentucky, Virginia and Tennessee. The Company’s obligations under the Loan Agreement are solely its own, and not those of any of its affiliates. None of KU, PPL Corporation or the Company’s other affiliates will be obligated to make any payment on the Loan Agreement or the Bonds.

The Company’s executive offices are located at 220 West Main Street, Louisville, Kentucky 40202, telephone: (502) 627-2000.

The information above concerning the Company is only a summary and does not purport to be comprehensive. Additional information regarding the Company, including audited financial statements, is available in the documents listed under the heading “Documents Incorporated by Reference,” which documents are incorporated by reference herein.

**Selected Financial Data**  
**(Dollars in millions)**

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Operating revenues	\$ 1,453	\$ 1,430	\$ 1,444
Operating income	\$ 420	\$ 405	\$ 362
Net income	\$ 213	\$ 203	\$ 185
Total assets	\$ 6,559	\$ 6,300	\$ 6,068
Long-term debt obligations (including amounts due within one year)	\$ 1,709	\$ 1,617	\$ 1,642
Ratio of earnings to fixed charges <sup>(1)</sup>	5.5	5.3	5.9

Capitalization:

	December 31, 2017	% of Capitalization
Long-term debt and notes payable	\$1,908	43.0%
Common equity	\$2,527	57.0%
Total capitalization	\$ 4,435	100.0%

<sup>(1)</sup> For purposes of this ratio, "Earnings" consist of earnings (as defined below) from continuing operations plus fixed charges. Fixed charges consist of all interest on indebtedness, amortization of debt discount and expense and the portion of rental expense that represents an imputed interest component. Earnings from continuing operations consist of income before taxes and the mark-to-market impact of derivative instruments.

The selected financial data presented above for the three fiscal years ended December 31, 2017, and as of December 31 for each of those years, have been derived from the Company's audited financial statements. The Company's audited financial statements for the three fiscal years ended December 31, 2017, and as of December 31 for each of those years, are included in the Company's Form 10-K for the year ended December 31, 2017 incorporated by reference herein. "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-K for the year ended December 31, 2017, as well as the Combined Notes to Financial Statements as of December 31, 2017, 2016 and 2015, should be read in conjunction with the above information. Deloitte & Touche LLP audited the Company's financial statements for the fiscal years ended December 31, 2017 and 2016. Ernst & Young LLP audited the Company's financial statements for the fiscal year ended December 31, 2015.

### **Risk Factors**

Investing in the Bonds involves risk. Please see the risk factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, which is incorporated by reference in this Appendix A. Before making an investment decision, you should carefully consider these risks as well as the other information contained or incorporated by reference in this Appendix A. Risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair its business operations, its financial results and the value of the Bonds.

### **Available Information**

The Company is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and, accordingly, files reports and other information with the Securities and Exchange Commission (the "SEC"). Such reports and other information on file can be inspected and copied at the public reference facilities of the SEC, currently at 100 F Street, N.E., Room 1580, Washington, D.C. 20549; or from the SEC's Web Site (<http://www.sec.gov>). Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

### **Documents Incorporated by Reference**

The following documents, as filed by the Company with the SEC, are incorporated herein by reference:

1. Form 10-K Annual Report of the Company for the year ended December 31, 2017; and
2. Form 8-K Current Reports of the Company filed with the SEC on January 16, 2018 and March 26, 2018.

All documents filed by the Company with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 subsequent to the date of this Reoffering Circular and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference in this Appendix and to be made a part hereof from their respective dates of filing. Any statement contained in a document incorporated or deemed to be incorporated by reference in this Reoffering Circular shall be deemed to be modified or superseded for purposes of this Reoffering Circular to the extent that a statement contained in this Reoffering Circular or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Reoffering Circular modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Reoffering Circular.

The Company hereby undertakes to provide without charge to each person (including any beneficial owner) to whom a copy of this Reoffering Circular has been delivered, on the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Reoffering Circular by reference, other than certain exhibits to such documents. Requests for such copies should be directed to Treasurer, Louisville Gas and Electric Company, 220 West Main Street, Louisville, Kentucky 40202, telephone: (502) 627-2000.

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**APPENDIX B-1**

**(ORIGINAL OPINIONS OF BOND COUNSEL)**

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**HARPER, FERGUSON & DAVIS**  
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TELECOPIER (502) 491-0187

March 22, 2002

Re: \$35,000,000 County of Trimble, Kentucky, Pollution Control Revenue Bonds,  
2001 Series B (Louisville Gas and Electric Company Project)

We hereby certify that we have examined certified copies of the proceedings of record of the County of Trimble, Kentucky (the "County"), acting by and through its Fiscal Court as its duly authorized governing body, preliminary to and in connection with the issuance by the County of its Pollution Control Revenue Bonds, 2001 Series B (Louisville Gas and Electric Company Project), dated their date of issuance, in the aggregate principal amount of \$35,000,000 (the "Bonds"). The Bonds are issued under the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), for the purpose of providing funds which will be used, with other funds provided by Louisville Gas and Electric Company (the "Company") for the current refunding of \$35,000,000 aggregate principal amount of the County's Pollution Control Revenue Bonds, 1997 Series A (Louisville Gas and Electric Company Project), dated November 13, 1997 (the "Prior Bonds"), the proceeds of which were loaned to the Company to currently refund a portion of the costs of construction of air and water pollution control facilities and solid waste disposal facilities to serve certain electric generating units of the Company in Trimble County, Kentucky ("the Project") in order to provide for the control, containment, reduction and abatement of atmospheric and liquid pollutants and contaminants and for the disposal of solid wastes, as provided by the Act.

The Bonds mature on November 1, 2027 and bear interest initially at Flexible Rates, as defined in the Indenture, hereinafter described, subject to change as provided in such Indenture. The Bonds will be subject to optional and mandatory redemption prior to maturity at the times, in the manner and upon the terms set forth in each of the Bonds. From such examination of the proceedings of the Fiscal Court of the County referred to above and from an examination of the Act, we are of the opinion that the County is duly authorized and empowered to issue the Bonds under the laws of the Commonwealth of Kentucky now in force.

We have examined an executed counterpart of a certain Loan Agreement, dated as of November 1, 2001 (the "Loan Agreement"), between the County and the Company and a certified copy of the proceedings of record of the Fiscal Court of the County preliminary to and in connection with the execution and delivery of the Loan Agreement, pursuant to which the County has agreed to issue the Bonds and to lend the proceeds thereof to the Company to provide funds to pay and discharge, with other funds provided by the Company, the Prior Bonds and the Company has agreed



**HARPER, FERGUSON & DAVIS**

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to make Loan payments to the Trustee at times and in amounts fully adequate to pay maturing principal of, interest on and redemption premium, if any, on the Bonds as same become due and payable. From such examination, we are of the opinion that such proceedings of the Fiscal Court of the County show lawful authority for the execution and delivery of the Loan Agreement; that the Loan Agreement has been duly authorized, executed and delivered by the County; and that the Loan Agreement is a legal, valid and binding obligation of the County, enforceable in accordance with its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

We have also examined an executed counterpart of a certain Indenture of Trust, dated as of November 1, 2001 (the "Indenture"), by and between the County and Bankers Trust Company, as trustee (the "Trustee"), securing the Bonds and setting forth the covenants and undertakings of the County in connection with the Bonds and a certified copy of the proceedings of record of the Fiscal Court of the County preliminary to and in connection with the execution and delivery of the Indenture. Pursuant to the Indenture, certain of the County's rights under the Loan Agreement, including the right to receive payments thereunder, and all moneys and securities held by the Trustee in accordance with the Indenture (except moneys and securities in the Rebate Fund created thereby) have been assigned to the Trustee, as security for the holders of the Bonds. From such examination, we are of the opinion that such proceedings of the Fiscal Court of the County show lawful authority for the execution and delivery of the Indenture; that the Indenture has been duly authorized, executed and delivered by the County; and that the Indenture is a legal, valid and binding obligation upon the parties thereto according to its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

In our opinion the Bonds have been validly authorized, executed and issued in accordance with the laws of the Commonwealth of Kentucky now in full force and effect, and constitute legal, valid and binding special obligations of the County entitled to the benefit of the security provided by the Indenture and enforceable in accordance with their terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought. The Bonds are payable by the County solely and only from payments and other amounts derived from the Loan Agreement and as provided in the Indenture.

In our opinion, under existing laws, including current statutes, regulations, administrative rulings and official interpretations by the Internal Revenue Service, subject to the exceptions and qualifications contained in the succeeding paragraphs, interest on the Bonds is excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion is expressed regarding such exclusion from gross income with respect to any Bond during any period

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in which it is held by a "substantial user" of the Project or a "related person," as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is a separate item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. In arriving at this opinion, we have relied upon representations, factual statements and certifications of the Company with respect to certain material facts which are solely within the Company's knowledge in reaching our conclusion, inter alia, that all of the proceeds of the Prior Bonds were used to currently refinance certain bonds, all of the proceeds of which were used to currently refinance certain original bonds, not less than 95% of the net proceeds of which original bonds were used to finance air and water pollution control facilities and solid waste disposal facilities qualified for financing under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, and permitted by Section 1312(a) of the Tax Reform Act of 1986. Further, in arriving at the opinion set forth in this paragraph as to the exclusion from gross income of interest on the Bonds, we have assumed and this opinion is conditioned on, the accuracy of and continuing compliance by the Company and the County with representations and covenants set forth in the Loan Agreement and the Indenture which are intended to assure compliance with certain tax-exempt interest provisions of the Code. Such representations and covenants must be accurate and must be complied with subsequent to the issuance of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes. Failure to comply with certain of such representations and covenants in respect of the Bonds (or with similar requirements with respect to certain other bonds issued by the County of Jefferson, Kentucky at substantially the same time as the Bonds) subsequent to the issuance of the Bonds could cause the interest thereon to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents (other than with approval of this firm) is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability. We are further of the opinion that interest on the Bonds is excluded from gross income of the recipients thereof for Kentucky income tax purposes and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof.

Our opinion as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds is subject to the following exceptions and qualifications:

**HARPER, FERGUSON & DAVIS**

March 22, 2002  
Page 4

(a) The Code provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(b) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, we express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Holders of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that, for taxable years beginning after December 31, 1986, property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of section 32 of the Code, which exceeds \$2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income.

We have received and relied upon opinions of John R. McCall, Esq., General Counsel of the Company and Jones, Day, Reavis & Pogue, Chicago, Illinois, counsel to the Company, of even date herewith. In rendering this opinion, we have relied upon said opinions with respect to the matters therein. We have also received an opinion of even date herewith of Hon. Perry Arnold, County Attorney of the County, and relied upon said opinion with respect to the matters therein. Said opinions are in forms satisfactory to us as to both scope and content.

We express no opinion as to the title to, the description of, or the existence or priority of any liens, charges or encumbrances on, the Project.

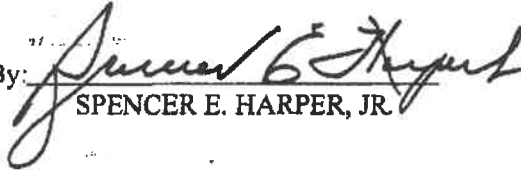
**HARPER, FERGUSON & DAVIS**

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In rendering the foregoing opinions, we are passing upon only those matters specifically set forth in such opinions and are not passing upon the investment quality of the Bonds or the accuracy or completeness of any statements made in connection with any sale thereof. The opinions herein are expressed as of the date hereof and we assume no obligation to supplement or update such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We are members of the Bar of the Commonwealth of Kentucky and do not purport to be experts on the laws of any jurisdiction other than the Commonwealth of Kentucky and the United States of America, and we express no opinion as to the laws of any jurisdiction other than those specified.

HARPER, FERGUSON & DAVIS

By:   
SPENCER E. HARPER, JR.

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March 22, 2002

Re: \$35,000,000 County of Jefferson, Kentucky, Pollution Control Revenue Bonds,  
2001 Series B (Louisville Gas and Electric Company Project)

We hereby certify that we have examined certified copies of the proceedings of record of the County of Jefferson, Kentucky (the "County"), acting by and through its Fiscal Court as its duly authorized governing body, preliminary to and in connection with the issuance by the County of its Pollution Control Revenue Bonds, 2001 Series B (Louisville Gas and Electric Company Project), dated their date of issuance, in the aggregate principal amount of \$35,000,000 (the "Bonds"). The Bonds are issued under the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), for the purpose of providing funds which will be used, with other funds provided by Louisville Gas and Electric Company (the "Company") for the current refunding of \$35,000,000 aggregate principal amount of the County's Pollution Control Revenue Bonds, 1997 Series A (Louisville Gas and Electric Company Project), dated November 13, 1997 (the "Prior Bonds"), the proceeds of which were loaned to the Company to currently refund a portion of the costs of construction of air pollution control facilities to serve certain electric generating units of the Company in Jefferson County, Kentucky ("the Project") in order to provide for the control, containment, reduction and abatement of atmospheric pollutants and contaminants, as provided by the Act.

The Bonds mature on November 1, 2027 and bear interest initially at Flexible Rates, as defined in the Indenture, hereinafter described, subject to change as provided in such Indenture. The Bonds will be subject to optional and mandatory redemption prior to maturity at the times, in the manner and upon the terms set forth in each of the Bonds. From such examination of the proceedings of the Fiscal Court of the County referred to above and from an examination of the Act, we are of the opinion that the County is duly authorized and empowered to issue the Bonds under the laws of the Commonwealth of Kentucky now in force.

We have examined an executed counterpart of a certain Loan Agreement, dated as of November 1, 2001 (the "Loan Agreement"), between the County and the Company and a certified copy of the proceedings of record of the Fiscal Court of the County preliminary to and in connection with the execution and delivery of the Loan Agreement, pursuant to which the County has agreed to issue the Bonds and to lend the proceeds thereof to the Company to provide funds to pay and discharge, with other funds provided by the Company, the Prior Bonds and the Company has agreed

**HARPER, FERGUSON & DAVIS**

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to make Loan payments to the Trustee at times and in amounts fully adequate to pay maturing principal of, interest on and redemption premium, if any, on the Bonds as same become due and payable. From such examination, we are of the opinion that such proceedings of the Fiscal Court of the County show lawful authority for the execution and delivery of the Loan Agreement; that the Loan Agreement has been duly authorized, executed and delivered by the County; and that the Loan Agreement is a legal, valid and binding obligation of the County, enforceable in accordance with its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

We have also examined an executed counterpart of a certain Indenture of Trust, dated as of November 1, 2001 (the "Indenture"), by and between the County and Bankers Trust Company, as trustee (the "Trustee"), securing the Bonds and setting forth the covenants and undertakings of the County in connection with the Bonds and a certified copy of the proceedings of record of the Fiscal Court of the County preliminary to and in connection with the execution and delivery of the Indenture. Pursuant to the Indenture, certain of the County's rights under the Loan Agreement, including the right to receive payments thereunder, and all moneys and securities held by the Trustee in accordance with the Indenture (except moneys and securities in the Rebate Fund created thereby) have been assigned to the Trustee, as security for the holders of the Bonds. From such examination, we are of the opinion that such proceedings of the Fiscal Court of the County show lawful authority for the execution and delivery of the Indenture; that the Indenture has been duly authorized, executed and delivered by the County; and that the Indenture is a legal, valid and binding obligation upon the parties thereto according to its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

In our opinion the Bonds have been validly authorized, executed and issued in accordance with the laws of the Commonwealth of Kentucky now in full force and effect, and constitute legal, valid and binding special obligations of the County entitled to the benefit of the security provided by the Indenture and enforceable in accordance with their terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought. The Bonds are payable by the County solely and only from payments and other amounts derived from the Loan Agreement and as provided in the Indenture.

In our opinion, under existing laws, including current statutes, regulations, administrative rulings and official interpretations by the Internal Revenue Service, subject to the exceptions and qualifications contained in the succeeding paragraphs, interest on the Bonds is excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion is expressed regarding such exclusion from gross income with respect to any Bond during any period

**HARPER, FERGUSON & DAVIS**

March 22, 2002  
Page 3

in which it is held by a "substantial user" of the Project or a "related person," as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is a separate item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. In arriving at this opinion, we have relied upon representations, factual statements and certifications of the Company with respect to certain material facts which are solely within the Company's knowledge in reaching our conclusion, inter alia, that all of the proceeds of the Prior Bonds were used to currently refinance certain bonds, all of the proceeds of which were used to currently refinance certain original bonds, not less than 95% of the net proceeds of which original bonds were used to finance air pollution control facilities qualified for financing under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, and permitted by Section 1312(a) of the Tax Reform Act of 1986. Further, in arriving at the opinion set forth in this paragraph as to the exclusion from gross income of interest on the Bonds, we have assumed and this opinion is conditioned on, the accuracy of and continuing compliance by the Company and the County with representations and covenants set forth in the Loan Agreement and the Indenture which are intended to assure compliance with certain tax-exempt interest provisions of the Code. Such representations and covenants must be accurate and must be complied with subsequent to the issuance of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes. Failure to comply with certain of such representations and covenants in respect of the Bonds (or with similar requirements with respect to certain bonds issued by the County of Trimble, Kentucky at substantially the same time as the Bonds) subsequent to the issuance of the Bonds could cause the interest thereon to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents other than with approval of this firm is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability. We are further of the opinion that interest on the Bonds is excluded from gross income of the recipients thereof for Kentucky income tax purposes and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof.

Our opinion as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds is subject to the following exceptions and qualifications:

**HARPER, FERGUSON & DAVIS**

March 22, 2002

Page 4

(a) The Code provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(b) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, we express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Holders of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that, for taxable years beginning after December 31, 1986, property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of section 32 of the Code, which exceeds \$2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income.

We have received and relied upon opinions of John R. McCall, Esq., General Counsel of the Company and Jones, Day, Reavis & Pogue, Chicago, Illinois, counsel to the Company, of even date herewith. In rendering this opinion, we have relied upon said opinions with respect to the matters therein. We have also received an opinion of even date herewith of Hon. Irv Maze, County Attorney of the County, and relied upon said opinion with respect to the matters therein. Said opinions are in forms satisfactory to us as to both scope and content.

We express no opinion as to the title to, the description of, or the existence or priority of any liens, charges or encumbrances on, the Project.



**HARPER, FERGUSON & DAVIS**

March 22, 2002  
Page 5

In rendering the foregoing opinions, we are passing upon only those matters specifically set forth in such opinions and are not passing upon the investment quality of the Bonds or the accuracy or completeness of any statements made in connection with any sale thereof. The opinions herein are expressed as of the date hereof and we assume no obligation to supplement or update such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We are members of the Bar of the Commonwealth of Kentucky and do not purport to be experts on the laws of any jurisdiction other than the Commonwealth of Kentucky and the United States of America, and we express no opinion as to the laws of any jurisdiction other than those specified.

HARPER, FERGUSON & DAVIS

By:   
SPENCER E. HARPER, JR.

**APPENDIX B-2**

**(SUPPLEMENTAL OPINIONS OF BOND COUNSEL)**

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May 1, 2018

County of Trimble, Kentucky  
Bedford, Kentucky

U.S. Bank National Association, as  
successor Trustee  
Louisville, Kentucky

**Re: Change in Long Term Rate Period of \$35,000,000 County of Trimble, Kentucky, Pollution Control Revenue Bonds, 2001 Series B (Louisville Gas and Electric Company Project)**

Ladies and Gentlemen:

This opinion is being furnished in accordance with the requirements of the Indenture of Trust, dated as of November 1, 2001, as amended and supplemented pursuant to Supplemental Indenture No.1 to Indenture of Trust dated as of September 1, 2010 (collectively, the "Indenture"), between the County of Trimble, Kentucky (the "Issuer") and U.S. Bank National Association, as successor Trustee, Bond Registrar, Paying Agent, and Tender Agent (the "Trustee"), pertaining to \$35,000,000 principal amount of County of Trimble, Kentucky, Pollution Control Revenue Bonds, 2001 Series B (Louisville Gas and Electric Company Project), dated March 22, 2002 (the "2001 Series B Bonds"), in order to satisfy certain requirements of Section 2.02(d)(ii) of the Indenture. Pursuant to Section 2.02(d)(ii) of the Indenture, the Company has elected to change the existing Long Term Rate Period applicable to the 2001 Series B Bonds expiring on April 30, 2018 to a new Long Term Rate Period applicable to the 2001 Series B Bonds commencing on and effective as of May 1, 2018 and ending on May 2, 2021. The 2001 Series B Bonds will be subject to mandatory tender for purchase on May 3, 2021 following expiration of the new Long Term Rate Period. The 2001 Series B Bonds mature on November 1, 2027. The terms used herein denoted by initial capitals and not otherwise defined shall have the meanings specified in the Indenture.

We have examined the law and such documents and matters as we have deemed necessary to provide this opinion. As to questions of fact material to the opinions expressed herein, we have relied upon the provisions of the Indenture and related documents, and upon representations made to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, as of the date hereof, we are of the opinion that the change in the Long Term Rate Period applicable to the 2001 Series B Bonds expiring on April 30, 2018 to a new Long Term Rate Period commencing on and effective as of May 1, 2018 and ending on May 2, 2021 as described herein (a) is authorized or permitted by the Act and is authorized by the Indenture and (b) will not adversely affect the validity of the 2001 Series B Bonds or any

exclusion from gross income of the interest on the 2001 Series B Bonds for federal income tax purposes to which interest on the 2001 Series B Bonds would otherwise be entitled. Interest on the 2001 Series B Bonds is not and will not be excluded from gross income during any period when the 2001 Series B Bonds are held by the Company or a "related person" of the Company as defined in Section 147(a) of the Internal Revenue Code of 1986, as amended.

In rendering this opinion, we assume, without verifying, that the Issuer and the Company have complied and will comply with all covenants contained in the Indenture, the Loan Agreement between the Issuer and the Company, dated as of November 1, 2001, as amended and supplemented pursuant to Amendment No. 1 to Loan Agreement dated as of September 1, 2010, and other documents relating to the 2001 Series B Bonds. We rendered our approving opinion at the time of the issuance of the 2001 Series B Bonds relating to, among other things, the validity of the 2001 Series B Bonds and the exclusion from federal income taxation of interest on the 2001 Series B Bonds. We have not been requested to update or continue our opinion and have not undertaken to do so. Accordingly, we do not express any opinion with respect to the 2001 Series B Bonds except as set forth above.

Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We express no opinion herein as to the investment quality of the 2001 Series B Bonds or the adequacy, accuracy, or completeness of any information furnished to any person in connection with any offer or sale of the 2001 Series B Bonds.

Respectfully submitted,

**STOLL KEENON OGDEN PLLC**

May 1, 2018

Louisville/Jefferson County Metro Government,  
Kentucky  
Louisville, Kentucky

U.S. Bank National Association, as  
successor Trustee  
Louisville, Kentucky

**Re: Change in Long Term Rate Period of \$35,000,000 Louisville/Jefferson County Metro Government, Kentucky, Pollution Control Revenue Bonds, 2001 Series B (Louisville Gas and Electric Company Project)**

Ladies and Gentlemen:

This opinion is being furnished in accordance with the requirements of the Indenture of Trust, dated as of November 1, 2001, as amended and supplemented pursuant to Supplemental Indenture No. 1 to Indenture of Trust dated as of September 1, 2010 (collectively, the "**Indenture**"), between Louisville/Jefferson County Metro Government, Kentucky (the "**Issuer**") and U.S. Bank National Association, as Successor Trustee, Bond Registrar, Paying Agent, and Tender Agent (the "**Trustee**"), pertaining to \$35,000,000 principal amount of Louisville/Jefferson County Metro Government, Kentucky, Pollution Control Revenue Bonds, 2001 Series B (Louisville Gas and Electric Company Project), dated March 22, 2002 (the "**2001 Series B Bonds**"), in order to satisfy certain requirements of Section 2.02(d)(ii) of the Indenture. Pursuant to Section 2.02(d)(ii) of the Indenture, the Company has elected to change the existing Long Term Rate Period applicable to the 2001 Series B Bonds expiring on April 30, 2018 to a new Long Term Rate Period applicable to the 2001 Series B Bonds commencing on and effective as of May 1, 2018 and ending on May 2, 2021. The 2001 Series B Bonds will be subject to mandatory tender for purchase on May 3, 2021 following expiration of the new Long Term Rate Period. The 2001 Series B Bonds mature on November 1, 2027. The terms used herein denoted by initial capitals and not otherwise defined shall have the meanings specified in the Indenture.

We have examined the law and such documents and matters as we have deemed necessary to provide this opinion. As to questions of fact material to the opinions expressed herein, we have relied upon the provisions of the Indenture and related documents, and upon representations made to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, as of the date hereof, we are of the opinion that the change in the Long Term Rate Period applicable to the 2001 Series B Bonds expiring on April 30, 2018 to a new Long Term Rate Period commencing on and effective as of May 1, 2018 and ending on May 2, 2021 as described herein (a) is authorized or permitted by the Act and is authorized by the Indenture and (b) will not adversely affect the validity of the 2001 Series B Bonds or any

exclusion from gross income of the interest on the 2001 Series B Bonds for federal income tax purposes to which interest on the 2001 Series B Bonds would otherwise be entitled. Interest on the 2001 Series B Bonds is not and will not be excluded from gross income during any period when the 2001 Series B Bonds are held by the Company or a "related person" of the Company as defined in Section 147(a) of the Internal Revenue Code of 1986, as amended.

In rendering this opinion, we assume, without verifying, that the Issuer and the Company have complied and will comply with all covenants contained in the Indenture, the Loan Agreement between the Issuer and the Company, dated as of November 1, 2001, as amended and supplemented pursuant to Amendment No. 1 to Loan Agreement dated as of September 1, 2010, and other documents relating to the 2001 Series B Bonds. We rendered our approving opinion at the time of the issuance of the 2001 Series B Bonds relating to, among other things, the validity of the 2001 Series B Bonds and the exclusion from federal income taxation of interest on the 2001 Series B Bonds. We have not been requested to update or continue our opinion and have not undertaken to do so. Accordingly, we do not express any opinion with respect to the 2001 Series B Bonds except as set forth above.

Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We express no opinion herein as to the investment quality of the 2001 Series B Bonds or the adequacy, accuracy, or completeness of any information furnished to any person in connection with any offer or sale of the 2001 Series B Bonds.

Respectfully submitted,

STOLL KEENON OGDEN PLLC

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**NEW ISSUE**

**BOOK-ENTRY-ONLY**

*Subject to the conditions and exceptions set forth under the heading "Tax Treatment" in this Official Statement, Stoll Keenon Ogden PLLC, as Bond Counsel, is of the opinion that, under current law, interest on the Bonds offered hereby will be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" or a "related person" of the Project as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will not be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the branch profits tax on a portion of such interest. Bond Counsel is further of the opinion that interest on the Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, the principal of the Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of the Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of the Bonds. See "Tax Treatment" herein.*

**\$60,000,000**  
**County of Trimble, Kentucky**  
**Environmental Facilities Revenue Refunding Bonds,**  
**2017 Series A, Due June 1, 2033**  
**(Louisville Gas and Electric**  
**Company Project)**

**Dated:** Date of original delivery  
**Interest Payment Dates:** June 1 and December 1

**Due:** June 1, 2033  
**Interest Rate:** 3.75%

The County of Trimble, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2017 Series A (Louisville Gas and Electric Company Project) (the "Bonds") will be special and limited obligations of the County of Trimble, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to a Loan Agreement with Louisville Gas and Electric Company (the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds will not constitute general obligations of the Issuer or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky.

Principal of, and interest on, the Bonds are further secured by the delivery to U.S. Bank National Association, as Trustee, of First Mortgage Bonds of

**LOUISVILLE GAS AND ELECTRIC COMPANY**

From and after the date of the issuance and delivery of the Bonds, the Bonds will bear interest at the Long Term Rate of 3.75% per annum from the date of issuance to maturity. Interest on the Bonds will be payable on each June 1 and December 1, commencing December 1, 2017. The interest rate period, interest rate and interest rate mode will be subject to change under certain conditions, as described in this Official Statement. The Bonds will be subject to optional redemption on and after June 1, 2027, and will be subject to extraordinary optional redemption and mandatory redemption following a determination of taxability prior to maturity, as described in this Official Statement.

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PRICE: 100%

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The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Purchases of beneficial ownership interests in the Bonds will be made in book-entry only form in denominations of \$5,000 and multiples thereof. Purchasers will not receive certificates representing their beneficial interests in the Bonds. See the information contained under the heading "Summary of the Bonds — Book-Entry-Only System" in this Official Statement. The principal or redemption price of and interest on the Bonds will be paid by U.S. Bank National Association, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described herein.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Stoll Keenon Ogden PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois and Gerald A. Reynolds, General Counsel, Chief Compliance Officer and Corporate Secretary of the Company, for the Issuer by its County Attorney, and for the Underwriters by their counsel, McGuireWoods LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about June 1, 2017.

**J.P. Morgan**

**US Bancorp**

May 18, 2017

The Bonds are exempt from registration under the Securities Act of 1933, as amended.

No dealer, broker, salesman or other person has been authorized by the Issuer, the Company or the Underwriters to give any information or to make any representation with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the completeness of such information. The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

**In connection with the offering of the Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of such Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.**

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**OFFICIAL STATEMENT**

**\$60,000,000**  
**County of Trimble, Kentucky**  
**Environmental Facilities Revenue Refunding Bonds,**  
**2017 Series A, Due June 1, 2033**  
**(Louisville Gas and Electric**  
**Company Project)**

**Introductory Statement**

This Official Statement, including the cover page and Appendices, is provided to furnish information in connection with the offer and sale by the County of Trimble, Kentucky (the "Issuer") of its Environmental Facilities Revenue Refunding Bonds, 2017 Series A (Louisville Gas and Electric Company Project), in the aggregate principal amount of \$60,000,000 (the "Bonds") to be issued pursuant to an Indenture of Trust dated as of June 1, 2017 (the "Indenture") between the Issuer and U.S. Bank National Association (the "Trustee"), as Trustee, Paying Agent and Bond Registrar.

Pursuant to a Loan Agreement by and between Louisville Gas and Electric Company (the "Company") and the Issuer, dated as of June 1, 2017, (the "Loan Agreement"), proceeds from the sale of the Bonds, other than accrued interest, if any, paid by the initial purchasers thereof, will be loaned by the Issuer to the Company.

The proceeds of the Bonds (other than any accrued interest) will be applied in full, together with other moneys made available by the Company, to pay and discharge \$60,000,000 in outstanding principal amount of "County of Trimble, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project)," dated April 26, 2007 (the "Prior Bonds"), previously issued by the Issuer to refinance certain air and water pollution control facilities and solid waste disposal facilities (the "Project") owned by the Company. For information regarding these pollution control and solid waste disposal facilities, see "The Project."

It is a condition to the Underwriters' obligation to purchase the Bonds that the Company irrevocably instruct the trustee in respect of the Prior Bonds, on or prior to the date of issuance of the Bonds, to call the Prior Bonds for redemption.

The Company will repay the loan under the Loan Agreement by making payments to the Trustee in sufficient amounts to pay the principal or redemption price of and interest on the Bonds and will further agree under the Loan Agreement to make payments of the purchase price of the Bonds tendered for purchase to the extent funds are not otherwise available under the Indenture. See "Summary of the Loan Agreement — General." Pursuant to the Indenture, the Issuer's rights under the Loan Agreement (other than with respect to certain rights to indemnification, reimbursement, notice and payment of expenses) will be assigned to the Trustee as security for the Bonds.

For the purpose of further securing the Bonds, the Company will issue and deliver to the Trustee a series of the Company's First Mortgage Bonds, Collateral Series 2017TCA (the "First Mortgage Bonds"). The principal amount, maturity date and interest rate (or method of determining interest rates) of such First Mortgage Bonds will correspond to the principal amount, maturity date and interest rate (or method of determining interest rates) of the Bonds. The First Mortgage Bonds will only be payable, and interest thereon will only accrue, as described herein. See "Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds" and "Summary of the First Mortgage Bonds and the First

Mortgage Indenture.” The First Mortgage Bonds will not provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase in accordance with the Indenture.

The First Mortgage Bonds will be issued under, and will be secured by, the Company’s Indenture, dated as of October 1, 2010, as previously supplemented and as to be supplemented by a supplemental indenture to be dated as of May 15, 2017 relating to the Bonds (the “First Mortgage Supplemental Indenture” and the Indenture, as so supplemented, the “First Mortgage Indenture”), between the Company and The Bank of New York Mellon, as trustee (the “First Mortgage Trustee”).

The Company is concurrently engaged in separate reofferings for two other issues of tax-exempt environmental facilities revenue refunding bonds totaling, in the aggregate, \$66,200,000 in principal amount, which were issued by another issuer and for which the Company is the primary obligor.

The Company is a wholly-owned subsidiary of LG&E and KU Energy LLC and an indirect wholly-owned subsidiary of PPL Corporation. The Company’s obligations under the Loan Agreement are solely its own, and not those of any of its affiliates. None of PPL Corporation or the Company’s other affiliates will be obligated to make any payments due under the Loan Agreement or First Mortgage Bonds or any other payments of principal, interest, redemption price or purchase price of the Bonds.

**The Bonds will be special and limited obligations of the Issuer, and the Issuer’s obligation to pay the principal or redemption price of and interest on, and purchase price of, the Bonds will be limited solely to the revenues and other amounts received by the Trustee under the Indenture pursuant to the Loan Agreement, including amounts payable on the First Mortgage Bonds. The Bonds will not constitute an indebtedness, general obligation or pledge of the faith and credit or taxing power of the Issuer, the Commonwealth of Kentucky or any political subdivision thereof.**

Brief descriptions of the Company, the Issuer, the Bonds, the Loan Agreement, the Indenture, the First Mortgage Bonds and the First Mortgage Indenture are included in this Official Statement. Such descriptions and information do not purport to be complete, comprehensive or definitive and are not to be construed as a representation or a guaranty of completeness. All references in this Official Statement to the documents are qualified in their entirety by reference to such documents, and references in this Official Statement to the Bonds are qualified in their entirety by reference to the definitive form of the Bonds included in the Indenture. Copies of the Loan Agreement and the Indenture will be available for inspection at the principal corporate trust office of the Trustee and, until the issuance of the Bonds, may be obtained from the Underwriters. The First Mortgage Indenture (including the form of the First Mortgage Bonds) is available for inspection at the office of the Company in Louisville, Kentucky, and at the corporate trust office of the First Mortgage Trustee, in Pittsburgh, Pennsylvania. Certain information relating to The Depository Trust Company (“DTC”) and the book-entry-only system has been furnished by DTC. Appendix A to this Official Statement and all information contained under the headings “The Project” and “Use of Proceeds” has been furnished by the Company. The Issuer, Bond Counsel and the Underwriters assume no responsibility for the accuracy or completeness of such Appendix A or such information. The Underwriters have reviewed the information in Appendix A to this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the completeness of such Appendix A or such information. Appendix B to this Official Statement contains the proposed form of opinion of Bond Counsel to be delivered in connection with the issuance and delivery of the Bonds.

***This Official Statement only describes the terms and provisions applicable to the Bonds while accruing interest at the Long Term Rate.***

#### **The Issuer**

The Issuer is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky. The Issuer is authorized by Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (collectively, the "Act") to (a) issue the Bonds to pay and discharge the Prior Bonds, (b) lend the proceeds from the sale of the Bonds to the Company for such purpose and (c) enter into and perform its obligations under the Loan Agreement and the Indenture. The Issuer, through its legislative body, the Fiscal Court, has adopted one or more ordinances authorizing the issuance of the Bonds and the execution and delivery of the related documents.

THE BONDS WILL BE SPECIAL AND LIMITED OBLIGATIONS PAYABLE SOLELY AND ONLY FROM CERTAIN SOURCES, INCLUDING AMOUNTS TO BE RECEIVED BY OR ON BEHALF OF THE ISSUER UNDER THE LOAN AGREEMENT, INCLUDING AMOUNTS PAYABLE ON THE FIRST MORTGAGE BONDS. THE BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS, GENERAL OBLIGATION OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF, AND WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS.

#### **The Project**

The Project being refinanced with the Bonds has been completed and is the property of the Company, subject to the lien of the First Mortgage Indenture. The Project consists of certain air and water pollution control and solid waste disposal facilities in connection with Unit 1 of the Trimble County Station situated in Trimble County, Kentucky. Major components of the Project include electrostatic precipitators to capture fly ash and particulate emissions from the Unit 1 steam boilers; sulphur dioxide removal systems (scrubbers) to remove sulphur dioxide from flue gases; water pollution control and solid waste disposal facilities, including retention basins, sludge and ash ponds for the receipt of sludge wastes produced by sulphur dioxide removal facilities and by electrostatic precipitators as well as bottom ash; both exterior and interior systems for the collection and transmission to treatment and neutralization facilities of polluted liquids, including coal pile liquid runoffs and fuel oil and other chemical spills; a natural draft cooling tower for the abatement of thermal pollution to the interstate stream (Ohio River); and facilities for the reception, transportation, preparation and holding of reactant chemicals and materials used in sulphur dioxide removal systems, which facilities are functionally related and subordinate to such sulphur dioxide removal systems.

The Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky (now the Energy and Environment Cabinet), the agency exercising jurisdiction with respect to the Project, has previously certified that the Project, as designed, is in furtherance of the purposes of abating and controlling atmospheric pollutants or contaminants and water pollution.

#### **Use of Proceeds**

The proceeds from the sale of the Bonds (other than any accrued interest) will be used, together with funds to be provided by the Company, to pay and discharge at a redemption price of 100% of the principal amount thereof, plus accrued interest, all of the outstanding Prior Bonds, within 90 days of the date of the issuance of the Bonds. The Prior Bonds currently bear interest at an interest rate of 4.60% per annum and mature on June 1, 2033.



### Summary of the Bonds

#### General

The Bonds will be issued in the aggregate principal amount set forth on the cover page of this Official Statement. The Bonds will mature as to principal on June 1, 2033. The Bonds are also subject to redemption prior to maturity as described in this Official Statement.

The Bonds will bear interest at the Long Term Rate of 3.75% per annum from June 1, 2017 to maturity. Interest on the Bonds will be paid on each June 1 and December 1, commencing December 1, 2017. The Bonds will continue to bear interest at such Long Term Rate until a Conversion to another Interest Rate Mode or until the maturity or redemption of the Bonds. The permitted Interest Rate Modes for the Bonds are (i) the Flexible Rate, (ii) the Daily Rate, (iii) the Weekly Rate, (iv) the Semi-Annual Rate, (v) the Annual Rate, (vi) the Long Term Rate, (vii) the LIBOR Index Rate and (viii) the SIFMA-Based Term Rate.

*This Official Statement only describes the terms and provisions applicable to the Bonds while accruing interest at such Long Term Rate.*

Interest on the Bonds will be computed on the basis of a 360-day year, consisting of twelve 30-day months. Interest payable on each June 1 and December 1 will be payable to the registered owner of the Bond as of the May 15 and November 15 preceding such June 1 and December 1.

The Bonds initially will be issued solely in book-entry-only form through DTC (or its nominee, Cede & Co.). So long as the Bonds are held in the book-entry-only system, DTC or its nominee will be the registered owner or holder of the Bonds for all purposes of the Indenture, the Bonds and this Official Statement. See “— Book-Entry-Only System” below. Individual purchases of book-entry interests in the Bonds will be made in book-entry-only form in denominations of \$5,000 and multiples thereof.

So long as the Bonds are held in book-entry-only form, the principal or redemption price of and interest on, and purchase price of, the Bonds will be payable by the Trustee, as paying agent (the “Paying Agent”), through the facilities of DTC (or a successor depository).

Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the designated office of the Trustee, as bond registrar (the “Bond Registrar”), accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar duly executed by the registered owner or the owner’s duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond (i) during the fifteen days before any mailing of a notice of redemption of Bonds, (ii) after such Bond has been called for redemption or (iii) which has been purchased (see “Mandatory Purchase of Bonds — Payment of Purchase Price” below). Registration of transfers and exchanges will be made without charge to the registered owners of Bonds, except that the Bond Registrar may require any registered owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

#### Certain Definitions

As used herein, each of the following terms will have the meaning indicated:

“*Beneficial Owner*” means the person in whose name a Bond is recorded as such by the respective systems of DTC and each Participant (as defined herein) or the registered holder of such Bond if such Bond is not then registered in the name of Cede & Co.

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

“*Conversion*” means any conversion from time to time in accordance with the terms of the Indenture of the Bonds from one Interest Rate Mode to another Interest Rate Mode or the establishment of a new Long Term Rate Period. The Bonds will be subject to Conversion on or after June 1, 2027.

“*Interest Rate Mode*” means the Flexible Rate, the Daily Rate, the Weekly Rate, the Semi-Annual Rate, the Annual Rate, the Long Term Rate, the LIBOR Index Rate and the SIFMA-Based Term Rate.

“*Long Term Rate Period*” means the period beginning on, and including, the date of issuance of the Bonds and ending on, and including, the day immediately preceding the earliest of the change to a different Long Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

“*Remarketing Agent*” means any remarketing agent selected from time to time by the Company to act, if necessary, as the Remarketing Agent with respect to the Bonds. Any Remarketing Agent will be appointed in accordance with the terms of the Indenture and a remarketing agreement to be entered into between such Remarketing Agent and the Company (the “Remarketing Agreement”). The Remarketing Agent may, without notice to the Company, assign its rights and obligations as Remarketing Agent to a broker-dealer affiliate in accordance with the terms of the Indenture and the Remarketing Agreement.

“*Tender Agent*” means, so long as the Bonds are held in DTC’s book-entry-only system, the Trustee, who will act as Tender Agent under the Indenture. Any successor Tender Agent appointed pursuant to the Indenture will also be a Paying Agent.

#### **Redemptions**

***Optional Redemption.*** The Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, on any date on or after June 1, 2027 at a redemption price of 100% of the principal amount thereof plus interest accrued, if any, to the redemption date.

***Extraordinary Optional Redemption in Whole.*** The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events occur within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

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

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

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

(iv) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Trimble County Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such Trimble County Generating Station for a period of six months.

As a result of a Company Letter Agreement between the Issuer and the Company, to be dated as of June 1, 2017, the Company will agree that it will not, prior to the earliest of the change to a different Long Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity of the Bonds, exercise the rights under the Loan Agreement it would otherwise have to redeem the Bonds under the following circumstances:

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

(ii) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Trimble County Generating Station have occurred, which, in the judgment of the Company, render the continued operation of the Trimble County Generating Station or any generating unit at the Trimble County Generating Station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in clean air or water or other air and water pollution control requirements or solid waste disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable.

***Extraordinary Optional Redemption in Whole or in Part.*** The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project, subject to compliance with the terms of the First Mortgage Indenture and receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See "Summary of the Loan Agreement — Maintenance; Damage, Destruction and Condemnation."

***Mandatory Redemption; Determination of Taxability.*** The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption

date, within 180 days following a "Determination of Taxability." As used herein, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user of the Project within the meaning of Section 147 of the Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability will be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (a) gives the Company and the Trustee prompt notice of the commencement thereof, and (b) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (a) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (b) the Company will exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

**General Redemption Terms.** Notice of redemption will be given by mailing a redemption notice conforming to the provisions and requirements of the Indenture by first class mail to the registered owners of the Bonds to be redeemed not less than 20 days prior to the redemption date.

Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. If the provisions for discharging the Indenture set forth below under the heading "Summary of the Indenture — Discharge of Indenture" have not been complied with, any redemption notice may state that it is conditional on there being sufficient moneys to pay the full redemption price for the Bonds to be redeemed and that if sufficient funds have not been received by the Trustee by the opening of business on the redemption date, such notice shall be of no effect. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

#### **Conversion of Interest Rate Modes**

The Interest Rate Mode for the Bonds is subject to Conversion from time to time on or after June 1, 2027 at the option of the Company in accordance with the terms of the Indenture, upon notice from the Bond Registrar to the registered owners of the Bonds. Upon Conversion, the Bonds will be subject to mandatory purchase as described below. With any notice of Conversion, the Company must also deliver to the Bond Registrar an opinion of Bond Counsel stating that such Conversion is authorized or permitted by the Act and is authorized by the Indenture and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

#### **Mandatory Purchase of Bonds**

*General.* The Bonds will be subject to mandatory purchase on Conversion at a purchase price equal to the principal amount thereof plus accrued and unpaid interest. Notice to owners of such mandatory purchase will be given by the Bond Registrar by first class mail at least 20 days prior to the purchase date. The notice of mandatory purchase will state those matters required to be set forth therein under the Indenture.

*Remarketing and Purchase of Bonds.* The Indenture provides that, subject to the terms of a Remarketing Agreement with the Company, unless otherwise instructed by the Company, the Remarketing Agent will use its commercially reasonable best efforts to remarket Bonds purchased. Each such sale will be at a price equal to the principal amount thereof, plus interest accrued to the date of sale. The Remarketing Agent, the Trustee, the Paying Agent, the Bond Registrar or the Tender Agent each may purchase any Bonds offered for sale for its own account.

The purchase price of Bonds tendered for purchase will be paid by the Tender Agent from moneys derived from the remarketing of such Bonds by the Remarketing Agent and, if such remarketing proceeds are insufficient, from moneys made available by the Company.

The Company is obligated to purchase any Bonds tendered for purchase to the extent such Bonds have not been remarketed. Any such purchases by the Company will not result in the extinguishment of the purchased Bonds. The Company currently maintains lines of credit or other liquidity facilities in amounts determined by it to be sufficient to meet its current needs and expects to continue to maintain such lines of credit or other liquidity facilities from time to time to the extent determined by it to be necessary to meet its then-current needs. The Trustee, any Paying Agent, the Tender Agent and the owners of the Bonds have no right to draw under any line of credit or other liquidity facility maintained by the Company. There is no provision in the Indenture or the Loan Agreement requiring the Company to maintain such financing arrangements which may be discontinued at any time without notice. The

First Mortgage Bonds are not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase pursuant to the Indenture.

Any deficiency in purchase price payments resulting from the Remarketing Agent's failure to deliver remarketing proceeds of all Bonds with respect to which the Remarketing Agent notified the Tender Agent were remarketed will not result in an Event of Default under the Indenture until the opening of business on the next succeeding Business Day unless the Company fails to provide sufficient funds to pay such purchase price by the opening of business on such next succeeding Business Day. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase of Bonds will be consummated, but failure to consummate such purchase will not be deemed to be an Event of Default under the Indenture if sufficient funds have been provided in a timely manner by the Company to the Tender Agent for such purpose.

***Payment of Purchase Price.*** Payment of the purchase price of any Bond will be payable on the purchase date upon delivery of such Bond to the Tender Agent on such date; provided that such Bond must be delivered to the Tender Agent at or prior to 11:00 a.m. (New York City time). When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Tender Agent. If the purchase date is not a Business Day, the purchase price will be payable on the next succeeding Business Day.

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

If the registered owner of any Bond (or portion thereof) that is subject to purchase pursuant to the Indenture fails to deliver such Bond with an appropriate instrument of transfer to the Tender Agent for purchase on such purchase date, and if the Tender Agent is in receipt of the purchase price therefor, such Bond (or portion thereof) nevertheless will be deemed purchased on such purchase date. Any owner who so fails to deliver such Bond for purchase on (or before) the purchase date will have no further rights thereunder, except the right to receive the purchase price thereof from those moneys deposited with the Tender Agent in the Purchase Fund pursuant to the Indenture upon presentation and surrender of such Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

#### **Security**

Payment of the principal or redemption price of and interest on the Bonds will be secured by an assignment by the Issuer to the Trustee of the Issuer's interest in and to the Loan Agreement and all payments to be made pursuant thereto (other than certain indemnification and expense payments). Pursuant to the Loan Agreement, the Company will agree to pay, among other things, amounts sufficient to pay the aggregate principal amount or redemption price of the Bonds, together with interest thereon as and when the same become due. The Company further will agree to make payments of the purchase price of the Bonds tendered for purchase to the extent that funds are not otherwise available therefor under the provisions of the Indenture.

The payment of the principal or redemption price of and interest on the Bonds will be further secured by the First Mortgage Bonds. The principal amount of the First Mortgage Bonds will equal the principal amount of the Bonds. If the Bonds become immediately due and payable as a result of a default in payment of the principal or redemption price of or interest on the Bonds, or a default in payment of the

purchase price of such Bonds, due to an event of default under the Loan Agreement and upon receipt by the First Mortgage Trustee of a written demand from the Trustee for redemption of the First Mortgage Bonds (“Redemption Demand”), or if all first mortgage bonds outstanding under the First Mortgage Indenture shall have become immediately due and payable, such First Mortgage Bonds will begin to bear interest at the same interest rate or rates borne by the Bonds and the principal of such First Mortgage Bonds, together with interest accrued thereon from the last date or dates to which interest on the Bonds has been paid in full, will be payable in accordance with the Supplemental Indenture. See “Summary of the First Mortgage Bonds and the First Mortgage Indenture.”

The First Mortgage Bonds are not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase in accordance with the Indenture. The Company is not required under the Loan Agreement or Indenture to provide any letter of credit or liquidity support for the Bonds. The First Mortgage Bonds are secured by a lien on certain property owned by the Company. In certain circumstances, the Company is permitted to reduce the aggregate principal amount of its First Mortgage Bonds held by the Trustee, but in no event to an amount lower than the aggregate outstanding principal amount of the Bonds.

#### **Book-Entry-Only System**

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

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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



The requirement for physical delivery of Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer, the Company, the Tender Agent and the Trustee, or the Issuer, at the request of the Company, may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository for the Bonds). Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be delivered as described in the Indenture (see "— Revision of Book-Entry-Only System; Replacement Bonds" below). The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners. Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Issuer's obligations under the Indenture and the Company's obligations under the Loan Agreement and the First Mortgage Bonds, to the extent of the payments so made. Beneficial Owners will not be, and will not be considered by the Issuer or the Trustee to be, and will not have any rights as, owners of Bonds under the Indenture.

The Trustee and the Issuer, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption or of proposed document amendments requiring consent of registered owners and any other notices required by the document (including notices of Conversion and mandatory purchase) to be sent to registered owners only to DTC (or any successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption, the document amendment, the Conversion, the mandatory purchase or any other action premised on that notice.

The Issuer, the Company, the Trustee and the Underwriters cannot and do not give any assurances that DTC will distribute payments on the Bonds made to DTC or its nominee as the registered owner or any redemption or other notices, to the Participants, or that the Participants or others will distribute such payments or notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

THE ISSUER, THE COMPANY, THE UNDERWRITERS AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A REGISTERED OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OR PURCHASE PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OF ANY NOTICE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

#### **Revision of Book-Entry-Only System; Replacement Bonds**

In the event that DTC determines not to continue as securities depository or is removed by the Issuer, at the direction of the Company, as securities depository, the Issuer, at the direction of the Company, may appoint a successor securities depository reasonably acceptable to the Trustee. If the Issuer does not or is unable to appoint a successor securities depository, the Issuer will issue and the Trustee will authenticate and deliver fully registered Bonds, in authorized denominations, to the assignees of DTC or their nominees.

In the event that the book-entry-only system is discontinued, the following provisions will apply. The Bonds may be issued in denominations of \$5,000 and multiples thereof. Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the designated office of the Bond Registrar, accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond during the fifteen days before any mailing of a notice of redemption, after such Bond has been called for redemption in whole or in part, or after such Bond has been tendered or deemed tendered for optional or mandatory purchase as described under "Purchases of Bonds." Registration of transfers and exchanges will be made without charge to the owners of Bonds, except that the Bond Registrar may require any owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

#### **Summary of the Loan Agreement**

*The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the Loan Agreement. This description is only a summary and does not purport to be complete and definitive. Reference is made to the Loan Agreement for the detailed provisions thereof.*

#### **General**

The term of the Loan Agreement will commence as of its date and end on the earliest to occur of June 1, 2033, or the date on which all of the Bonds have been fully paid or provision has been made for such payment pursuant to the Indenture. See "Summary of the Indenture — Discharge of Indenture."

The Company will agree to repay the loan pursuant to the Loan Agreement by making timely payments to the Trustee in sufficient amounts to pay the principal or redemption price of and interest required to be paid on the Bonds on each date upon which any such payments are due. The Company will also agree to pay (a) the agreed upon fees and expenses of the Trustee, the Bond Registrar, the Tender Agent and the Paying Agent and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent and the Tender Agent, as may be applicable, under the Indenture, (b) the expenses in connection with any redemption of the Bonds and (c) the reasonable expenses of the Issuer.

The Company will covenant and agree with the Issuer that it will cause the purchase of tendered Bonds that are not remarketed in accordance with the Indenture and, to that end, the Company will cause funds to be made available to the Tender Agent at the times and in the manner required to effect such purchases in accordance with the Indenture (see "Summary of the Bonds — Mandatory Purchase of Bonds — Remarketing and Purchase of Bonds").

All payments to be made by the Company to the Issuer pursuant to the Loan Agreement (except the fees and reasonable out-of-pocket expenses of the Issuer, the Trustee, the Paying Agent, the Bond

Registrar and the Tender Agent, and amounts related to indemnification) will be assigned by the Issuer to the Trustee, and the Company will pay such amounts directly to the Trustee. The obligations of the Company to make the payments pursuant to the Loan Agreement are absolute and unconditional.

**Maintenance of Tax Exemption**

The Company and the Issuer will agree not to take any action that would result in the interest paid on the Bonds being included in gross income of any Bondholder (other than a holder who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes or that adversely affects the validity of the Bonds.

**Issuance and Delivery of First Mortgage Bonds**

For the purpose of providing security for the Bonds, the Company will execute and deliver to the Trustee the First Mortgage Bonds on the date of issuance of the Bonds. The principal amount of the First Mortgage Bonds executed and delivered to the Trustee will equal the aggregate principal amount of the Bonds. If the Bonds become immediately due and payable as a result of a default in payment of the principal or redemption price of or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of default under the Loan Agreement and upon receipt by the First Mortgage Trustee of a Redemption Demand, or if all first mortgage bonds outstanding under the First Mortgage Indenture shall have become immediately due and payable, such First Mortgage Bonds will then bear interest at the same interest rate or rates borne by the Bonds and the principal of such First Mortgage Bonds, together with interest accrued thereon from the last date to which interest on the Bonds shall have been paid in full, will then be payable. See, however, “Summary of the Indenture — Waiver of Events of Default.”

Upon payment of the principal or redemption price of and interest on any of the Bonds, and the surrender to and cancellation thereof by the Trustee, or upon provision for the payment thereof having been made in accordance with the Indenture, First Mortgage Bonds with corresponding principal amounts equal to the aggregate principal amount of the Bonds so surrendered and canceled or for the payment of which provision has been made, will be surrendered by the Trustee to the First Mortgage Trustee and will be canceled by the First Mortgage Trustee. The First Mortgage Bonds will be registered in the name of the Trustee and will be non-transferable, except to effect transfers to any successor trustee under the Indenture.

**Payment of Taxes**

The Company will agree to pay certain taxes and other governmental charges that may be lawfully assessed, levied or charged against or with respect to the Project (see, however, subparagraph (i) under the heading “Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole”). The Company may contest such taxes or other governmental charges unless the security provided by the Indenture would be materially endangered.

**Maintenance; Damage, Destruction and Condemnation**

So long as any Bonds are outstanding, the Company will maintain, preserve and keep the Project or cause the Project to be maintained, preserved and kept in good repair, working order and condition and will make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as “pollution control facilities” as defined in Section 103.246(1)(a) of the Act. However, the Company will have no obligation to maintain, preserve, keep, repair, replace or renew any portion of the Project, the maintenance, preservation, keeping, repair, replacement or renewal of which

becomes uneconomical to the Company because of certain events, including damage or destruction by a cause not within the Company's control, condemnation of the Project, change in government standards and regulations, economic or other obsolescence or termination of operation of generating facilities to the Project.

The Company, at its own expense, may remodel the Project or make substitutions, modifications and improvements to the Project as it deems desirable, which remodeling, substitutions, modifications and improvements are deemed, under the terms of the Loan Agreement to be a part of the Project. The Company may not, however, change or alter the basic nature of the Project as "pollution control facilities" as defined in Section 103.246(1)(a) of the Act.

If, prior to the payment of all Bonds outstanding, the Project or any portion thereof is destroyed, damaged or taken by the exercise of the power of eminent domain and the Issuer, the Company or the First Mortgage Trustee receives net proceeds from insurance or a condemnation award in connection therewith, the Company must, subject to the requirements of the First Mortgage Indenture, (i) cause such net proceeds to be used to repair or restore the Project or (ii) take any other action, including the redemption of the Bonds in whole or in part at their principal amount, which, by the opinion of Bond Counsel, will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes. See "Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole or in Part."

#### **Project Insurance**

The Company will insure the Project in accordance with the provisions of the First Mortgage Indenture.

#### **Assignment, Merger and Release of Obligations of the Company**

The Company may assign the Loan Agreement, pursuant to an opinion of Bond Counsel that such assignment will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, without obtaining the consent of either the Issuer or the Trustee. Such assignment, however, will not relieve the Company from primary liability for any of its obligations under the Loan Agreement and performance and observance of the other covenants and agreements to be performed by the Company. The Company may dispose of all or substantially all of its assets or consolidate with or merge into another entity, provided the acquirer of the Company's assets or the entity with which it will consolidate with or merge into is a corporation or other business organization organized and existing under the laws of the United States of America or one of the states of the United States of America or the District of Columbia, is qualified and admitted to do business in the Commonwealth of Kentucky, and assumes in writing all of the obligations and covenants of the Company under the Loan Agreement and delivers a copy of such assumption to the Issuer and the Trustee.

#### **Release and Indemnification Covenant**

The Company will indemnify and hold the Issuer harmless against any expense or liability incurred, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof.

#### **Events of Default**

Each of the following events constitutes an "Event of Default" under the Loan Agreement:

- (1) failure by the Company to pay the amounts required for payment of the principal of, including purchase price for tendered Bonds and redemption and acceleration prices, and interest accrued, on the Bonds, at the times specified therein taking into account any periods of grace provided in the Indenture and the Bonds for the applicable payment of interest on the Bonds (see “Summary of the Indenture — Defaults and Remedies”), and such failure shall cause an event of default under the Indenture;
- (2) failure by the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraph (1) above, for a period of 30 days after written notice by the Issuer or Trustee, subject to extension by the Issuer and the Trustee, provided, however, that if such failure is capable of being corrected, but cannot be corrected in such 30-day period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action with respect thereto is instituted within such period and is being diligently pursued;
- (3) certain events of bankruptcy, dissolution, liquidation, reorganization or insolvency of the Company;
- (4) the occurrence of an Event of Default under the Indenture; or
- (5) all first mortgage bonds outstanding under the First Mortgage Indenture, if not already due, shall have become immediately due and payable, whether by declaration or otherwise, and such acceleration shall not have been rescinded by the First Mortgage Trustee;

Under the Loan Agreement, certain of the Company’s obligations (other than the Company’s obligations, among others, (i) not to permit any action which would result in interest paid on the Bonds being included in gross income for federal and Kentucky income taxes, (ii) to execute and deliver the First Mortgage Bonds to the Trustee on or before the date of issuance of the Bonds in an amount equal to the principal amount of the Bonds; (iii) to maintain its corporate existence and good standing, and to neither dispose of all or substantially all of its assets or consolidate with or merge into another entity unless certain provisions of the Loan Agreement are satisfied; and (iv) to make loan payments and certain other payments under the provisions of the Loan Agreement) may be suspended if by reason of force majeure (as defined in the Loan Agreement) the Company is unable to carry out such obligations.

#### **Remedies**

Upon the happening and continuance of an Event of Default under the Loan Agreement, the Trustee, on behalf of the Issuer, may, among other things, take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company, under the Loan Agreement, including any remedies available in respect of the First Mortgage Bonds.

In the event of a default in payment of the principal or redemption price of or interest on the Bonds and the acceleration of the maturity date of the Bonds (to the extent not already due and payable) as a consequence of such Event of Default, the Trustee may demand redemption of the First Mortgage Bonds. See “Summary of the First Mortgage Bonds and the First Mortgage Indenture” and “Summary of the Indenture — Defaults and Remedies.” Any amounts collected upon the happening of any such Event of Default must be applied in accordance with the Indenture or, if the Bonds have been fully paid (or

provision for payment thereof has been made in accordance with the Indenture) and all other liabilities of the Company accrued under the Indenture and the Loan Agreement have been paid or satisfied, made available to the Company.

#### **Options to Prepay; Obligation to Prepay**

The Company may prepay the loan pursuant to the Loan Agreement, in whole or in part, on certain dates, at the prepayment prices as shown under the headings “Summary of the Bonds — Redemptions — Optional Redemption,” “Extraordinary Optional Redemption in Whole” and “Extraordinary Optional Redemption in Whole or in Part.” Upon the occurrence of the event described under the heading “Summary of the Bonds — Redemptions — Mandatory Redemption; Determination of Taxability,” the Company will be obligated to prepay the loan in an aggregate amount sufficient to redeem the required principal amount of the Bonds.

In each instance, the loan prepayment price must be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem the requisite amount of the Bonds at a price equal to 100% of the principal amount plus accrued interest to the redemption date, and to pay all reasonable and necessary fees and expenses of the Trustee, the Paying Agent, the Bond Registrar and the Tender Agent and all other liabilities of the Company under the Loan Agreement accrued to the redemption date.

#### **Amendments and Modifications**

No alteration, amendment, change, supplement or modification of the Loan Agreement is permissible without the written consent of the Trustee. The Issuer and the Trustee may, however, without the consent of or notice to any Bondholders, enter into any alteration, amendment, change, supplement or modification of the Loan Agreement (i) which may be required by the provisions of the Loan Agreement or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with any modification or change necessary to conform the Loan Agreement with changes and modifications in the Indenture or (iv) in connection with any other change which, in the judgment of the Trustee, does not adversely affect the Trustee or the Bondholders. Except for such alterations, amendments, changes, supplements or modifications, the Loan Agreement may be altered, amended, changed, supplemented or modified only with the consent of the Bondholders holding a majority in principal amount of the Bonds then outstanding (see “Summary of the Indenture — Supplemental Indentures” for an explanation of the procedures necessary for Bondholder consent); provided, however, that the approval of the Bondholders holding 100% in principal amount of the Bonds then outstanding is necessary to effectuate an alteration, amendment, change, supplement or modification with respect to the Loan Agreement of the type described in clauses (i) through (iv) of the first sentence of the third paragraph of “Summary of the Indenture — Supplemental Indentures.”

#### **Summary of the First Mortgage Bonds and the First Mortgage Indenture**

*The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the First Mortgage Bonds and the First Mortgage Indenture. This description is only a summary and does not purport to be complete and definitive. Reference is made to the First Mortgage Indenture and to the form of the First Mortgage Bonds for the detailed provisions thereof.*

### General

In connection with the issuance of the Bonds, the First Mortgage Bonds will be issued in a principal amount equal to the principal amount of the Bonds and will constitute a new series of first mortgage bonds under the First Mortgage Indenture (see “Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds”). The statements herein made (being for the most part summaries of certain provisions of the First Mortgage Indenture) are subject to the detailed provisions of the First Mortgage Indenture, which is incorporated herein by this reference. Words or phrases italicized are defined in the First Mortgage Indenture.

The First Mortgage Bonds will mature on the same date and bear interest at the same rate or rates as the Bonds; however, the principal of and interest on the First Mortgage Bonds will not be payable other than upon the occurrence of an event of default under the Loan Agreement. If the Bonds become immediately due and payable as a result of a default in payment of the principal or redemption price of or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of default under the Loan Agreement, and if all first mortgage bonds outstanding under the First Mortgage Indenture shall not have become immediately due and payable following an event of default under the First Mortgage Indenture, the Company will be obligated to redeem the First Mortgage Bonds upon receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee for redemption, at a redemption price equal to the principal amount thereof plus accrued interest at the rates borne by the Bonds from the last date to which interest on the Bonds has been paid.

The First Mortgage Bonds at all times will be in fully registered form registered in the name of the Trustee, will be non-negotiable, and will be non-transferable except to any successor trustee under the Indenture. Upon payment and cancellation of Bonds by the Trustee or the Paying Agent (other than any Bond or portion thereof that was canceled by the Trustee or the Paying Agent and for which one or more Bonds were delivered and authenticated pursuant to the Indenture), whether at maturity, by redemption or otherwise, or upon provision for the payment of the Bonds having been made in accordance with the Indenture, an equal principal amount of First Mortgage Bonds will be deemed fully paid and the obligations of the Company thereunder will cease.

### Security; Lien of the First Mortgage Indenture

**General.** Except as described below under this heading and under “— Issuance of Additional First Mortgage Bonds,” and subject to the exceptions described under “— Satisfaction and Discharge,” all first mortgage bonds issued under the First Mortgage Indenture, including the First Mortgage Bonds, will be secured, equally and ratably, by the lien of the First Mortgage Indenture, which constitutes, subject to *permitted liens* and exclusions as described below, a first mortgage lien on substantially all of the Company’s real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and the storage, transportation and distribution of natural gas (other than property duly released from the lien of the First Mortgage Indenture in accordance with the provisions thereof and other than *excepted property*, as described below). Property that is subject to the lien of the First Mortgage Indenture is referred to below as “Mortgaged Property.”

The Company may obtain the release of property from the lien of the First Mortgage Indenture from time to time, upon the bases provided for such release in the First Mortgage Indenture. See “— Release of Property.”

The Company may enter into supplemental indentures with the First Mortgage Trustee, without the consent of the holders of the first mortgage bonds, in order to subject additional property (including

property that would otherwise be excepted from such lien) to the lien of the First Mortgage Indenture. This property would constitute *property additions* and would be available as a basis for the issuance of additional first mortgage bonds. See “— Issuance of Additional First Mortgage Bonds.”

The First Mortgage Indenture provides that after-acquired property (other than *excepted property*) will be subject to the lien of the First Mortgage Indenture. However, in the case of consolidation or merger (whether or not the Company is the surviving company) or transfer of the Mortgaged Property as or substantially as an entirety, the First Mortgage Indenture will not be required to be a lien upon any of the properties either owned or subsequently acquired by the successor company except properties acquired from the Company in or as a result of such transfer, as well as improvements, extensions and additions (as defined in the First Mortgage Indenture) to such properties and renewals, replacements and substitutions of or for any part or parts thereof. See “— Consolidation, Merger and Conveyance of Assets as an Entirety.”

**Excepted Property.** The lien of the First Mortgage Indenture does not cover, among other things, the following types of property: property located outside of Kentucky and not specifically subjected or required to be subjected to the lien of the First Mortgage Indenture; property not used by the Company in its electric generation, transmission and distribution business or its natural gas storage, transportation and distribution business; cash and securities not paid, deposited or held under the First Mortgage Indenture or required so to be; contracts, leases and other agreements of all kinds, contract rights, bills, notes and other instruments, revenues, accounts receivable, claims, demands and judgments; governmental and other licenses, permits, franchises, consents and allowances; intellectual property rights and other general intangibles; vehicles, movable equipment, aircraft and vessels; all goods, stock in trade, wares, merchandise and inventory held for the purpose of sale or lease in the ordinary course of business; materials, supplies, inventory and other personal property consumable in the operation of the Company’s business; fuel; tools and equipment; furniture and furnishings; computers and data processing, telecommunications and other facilities used primarily for administrative or clerical purposes or otherwise not used in connection with the operation or maintenance of electric generation, transmission and distribution facilities or natural gas storage, transportation and distribution facilities; coal, ore, gas, oil and other minerals and timber rights; electric energy and capacity, gas, steam, water and other products generated, produced, manufactured, purchased or otherwise acquired; real property and facilities used primarily for the production or gathering of natural gas; property which has been released from the lien of the First Mortgage Indenture; and leasehold interests. Property of the Company not covered by the lien of the First Mortgage Indenture is referred to herein as *excepted property*. Properties held by any of the Company’s subsidiaries, as well as properties leased from others, would not be subject to the lien of the First Mortgage Indenture.

**Permitted Liens.** The lien of the First Mortgage Indenture is subject to permitted liens described in the First Mortgage Indenture. Such permitted liens include liens existing at the execution date of the First Mortgage Indenture, purchase money liens and other liens placed or otherwise existing on property acquired by the Company after the execution date of the First Mortgage Indenture at the time the Company acquires it, tax liens and other governmental charges which are not delinquent or which are being contested in good faith, mechanics’, construction and materialmen’s liens, certain judgment liens, easements, reservations and rights of others (including governmental entities) in, and defects of title to, the Company’s property, certain leases and leasehold interests, liens to secure public obligations, rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by the Company or by others on the Company’s property, rights and interests of persons other than the Company arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of such persons in such property and liens which have been bonded or for which other security arrangements have been made.



The First Mortgage Indenture also provides that the First Mortgage Trustee will have a lien, prior to the lien on behalf of the holders of the first mortgage bonds, including the First Mortgage Bonds, upon the Mortgaged Property as security for the Company's payment of its reasonable compensation and expenses and for indemnity against certain liabilities. Any such lien would be a permitted lien under the First Mortgage Indenture.

#### **Issuance of Additional First Mortgage Bonds**

The maximum principal amount of first mortgage bonds that may be authenticated and delivered under the First Mortgage Indenture is subject to the issuance restrictions described below; provided, however, that the maximum principal amount of first mortgage bonds outstanding at any one time shall not exceed One Quintillion Dollars (\$1,000,000,000,000,000,000), which amount may be changed by supplemental indenture. As of March 31, 2017, first mortgage bonds in an aggregate principal amount of \$1,634,304,000 were outstanding under the First Mortgage Indenture, of which \$549,304,000 were issued to secure the Company's payment obligations with respect to its outstanding pollution control and environmental facilities revenue bonds, including the Bonds.

First mortgage bonds of any series may be issued from time to time on the basis of, and in an aggregate principal amount not exceeding:

- 66 2/3% of the *cost* or *fair value* to the Company (whichever is less) of *property additions* (as described below) which do not constitute *funded property* (generally, *property additions* which have been made the basis of the authentication and delivery of first mortgage bonds, the release of Mortgaged Property or the withdrawal of cash, which have been substituted for retired *funded property* or which have been used for other specified purposes) after certain deductions and additions, primarily including adjustments to offset property retirements;
- the aggregate principal amount of *retired securities* (as described below); or
- an amount of cash deposited with the First Mortgage Trustee.

*Property additions* generally include any property which is owned by the Company and is subject to the lien of the First Mortgage Indenture except (with certain exceptions) goodwill, going concern value rights or intangible property, or any property the acquisition or construction of which is properly chargeable to one of the Company's operating expense accounts in accordance with U.S. generally accepted accounting principles.

*Retired securities* means, generally, first mortgage bonds which are no longer outstanding under the First Mortgage Indenture, which have not been retired by the application of *funded cash* and which have not been used as the basis for the authentication and delivery of first mortgage bonds, the release of property or the withdrawal of cash.

At March 31, 2017, approximately \$1.47 billion of *property additions* and \$275 million of *retired securities* were available to be used as the basis for the authentication and delivery of first mortgage bonds. The Company intends to issue the First Mortgage Bonds on the basis of *retired securities*.

#### **Release of Property**

Unless an *event of default* has occurred and is continuing, the Company may obtain the release from the lien of the First Mortgage Indenture of any Mortgaged Property, except for cash held by the First Mortgage Trustee, upon delivery to the First Mortgage Trustee of an amount in cash equal to the amount,

if any, by which sixty-six and two-thirds percent (66-2/3%) of the cost of the property to be released (or, if less, the *fair value* to the Company of such property at the time it became *funded property*) exceeds the aggregate of:

- an amount equal to 66 2/3% of the aggregate principal amount of obligations secured by *purchase money liens* upon the property to be released and delivered to the First Mortgage Trustee;
- an amount equal to 66 2/3% of the *cost* or *fair value* to the Company (whichever is less) of certified *property additions* not constituting *funded property* after certain deductions and additions, primarily including adjustments to offset property retirements (except that such adjustments need not be made if such *property additions* were acquired or made within the 90-day period preceding the release);
- the aggregate principal amount of first mortgage bonds the Company would be entitled to issue on the basis of *retired securities* (with such entitlement being waived by operation of such release);
- the aggregate principal amount of first mortgage bonds delivered to the First Mortgage Trustee (with such first mortgage bonds to be canceled by the First Mortgage Trustee);
- any amount of cash and/or an amount equal to 66 2/3% of the aggregate principal amount of obligations secured by *purchase money liens* upon the property released that is delivered to the trustee or other holder of a lien prior to the lien of the First Mortgage Indenture, subject to certain limitations described in the First Mortgage Indenture; and
- any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released.

As used in the First Mortgage Indenture, the term *purchase money lien* means, generally, a lien on the property being released which is retained by the transferor of such property or granted to one or more other persons in connection with the transfer or release thereof, or granted to or held by a trustee or agent for any such persons, and may include liens which cover property in addition to the property being released and/or which secure indebtedness in addition to indebtedness to the transferor of such property.

Unless an *event of default* has occurred and is continuing, property which is not *funded property* may generally be released from the lien of the First Mortgage Indenture without depositing any cash or property with the First Mortgage Trustee as long as (a) the aggregate amount of *cost* or *fair value* to the Company (whichever is less) of all *property additions* which do not constitute *funded property* (excluding the property to be released) after certain deductions and additions, primarily including adjustments to offset property retirements, is not less than zero or (b) the *cost* or *fair value* (whichever is less) of property to be released does not exceed the aggregate amount of the cost or fair value to the Company (whichever is less) of *property additions* acquired or made within the 90-day period preceding the release.

The First Mortgage Indenture provides simplified procedures for the release of minor properties and property taken by eminent domain, and provides for dispositions of certain obsolete property and grants or surrender of certain rights without any release or consent by the First Mortgage Trustee.

If the Company retains any interest in any property released from the lien of the First Mortgage Indenture, the First Mortgage Indenture will not become a lien on such property or such interest therein or

any improvements, extensions or additions to such property or renewals, replacements or substitutions of or for such property or any part or parts thereof.

#### **Withdrawal of Cash**

Unless an *event of default* has occurred and is continuing, and subject to certain limitations, cash held by the First Mortgage Trustee may, generally, (1) be withdrawn by the Company (a) to the extent of sixty-six and two-thirds percent (66-2/3%) of the *cost or fair value* to the Company (whichever is less) of *property additions* not constituting *funded property*, after certain deductions and additions, primarily including adjustments to offset retirements (except that such adjustments need not be made if such *property additions* were acquired or made within the 90-day period preceding the withdrawal) or (b) in an amount equal to the aggregate principal amount of first mortgage bonds that the Company would be entitled to issue on the basis of *retired securities* (with the entitlement to such issuance being waived by operation of such withdrawal) or (c) in an amount equal to the aggregate principal amount of any outstanding first mortgage bonds delivered to the First Mortgage Trustee; or (2) upon the Company's request, be applied to (a) the purchase of first mortgage bonds in a manner and at a price approved by the Company or (b) the payment (or provision for payment) at stated maturity of any first mortgage bonds or the redemption (or provision for payment) of any first mortgage bonds which are redeemable; provided, however, that cash deposited with the First Mortgage Trustee as the basis for the authentication and delivery of first mortgage bonds may, in addition, be withdrawn in an amount not exceeding the aggregate principal amount of cash delivered to the First Mortgage Trustee for such purpose.

#### **Events of Default**

An "event of default" occurs under the First Mortgage Indenture if

- the Company does not pay any interest on any first mortgage bonds within 30 days of the due date;
- the Company does not pay principal or premium, if any, on any first mortgage bonds on the due date;
- the Company remains in breach of any other covenant (excluding covenants specifically dealt with elsewhere in this section) in respect of any first mortgage bonds for 90 days after the Company receives a written notice of default stating the Company is in breach and requiring remedy of the breach; the notice must be sent by either the First Mortgage Trustee or holders of 25% of the principal amount of outstanding first mortgage bonds; the First Mortgage Trustee or such holders can agree to extend the 90-day period and such an agreement to extend will be automatically deemed to occur if the Company initiates corrective action within such 90 day period and the Company is diligently pursuing such action to correct the default; or
- the Company files for bankruptcy or certain other events in bankruptcy, insolvency, receivership or reorganization occur.

#### **Remedies**

***Acceleration of Maturity.*** If an event of default occurs and is continuing, then either the First Mortgage Trustee or the holders of not less than 25% in principal amount of the outstanding first mortgage bonds may declare the principal amount of all of the first mortgage bonds to be due and payable immediately.

**Rescission of Acceleration.** After the declaration of acceleration has been made and before the First Mortgage Trustee has obtained a judgment or decree for payment of the money due, such declaration and its consequences will be rescinded and annulled, if

- the Company pays or deposits with the First Mortgage Trustee a sum sufficient to pay:
  - all overdue interest;
  - the principal of and premium, if any, which have become due otherwise than by such declaration of acceleration and interest thereon;
  - interest on overdue interest to the extent lawful; and
  - all amounts due to the First Mortgage Trustee under the First Mortgage Indenture; and
- all *events of default*, other than the nonpayment of the principal which has become due solely by such declaration of acceleration, have been cured or waived as provided in the First Mortgage Indenture.

For more information as to waiver of defaults, see “— Waiver of Default and of Compliance” below.

**Appointment of Receiver and Other Remedies.** Subject to the First Mortgage Indenture, under certain circumstances and to the extent permitted by law, if an *event of default* occurs and is continuing, the First Mortgage Trustee has the power to appoint a receiver of the Mortgaged Property, and is entitled to all other remedies available to mortgagees and secured parties under the Uniform Commercial Code or any other applicable law.

**Control by Holders; Limitations.** Subject to the First Mortgage Indenture, if an *event of default* occurs and is continuing, the holders of a majority in principal amount of the outstanding first mortgage bonds will have the right to

- direct the time, method and place of conducting any proceeding for any remedy available to the First Mortgage Trustee, or
- exercise any trust or power conferred on the First Mortgage Trustee.

The rights of holders to make direction are subject to the following limitations:

- the holders’ directions may not conflict with any law or the First Mortgage Indenture; and
- the holders’ directions may not involve the First Mortgage Trustee in personal liability where the First Mortgage Trustee believes indemnity is not adequate.

The First Mortgage Trustee may also take any other action it deems proper which is not inconsistent with the holders’ direction.

In addition, the First Mortgage Indenture provides that no holder of any first mortgage bond will have any right to institute any proceeding, judicial or otherwise, with respect to the First Mortgage Indenture for the appointment of a receiver or for any other remedy thereunder unless

- that holder has previously given the First Mortgage Trustee written notice of a continuing *event of default*;

- the holders of 25% in aggregate principal amount of the outstanding first mortgage bonds have made written request to the First Mortgage Trustee to institute proceedings in respect of that *event of default* and have offered the First Mortgage Trustee reasonable indemnity against costs, expenses and liabilities incurred in complying with such request; and
- for 60 days after receipt of such notice, request and offer of indemnity, the First Mortgage Trustee has failed to institute any such proceeding and no direction inconsistent with such request has been given to the First Mortgage Trustee during such 60-day period by the holders of a majority in aggregate principal amount of outstanding first mortgage bonds.

Furthermore, no holder of first mortgage bonds will be entitled to institute any such action if and to the extent that such action would disturb or prejudice the rights of other holders of first mortgage bonds.

However, each holder of first mortgage bonds has an absolute and unconditional right to receive payment when due and to bring a suit to enforce that right.

**Notice of Default.** The First Mortgage Trustee is required to give the holders of the first mortgage bonds notice of any default under the First Mortgage Indenture to the extent required by the Trust Indenture Act, unless such default has been cured or waived; except that in the case of an *event of default* of the character specified in the third bullet point under “— Events of Default” (regarding a breach of certain covenants continuing for 90 days after the receipt of a written notice of default), no such notice shall be given to such holders until at least 60 days after the occurrence thereof. The Trust Indenture Act currently permits the First Mortgage Trustee to withhold notices of default (except for certain payment defaults) if the First Mortgage Trustee in good faith determines the withholding of such notice to be in the interests of the holders of the first mortgage bonds.

The Company will furnish the First Mortgage Trustee with an annual statement as to its compliance with the conditions and covenants in the First Mortgage Indenture.

**Waiver of Default and of Compliance.** The holders of a majority in aggregate principal amount of the outstanding first mortgage bonds may waive, on behalf of the holders of all outstanding first mortgage bonds, any past default under the First Mortgage Indenture, except a default in the payment of principal, premium or interest, or with respect to compliance with certain provisions of the First Mortgage Indenture that cannot be amended without the consent of the holder of each outstanding first mortgage bond affected.

Compliance with certain covenants in the First Mortgage Indenture or otherwise provided with respect to first mortgage bonds may be waived by the holders of a majority in aggregate principal amount of the affected first mortgage bonds, considered as one class.

#### **Consolidation, Merger and Conveyance of Assets as an Entirety**

Subject to the provisions described below, the Company has agreed to preserve its corporate existence.

The Company has agreed not to consolidate with or merge with or into any other entity or convey, transfer or lease the Mortgaged Property as or substantially as an entirety to any entity unless

- the entity formed by such consolidation or into which the Company merges, or the entity which acquires or which leases the Mortgaged Property substantially as an entirety, is an

entity organized and existing under the laws of the United States of America or any State or Territory thereof or the District of Columbia; and

- expressly assumes, by supplemental indenture, the due and punctual payment of the principal of, and premium and interest on, all the outstanding first mortgage bonds and the performance of all of the Company's covenants under the First Mortgage Indenture; and
- such entity confirms the lien of the First Mortgage Indenture on the Mortgaged Property; and
- in the case of a lease, such lease is made expressly subject to termination by (i) the Company or by the First Mortgage Trustee and (ii) the purchaser of the property so leased at any sale thereof, at any time during the continuance of an *event of default*; and
- immediately after giving effect to such transaction, no *event of default*, and no event which after notice or lapse of time or both would become an *event of default*, will have occurred and be continuing.

In the case of the conveyance or other transfer of the Mortgaged Property as or substantially as an entirety to any other person, upon the satisfaction of all the conditions described above the Company would be released and discharged from all obligations under the First Mortgage Indenture and on the first mortgage bonds then outstanding unless the Company elects to waive such release and discharge.

The First Mortgage Indenture does not prevent or restrict:

- any consolidation or merger after the consummation of which the Company would be the surviving or resulting entity; or
- any conveyance or other transfer, or lease, of any part of the Mortgaged Property which does not constitute the entirety or substantially the entirety thereof.

If following a conveyance or other transfer, or lease, of any part of the Mortgaged Property, the fair value of the Mortgaged Property retained by the Company exceeds an amount equal to three-halves (3/2) of the aggregate principal amount of all outstanding first mortgage bonds, then the part of the Mortgaged Property so conveyed, transferred or leased shall be deemed not to constitute the entirety or substantially the entirety of the Mortgaged Property. This fair value will be determined within 90 days of the conveyance or transfer by an independent expert that the Company selects and that is approved by the First Mortgage Trustee.

#### **Modification of First Mortgage Indenture**

***Without Holder Consent.*** Without the consent of any holders of first mortgage bonds, the Company and the First Mortgage Trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the succession of another entity to the Company;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series or tranche of first mortgage bonds, or to surrender any right or power conferred upon the Company;

- to correct or amplify the description of any property at any time subject to the lien of the First Mortgage Indenture; or to better assure, convey and confirm unto the First Mortgage Trustee any property subject or required to be subjected to the lien of the First Mortgage Indenture; or to subject to the lien of the First Mortgage Indenture additional property (including property of others), to specify any additional Permitted Liens with respect to such additional property and to modify the provisions in the First Mortgage Indenture for dispositions of certain types of property without release in order to specify any additional items with respect to such additional property;
- to add any additional *events of default*, which may be stated to remain in effect only so long as the first mortgage bonds of any one more particular series remains outstanding;
- to change or eliminate any provision of the First Mortgage Indenture or to add any new provision to the First Mortgage Indenture that does not adversely affect the interests of the holders in any material respect;
- to establish the form or terms of any series or tranche of first mortgage bonds;
- to provide for the issuance of bearer securities;
- to evidence and provide for the acceptance of appointment of a successor First Mortgage Trustee or by a co-trustee or separate trustee;
- to provide for the procedures required to permit the utilization of a noncertificated system of registration for any series or tranche of first mortgage bonds;
- to change any place or places where
  - the Company may pay principal, premium and interest,
  - first mortgage bonds may be surrendered for transfer or exchange, and
  - notices and demands to or upon the Company may be served;
- to amend and restate the First Mortgage Indenture as originally executed, and as amended from time to time, with such additions, deletions and other changes that do not adversely affect the interest of the holders in any material respect;
- to cure any ambiguity, defect or inconsistency or to make any other changes that do not adversely affect the interests of the holders in any material respect; or
- to increase or decrease the maximum principal amount of first mortgage bonds that may be outstanding at any time.

In addition, if the Trust Indenture Act is amended after the date of the First Mortgage Indenture so as to require changes to the First Mortgage Indenture or so as to permit changes to, or the elimination of, provisions which, at the date of the First Mortgage Indenture or at any time thereafter, were required by the Trust Indenture Act to be contained in the First Mortgage Indenture, the First Mortgage Indenture will be deemed to have been amended so as to conform to such amendment or to effect such changes or

elimination, and the Company and the First Mortgage Trustee may, without the consent of any holders, enter into one or more supplemental indentures to effect or evidence such amendment.

***With Holder Consent.*** Except as provided above, the consent of the holders of at least a majority in aggregate principal amount of the first mortgage bonds of all outstanding series, considered as one class, is generally required for the purpose of adding to, or changing or eliminating any of the provisions of, the First Mortgage Indenture pursuant to a supplemental indenture. However, if less than all of the series of outstanding first mortgage bonds are directly affected by a proposed supplemental indenture, then such proposal only requires the consent of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds of all directly affected series, considered as one class. Moreover, if the first mortgage bonds of any series have been issued in more than one tranche and if the proposed supplemental indenture directly affects the rights of the holders of first mortgage bonds of one or more, but less than all, of such tranches, then such proposal only requires the consent of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds of all directly affected tranches, considered as one class.

However, no amendment or modification may, without the consent of the holder of each outstanding first mortgage bond directly affected thereby:

- change the stated maturity of the principal or interest on any first mortgage bond (other than pursuant to the terms thereof), or reduce the principal amount, interest or premium payable (or the method of calculating such rates) or change the currency in which any first mortgage bond is payable, or impair the right to bring suit to enforce any payment;
- create any lien (not otherwise permitted by the First Mortgage Indenture) ranking prior to the lien of the First Mortgage Indenture with respect to all or substantially all of the Mortgaged Property, or terminate the lien of the First Mortgage Indenture on all or substantially all of the Mortgaged Property (other than in accordance with the terms of the First Mortgage Indenture), or deprive any holder of the benefits of the security of the lien of the First Mortgage Indenture;
- reduce the percentages of holders whose consent is required for any supplemental indenture or waiver of compliance with any provision of the First Mortgage Indenture or of any default thereunder and its consequences, or reduce the requirements for quorum and voting under the First Mortgage Indenture; or
- modify certain of the provisions of the First Mortgage Indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to first mortgage bonds.

A supplemental indenture which changes, modifies or eliminates any provision of the First Mortgage Indenture expressly included solely for the benefit of holders of first mortgage bonds of one or more particular series or tranches will be deemed not to affect the rights under the First Mortgage Indenture of the holders of first mortgage bonds of any other series or tranche.

#### **Satisfaction and Discharge**

Any first mortgage bonds or any portion thereof will be deemed to have been paid and no longer outstanding for purposes of the First Mortgage Indenture and, at the Company's election, the Company's entire indebtedness with respect to those securities will be satisfied and discharged, if there shall have



been irrevocably deposited with the First Mortgage Trustee or any Paying Agent (other than the Company), in trust:

- money sufficient, or
- in the case of a deposit made prior to the maturity of such first mortgage bonds, non-redeemable *eligible obligations* (as defined in the First Mortgage Indenture) sufficient, or
- a combination of the items listed in the preceding two bullet points, which in total are sufficient,

to pay when due the principal of, and any premium, and interest due and to become due on such first mortgage bonds or portions of such first mortgage bonds on and prior to their maturity.

The Company's right to cause its entire indebtedness in respect of the first mortgage bonds of any series to be deemed to be satisfied and discharged as described above will be subject to the satisfaction of any conditions specified in the instrument creating such series.

The First Mortgage Indenture will be deemed satisfied and discharged when no first mortgage bonds remain outstanding and when the Company has paid all other sums payable by it under the First Mortgage Indenture.

All moneys the Company pays to the First Mortgage Trustee or any Paying Agent on First Mortgage Bonds that remain unclaimed at the end of two years after payments have become due may be paid to or upon the Company's order. Thereafter, the holder of such First Mortgage Bond may look only to the Company for payment.

**Duties of the First Mortgage Trustee; Resignation and Removal of the First Mortgage Trustee; Deemed Resignation**

The First Mortgage Trustee will have, and will be subject to, all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to these provisions, the First Mortgage Trustee will be under no obligation to exercise any of the powers vested in it by the First Mortgage Indenture at the request of any holder of first mortgage bonds, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The First Mortgage Trustee will not be required to expend or risk its own funds or otherwise incur financial liability in the performance of its duties if the First Mortgage Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The First Mortgage Trustee may resign at any time by giving written notice to the Company.

The First Mortgage Trustee may also be removed by act of the holders of a majority in principal amount of the then outstanding first mortgage bonds.

No resignation or removal of the First Mortgage Trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the First Mortgage Indenture.

Under certain circumstances, the Company may appoint a successor trustee and if the successor accepts, the First Mortgage Trustee will be deemed to have resigned.

#### **Evidence to be Furnished to the First Mortgage Trustee**

Compliance with First Mortgage Indenture provisions is evidenced by written statements of the Company's officers or persons selected or paid by the Company. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. In addition, the First Mortgage Indenture requires the Company to give to the First Mortgage Trustee, not less than annually, a brief statement as to the Company's compliance with the conditions and covenants under the First Mortgage Indenture.

#### **Miscellaneous Provisions**

The First Mortgage Indenture provides that certain first mortgage bonds, including those for which payment or redemption money has been deposited or set aside in trust as described under "— Satisfaction and Discharge" above, will not be deemed to be "outstanding" in determining whether the holders of the requisite principal amount of the outstanding first mortgage bonds have given or taken any demand, direction, consent or other action under the First Mortgage Indenture as of any date, or are present at a meeting of holders for quorum purposes.

The Company will be entitled to set any day as a record date for the purpose of determining the holders of outstanding first mortgage bonds of any series entitled to give or take any demand, direction, consent or other action under the First Mortgage Indenture, in the manner and subject to the limitations provided in the First Mortgage Indenture. In certain circumstances, the First Mortgage Trustee also will be entitled to set a record date for action by holders. If such a record date is set for any action to be taken by holders of particular first mortgage bonds, such action may be taken only by persons who are holders of such first mortgage bonds on the record date.

#### **Governing Law**

The First Mortgage Indenture and the first mortgage bonds provide that they are to be governed by and construed in accordance with the laws of the State of New York except where the Trust Indenture Act is applicable or where otherwise required by law. The effectiveness of the lien of the First Mortgage Indenture, and the perfection and priority thereof, will be governed by Kentucky law.

#### **Summary of the Indenture**

*The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the Indenture. This description is only a summary and does not purport to be complete and definitive. Reference is made to the Indenture for the detailed provisions thereof.*

#### **Security**

Pursuant to the Indenture, the Issuer will assign and pledge to the Trustee its interest in and to the Loan Agreement, including payments and other amounts due the Issuer thereunder, together with all moneys, property and securities from time to time held by the Trustee under the Indenture (with certain exceptions, including moneys held in or earnings on the Rebate Fund and the Purchase Fund).

The Bonds will be further secured by the First Mortgage Bonds to be delivered to the Trustee (see "Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds"). The First Mortgage Bonds will be registered in the name of the Trustee and will be nontransferable, except to effect

a transfer to any successor trustee. The Bonds will not be directly secured by the Project (although the Project is subject to the lien of the First Mortgage Indenture).

**No Pecuniary Liability of the Issuer**

No provision, covenant or agreement contained in the Indenture or in the Loan Agreement, nor any breach thereof, will constitute or give rise to any pecuniary liability of the Issuer or any charge upon any of its assets or its general credit or taxing powers. The Issuer has not obligated itself by making the covenants, agreements or provisions contained in the Indenture or in the Loan Agreement, except with respect to the application of the amounts assigned to payment of the principal or redemption price of and interest on the Bonds.

**The Bond Fund**

The payments to be made by the Company pursuant to the Loan Agreement to the Issuer and certain other amounts specified in the Indenture will be deposited into a Bond Fund established pursuant to the Indenture (the "Bond Fund") and will be maintained in trust by the Trustee. Moneys in the Bond Fund will be used solely and only for the payment of the principal or redemption price of and interest on the Bonds, and for the payment of the reasonable fees and expenses to which the Trustee, Bond Registrar, Tender Agent, Authenticating Agent, any Paying Agent and the Issuer are entitled pursuant to the Indenture or the Loan Agreement. Any moneys held in the Bond Fund will be invested by the Trustee at the specific written direction of the Company in certain Governmental Obligations, investment-grade corporate obligations and other investments permitted under the Indenture.

**The Prior Bond Fund**

The proceeds from the issuance of the Bonds will be deposited by the Trustee in the County of Trimble, Kentucky, Environmental Facilities Revenue Refunding Bond Fund, 2007 Series A (Louisville Gas and Electric Company Project) in an amount adequate to pay, together with other moneys to be provided by the Company, all principal of and accrued interest on the Prior Bonds to become due and payable on their scheduled redemption date.

**The Rebate Fund**

A Rebate Fund has been created by the Indenture (the "Rebate Fund") and will be maintained as a separate fund free and clear of the lien of the Indenture. The Issuer, the Trustee and the Company have agreed to comply with all rebate requirements of the Code and, in particular, the Company has agreed that if necessary, it will deposit in the Rebate Fund any such amount as is required under the Code. However, the Issuer, the Trustee and the Company may disregard the Rebate Fund provisions to the extent that they receive an opinion of Bond Counsel that such failure to comply will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

**Discharge of Indenture**

When all the Bonds and all fees and charges accrued and to accrue of the Trustee and the Paying Agent have been paid or provided for, and when proper notice has been given to the Bondholders or the Trustee that the proper amounts have been so paid or provided for, and if the Issuer is not in default in any other respect under the Indenture, the Indenture will become null and void. The Bonds will be deemed to have been paid and discharged when there have been irrevocably deposited with the Trustee moneys sufficient to pay the principal or redemption price of and accrued interest on such Bonds to the due date (whether such date be by reason of maturity or upon redemption) or, in lieu thereof, Governmental

Obligations have been deposited which mature in such amounts and at such times as will provide the funds necessary to so pay such Bonds, and when all reasonable and necessary fees and expenses of the Trustee, the Tender Agent, the Authenticating Agent, the Bond Registrar and the Paying Agent have been paid or provided for.

#### **Surrender of First Mortgage Bonds**

Upon payment of any principal or redemption price of and interest on any of the Bonds which reduces the principal amount of Bonds outstanding, or upon provision for the payment thereof having been made in accordance with the Indenture (see “Discharge of Indenture” above), First Mortgage Bonds in a principal amount equal to the principal amount of the Bonds so paid, or for the payment of which such provision has been made, shall be surrendered by the Trustee to the First Mortgage Trustee. The First Mortgage Bonds so surrendered shall be deemed fully paid and the obligations of the Company thereunder terminated.

#### **Defaults and Remedies**

Each of the following events constitutes an “Event of Default” under the Indenture:

(a) failure to make due and punctual payment of any installment of interest on any Bond within a period of one Business Day from the due date;

(b) failure to make due and punctual payment of the principal of, or premium, if any, on any Bond on the due date, whether at the stated maturity thereof, or upon proceedings for redemption, or upon the maturity thereof by declaration or if payment of the purchase price of any Bond required to be purchased pursuant to the Indenture is not made when such payment has become due and payable, provided that no Event of Default has occurred in respect of failure to receive such purchase price for any Bond if the Company has made the payment at the opening of business on the next Business Day as described in the last paragraph under “Summary of the Bonds — Purchases of Bonds — Remarketing and Purchase of Bonds” above;

(c) failure of the Issuer to perform or observe any other of the covenants, agreements or conditions in the Indenture or in the Bonds which failure continues for a period of 30 days after written notice by the Trustee or by the registered owners holding not less than 25% in aggregate principal amount of all Bonds outstanding, provided, however, that if such failure is capable of being cured, but cannot be cured in such 30-day period, it will not constitute an Event of Default under the Indenture if corrective action in respect of such failure is instituted within such 30-day period and is being diligently pursued;

(d) the occurrence of an “Event of Default” under the Loan Agreement (see “Summary of the Loan Agreement — Events of Default”); or

(e) all first mortgage bonds outstanding under the First Mortgage Indenture, if not already due, shall have become immediately due and payable, whether by declaration or otherwise, and such acceleration shall not have been rescinded by the First Mortgage Trustee.

Upon the occurrence of an Event of Default under the Indenture, the Trustee may, and upon the written request of the registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding and upon receipt of indemnity reasonably satisfactory to it, must: (i) enforce each and every right granted to the Trustee as a holder of the First Mortgage Bonds (see “Summary of the First Mortgage Bonds and the First Mortgage Indenture”), (ii) declare the principal of all Bonds and interest

accrued thereon to be immediately due and payable and (iii) declare all payments under the Loan Agreement to be immediately due and payable and enforce each and every other right granted to the Issuer under the Loan Agreement for the benefit of the Bondholders. Interest on the Bonds will cease to accrue on the date of issuance of a declaration of acceleration of payment of the principal and interest on the Bonds.

In exercising such rights, the Trustee will take any action that, in the judgment of the Trustee, would best serve the interests of the registered owners, taking into account the security and remedies afforded to holders of first mortgage bonds under the First Mortgage Indenture. Upon the occurrence of an Event of Default under the Indenture, the Trustee may also proceed to pursue any available remedy by suit at law or in equity to enforce the payment of the principal or redemption price of and interest on the Bonds then outstanding.

If an Event of Default under the Indenture shall occur and be continuing and the maturity date of the Bonds has been accelerated (to the extent the Bonds are not already due and payable) as a consequence of such event of default, the Trustee may, and upon the written request of the registered owners holding not less than 25% in principal amount of all Bonds then outstanding and upon receipt of indemnity satisfactory to it shall, exercise such rights as it shall possess under the First Mortgage Indenture as a holder of the First Mortgage Bonds and shall also issue a Redemption Demand for such First Mortgage Bonds to the First Mortgage Trustee.

If the Trustee recovers any moneys following an Event of Default, unless the principal of the Bonds has been declared due and payable, all such moneys will be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and the payment of any sums due and payable to the United States pursuant to Section 148(f) of the Code, (ii) to the payment of all interest then due on the Bonds, and (iii) to the payment of unpaid principal and premium, if any, of the Bonds. If the principal of the Bonds has become due or has been accelerated, such moneys will be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and (ii) to the payment of principal of and interest then due and unpaid on the Bonds.

No Bondholder may institute any suit or proceeding in equity or at law for the enforcement of the Indenture unless an Event of Default has occurred of which the Trustee has been notified or is deemed to have notice, and registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding have made written request to the Trustee to proceed to exercise the powers granted under the Indenture or to institute such action in their own name and the Trustee fails or refuses to exercise its powers within a reasonable time after receipt of indemnity satisfactory to it.

Any judgment against the Issuer pursuant to the exercise of rights under the Indenture will be enforceable only against specific assigned payments, funds and accounts under the Indenture in the hands of the Trustee. No deficiency judgment will be authorized against the general credit of the Issuer.

#### **Waiver of Events of Default**

Except as provided below, the Trustee may in its discretion waive any Event of Default under the Indenture and will do so upon the written request of the registered owners holding a majority in principal amount of all Bonds then outstanding. If, after the principal of all Bonds then outstanding have been declared to be due and payable as a result of a default under the Indenture and prior to any judgment or decree for the appointment of a receiver or for the payment of the moneys due has been obtained or entered, (i) the Company causes to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of and premium, if any, on any and all Bonds

which would become due otherwise than by reason of such declaration (with interest thereon as provided in the Indenture) and the expenses of the Trustee in connection with such default and (ii) all Events of Default under the Indenture (other than nonpayment of the principal of Bonds due by said declaration) have been remedied, then such Event of Default will be deemed waived and such declaration and its consequences rescinded and annulled by the Trustee. Such waiver, rescission and annulment will be binding upon all Bondholders. No such waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Upon any waiver or rescission as described above or any discontinuance or abandonment of proceedings under the Indenture, the Trustee shall immediately rescind in writing any Redemption Demand of First Mortgage Bonds previously given to the First Mortgage Trustee. The rescission under the First Mortgage Indenture of a declaration that all first mortgage bonds outstanding under the First Mortgage Indenture are immediately due and payable shall also constitute a waiver of an Event of Default described in paragraph (e) under the subheading "Defaults and Remedies" above and a waiver and rescission of its consequences, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Notwithstanding the foregoing, nothing in the Indenture will affect the right of a registered owner to enforce the payment of principal or redemption price of and interest on the Bonds after the maturity thereof.

#### **Voting of First Mortgage Bonds Held by Trustee**

The Indenture provides that the Trustee, as the holder of the First Mortgage Bonds, will be required to attend such meeting or meetings of bondholders under the First Mortgage Indenture or, at its option, deliver its proxy in connection therewith, as relate to matters with respect to which it, as such holder, is entitled to vote or consent. The Trustee, either at any such meeting or meetings or otherwise when the consent of the holders of the First Mortgage Bonds is sought without a meeting, will be required to vote all First Mortgage Bonds then held by it, or consent with respect thereto, proportionately with the vote or consent of the holders of all other securities of the Company then outstanding under the First Mortgage Indenture eligible to vote or consent, as evidenced by, and as to be delivered to the Trustee, a certificate signed by the temporary chairman, the temporary secretary, the permanent chairman, the permanent secretary, or an inspector of votes at any meeting or meetings of security holders under the First Mortgage Indenture, or by the First Mortgage Trustee in the case of consents of such security holders which are sought without a meeting, which states what the signer thereof reasonably believes are the proportionate votes or consents of the holders of all securities (other than the First Mortgage Bonds) outstanding under the First Mortgage Indenture and counted for the purposes of determining whether such security holders have approved or consented to the matter put before them; provided, however, that the Trustee shall not so vote in favor of, or so consent to, any amendment or modification of the First Mortgage Indenture, which, if it were an amendment or modification of the Indenture, would require the consent of the Bondholders as described in the third paragraph under the heading "Summary of the Indenture – Supplemental Indenture," without the prior consent and approval of Bondholders which would be so required; provided further that as a condition to the Trustee voting or giving such consent, the Trustee shall have received a certificate of a Company representative or an opinion of counsel, at its election, stating that such voting or consent is authorized or permitted by the Indenture.

#### **Supplemental Indentures**

The Issuer and the Trustee may enter into indentures supplemental to the Indenture as shall not be inconsistent with the terms and provisions of the Indenture, without the consent of or notice to the Bondholders, in order (i) to cure any ambiguity or formal defect or omission in the Indenture, (ii) to grant

to or confer upon the Trustee, as may lawfully be granted, additional rights, remedies, powers or authorities for the benefit of the Bondholders, (iii) to subject to the Indenture additional revenues, properties or collateral, (iv) to permit qualification of the Indenture under any federal statute or state blue sky law, (v) to add additional covenants and agreements of the Issuer for the protection of the Bondholders or to surrender or limit any rights, powers or authorities reserved to or conferred upon the Issuer, (vi) to make any other modification or change to the Indenture which, in the sole judgment of the Trustee, does not adversely affect the Trustee or any Bondholder, (vii) to make other amendments not otherwise permitted by (i), (ii), (iii), (iv) or (v) of this paragraph to provisions relating to federal income tax matters under the Code or other relevant provisions if, in the opinion of Bond Counsel, those amendments would not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, (viii) to make any modification or change to the Indenture necessary to provide liquidity or credit support for the Bonds, including any modifications necessary to upgrade or maintain the then applicable ratings on the Bonds or (ix) to permit the issuance of the Bonds in other than book-entry-only form or to provide changes to or for the book-entry system.

Notwithstanding the foregoing, the Company, with the consent of the Trustee, may at any time further secure the Bonds by means of a letter of credit, other credit facility or other guarantee or collateral.

Exclusive of supplemental indentures for the purposes set forth in the preceding two paragraphs, the consent of registered owners holding a majority in aggregate principal amount of all Bonds then outstanding is required to approve any supplemental indenture, except no such supplemental indenture may permit, without the consent of all of the registered owners of the Bonds then outstanding, (i) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture or a reduction in the principal amount of any Bond or the rate of interest or time of redemption or redemption premium thereon, (ii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iii) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture or (iv) the deprivation of any registered owners of the lien of the Indenture.

If at any time the Issuer requests the Trustee to enter into any supplemental indenture requiring the consent of the registered owners of the Bonds, the Trustee, upon being satisfactorily indemnified with respect to expenses, must notify all such registered owners. Such notice must set forth the nature of the proposed supplemental indenture and must state that copies thereof are on file at the designated office of the Trustee for inspection. If, within sixty days (or such longer period as prescribed by the Issuer or the Company) following the giving of such notice, the registered owners holding the requisite amount of the Bonds outstanding have consented to the execution thereof, no Bondholder will have any right to object or question the execution thereof.

No supplemental indenture will become effective unless the Company consents to the execution and delivery of such supplemental indenture. The Company will be deemed to have consented to the execution and delivery of any supplemental indenture if the Trustee does not receive a notice of protest or objection signed by the Company on or before 4:30 p.m., local time in the city in which the designated office of the Trustee is located, on the fifteenth day after the mailing to the Company of a notice of the proposed changes and a copy of the proposed supplemental indenture.

#### **Enforceability of Remedies**

The remedies available to the Trustee, the Issuer and the owners upon an Event of Default under the Loan Agreement, the Indenture or the First Mortgage Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Loan Agreement, the Indenture and the First Mortgage Indenture may not be readily available or may be limited. The various legal opinions to

be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by principles of equity, bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors generally.

#### **Tax Treatment**

In the opinion of Bond Counsel, under existing law, including current statutes, regulations, administrative rulings and official interpretations, subject to the qualifications and exceptions set forth below, interest on the Bonds will be excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" of the Project or a "related person" as such terms are used in Section 147(a) of the Code. Interest on the Bonds will not be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. It is Bond Counsel's further opinion that, subject to the assumptions stated in the preceding sentence, (i) interest on the Bonds will be excluded from gross income of the owners thereof for Kentucky income tax purposes and (ii) the Bonds will be exempt from all ad valorem taxes in Kentucky.

The opinion of Bond Counsel assumes and is conditioned on the payment and discharge of all of the Prior Bonds on or before the 90th day following the date of issuance of the Bonds. The Company has agreed (i) to apply all of the proceeds of the bonds to the payment and discharge of the Prior Bonds within 90 days following the date of issuance of the Bonds, (ii) to provide additional funds necessary, on or prior to a day within 90 days following the date of issuance of the Bonds, to defease and discharge the Prior Bonds on such day and (iii) to give irrevocable instructions on the date of issuance of the Bonds to the trustee in respect of the Prior Bonds directing the redemption of the Prior Bonds.

The opinion of Bond Counsel as to the excludability of interest from gross income for federal income tax purposes will be based upon and will assume the accuracy of certain representations of facts and circumstances, including with respect to the Project, which are within the knowledge of the Company and compliance by the Company with certain covenants and undertakings set forth in the proceedings authorizing the Bonds which are intended to assure that the Bonds are and will remain obligations the interest on which is not includable in gross income of the recipients thereof under the law in effect on the date of such opinion. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the Company and the Issuer. On the date of the opinion and subsequent to the original delivery of the Bonds, such representations of facts and circumstances must be accurate and such covenants and undertakings must continue to be complied with in order that interest on the Bonds be and remain excludable from gross income of the recipients thereof for federal income tax purposes under existing law. Bond Counsel will express no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents other than with the approval of Bond Counsel is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the Issuer to the federal government, require future or continued compliance after issuance of the Bonds in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with certain of these requirements by the Company or the Issuer with respect to the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes and to be subject to federal income taxation retroactively to the date of their issuance. The Company and the Issuer will each covenant to take all



actions required of each to assure that the interest on the Bonds will be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

The opinion of Bond Counsel as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds will be subject to the following exceptions and qualifications:

(a) Provisions of the Code applicable to corporations (as defined for federal income tax purposes) which impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income may subject a portion of the interest on the Bonds earned by certain corporations to such corporate alternative minimum tax. Such corporate alternative minimum tax does not apply to any S corporation, regulated investment company, real estate investment trust or REMIC.

(b) The Code also provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(c) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, Bond Counsel will express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Owners of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income tax credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of Section 32 of the Code, which exceeds \$2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters and any other tax consequences of holding the Bonds.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend one or more of the federal tax matters referred to above or could adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

A draft of the opinion of Bond Counsel relating to the Bonds in substantially the form in which it is expected to be delivered on the date of issuance of the Bonds is attached as Appendix B to this Official Statement.

#### **Legal Matters**

Certain legal matters incident to the authorization, issuance and sale by the Issuer of the Bonds are subject to the approving opinion of Bond Counsel. Bond Counsel has in the past, and may in the future, act as counsel to the Company with respect to certain matters. Certain legal matters will be passed upon for the Issuer by its County Attorney. Certain legal matters will be passed upon for the Company by Jones Day, Chicago, Illinois, and Gerald A. Reynolds, General Counsel, Chief Compliance Officer and Corporate Secretary for the Company. Certain legal matters will be passed upon for the Underwriters by their counsel, McGuireWoods LLP, Chicago, Illinois.

#### **Underwriting**

J.P. Morgan Securities LLC and U.S. Bancorp Investments, Inc. (the "Underwriters") have agreed, subject to the terms of the bond purchase agreement between the Issuer and the Underwriters, to purchase the Bonds from the Issuer at the public offering price set forth on the cover page of this Official Statement. The Underwriters are committed to purchase all the Bonds if any Bonds are purchased. In connection with the underwriting of the Bonds, the Underwriters will be paid by the Company a fee in the amount of \$300,000, which excludes reimbursement for certain reasonable out-of-pocket expenses.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering price set forth on the cover page of this Official Statement. After the Bonds are released for sale to the public, the public offering price and other selling terms may from time to time be varied by the Underwriters.

J.P. Morgan Securities LLC, one of the Underwriters, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from J.P. Morgan Securities LLC at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

In connection with the offering of the Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market prices of such Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Pursuant to an Inducement Letter, the Company has agreed to indemnify the Underwriters and the Issuer against certain civil liabilities, including liabilities under the federal securities laws, or contribute to payments that the Underwriters or the Issuer may be required to make in respect thereof.

The Underwriters and their affiliates comprise full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Such activities may involve or relate to assets, securities and/or instruments of the Issuer and/or the Company or its affiliates (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with (or that are otherwise involved with transactions by) the Issuer and/or the Company. The Underwriters and their affiliates may have, from time to time, engaged, and may in the future engage, in transactions with, and performed and may in the future perform, various investment

banking services for the Issuer and/or the Company for which they received or will receive customary fees and expenses. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the Issuer and/or the Company and any affiliates thereof in connection with such transactions and/or services. In addition, the Underwriters and their affiliates may currently have and may in the future have investment and commercial banking, trust and other relationships with parties that may relate to assets of, or be involved in the issuance of securities and/or instruments by, the Issuer and/or the Company and any affiliates thereof. The Underwriters and their affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments. U.S. Bancorp Investments, Inc., one of the Underwriters, is an affiliate of U.S. Bank National Association, the trustee under the Indenture governing the Bonds.

“US Bancorp” is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as one of the Underwriters for the Bonds, and U.S. Bank National Association, which is serving as Trustee, Paying Agent, Tender Agent and Registrar for the Bonds.

#### **Continuing Disclosure**

Because the Bonds will be special and limited obligations of the Issuer, the Issuer is not an “obligated person” for purposes of Rule 15c2-12 (the “Rule”) promulgated by the SEC under the Exchange Act, and does not have any continuing obligations thereunder. Accordingly, the Issuer will not provide any continuing disclosure information with respect to the Bonds or the Issuer.

In order to enable the Underwriters to comply with the requirements of the Rule, the Company will covenant in a continuing disclosure undertaking agreement to be delivered to the Trustee for the benefit of the holders of the Bonds (the “Continuing Disclosure Agreement”) to provide certain continuing disclosure for the benefit of the holders of the Bonds. Under its Continuing Disclosure Agreement, the Company will covenant to take the following actions:

- (i) The Company will provide to the Municipal Securities Rulemaking Board (“MSRB”) (in electronic format) (a) annual financial information of the type set forth in Appendix A to this Official Statement (including any information incorporated by reference in Appendix A) and (b) audited financial statements prepared in accordance with generally accepted accounting principles, in each case not later than 120 days after the end of the Company’s fiscal year.
- (ii) The Company will file in a timely manner not in excess of 10 business days after the occurrence of the event with the MSRB notice of the occurrence of any of the following events (if applicable) with respect to the Bonds: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) any unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancement facilities reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (g) modifications to rights of the holders of the Bonds, if material; (h) the giving of notice of optional or unscheduled redemption of any Bonds, if material, and tender offers; (i) defeasance of the Bonds or any portion thereof; (j) release, substitution, or sale of property securing repayment of the Bonds, if material; (k) rating changes; (l) bankruptcy, insolvency, receivership or similar event of the Company; (m) the consummation of a merger,

consolidation or acquisition involving the Company, or the sale of all or substantially all of the assets of the Company, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (n) appointment of a successor or additional trustee or a change of name of a trustee, if material.

(iii) The Company will file in a timely manner with the MSRB notice of a failure by the Company to file any of the information referred to in paragraph (i) above by the due date.

The Company may amend its Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Company that does not change the duties of the Trustee thereunder) or waive any provision thereof, but only with a change in circumstances that arises from a change in legal requirements, change in law, or change in the nature or status of the Company with respect to the Bonds or the type of business conducted by the Company; provided that the undertaking, as amended or following such waiver, would have complied with the requirements of the Rule on the date of issuance of the Bonds, after taking into account any amendments to the Rule as well as any change in circumstances, and the amendment or waiver does not materially impair the interests of the holders of the Bonds to which such undertaking relates, in the opinion of the Trustee or counsel expert in federal securities laws acceptable to both the Company and the Trustee, or is approved by the Beneficial Owners of a majority in aggregate principal amount of the outstanding Bonds. The Company acknowledges that its undertakings pursuant to the Rule described under this heading are intended to be for the benefit of the holders of the Bonds and shall be enforceable by the holders of those Bonds or by the Trustee on behalf of such holders. Any breach by the Company of these undertakings pursuant to the Rule will not constitute an event of default under the Indenture, the Loan Agreement or the Bonds.

The Company is a party to continuing disclosure agreements with respect to ten series of pollution control bonds. The MSRB's Electronic Municipal Market Access ("EMMA") website reflects that, within the past five years, for two series of such bonds, the Company's 2011 annual financial statements were timely posted, but to outdated CUSIP numbers. The 2011 annual financial statements were re-posted to the correct CUSIP numbers for those series in May 2012. With respect to both series of bonds, the Company also failed to file on the MSRB's EMMA website in a timely manner a notice of the Company's failure to file such 2011 financial statements in accordance with the applicable continuing disclosure agreements. The Company has subsequently made all of these corrective filings. The Company's 2011 annual financial statements had been filed with the SEC on February 28, 2012. The Company has had, and continues to have, procedures in place in order to make material event notices and financial statement filings on an ongoing basis.

This Official Statement has been duly approved, executed and delivered by the County Judge/Executive of the Issuer, on behalf of the Issuer. However, the Issuer has not and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except for information furnished by the Issuer under the heading "The Issuer."

COUNTY OF TRIMBLE, KENTUCKY

By: /s/ Jerry L. Powell  
County Judge/Executive

**APPENDIX A**

**THE COMPANY**

Louisville Gas and Electric Company (the “Company”), incorporated in Kentucky in 1913, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy and the distribution and sale of natural gas. As of December 31, 2016, the Company provides electric service to approximately 407,000 customers in Louisville and adjacent areas in Kentucky, covering approximately 700 square miles in nine counties and provides natural gas service to approximately 324,000 customers in its electric service area and eight additional counties in Kentucky. The Company’s coal-fired electric generating stations, all equipped with systems to reduce sulphur dioxide emissions, produce most of the Company’s electricity. The remainder is generated by a natural gas combined cycle combustion turbine, a hydroelectric power plant, natural gas and oil fueled combustion turbines and a small solar facility. Underground natural gas storage fields help the Company provide economical and reliable natural gas service to customers.

The Company is a wholly-owned subsidiary of LG&E and KU Energy LLC and an indirect wholly-owned subsidiary of PPL Corporation. The Company’s affiliate, Kentucky Utilities Company (“KU”), is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy in Kentucky, Virginia and Tennessee. The Company’s obligations under the Loan Agreement are solely its own, and not those of any of its affiliates. None of KU, PPL Corporation or the Company’s other affiliates will be obligated to make any payment on the Loan Agreement or the Bonds.

The Company’s executive offices are located at 220 West Main Street, Louisville, Kentucky 40202, telephone: (502) 627-2000.

The information above concerning the Company is only a summary and does not purport to be comprehensive. Additional information regarding the Company, including audited financial statements, is available in the documents listed under the heading “Documents Incorporated by Reference,” which documents are incorporated by reference herein.

**Selected Financial Data**  
(Dollars in millions)

	<b>Three Months Ended March 31, 2017</b>	<b>Three Months Ended March 31, 2016</b>	<b>Year Ended December 31, 2016</b>	<b>Year Ended December 31, 2015</b>	<b>Year Ended December 31, 2014</b>
Operating revenues	\$ 391	\$ 386	\$ 1,430	\$ 1,444	\$ 1,533
Operating income	\$ 106	\$ 108	\$ 405	\$ 362	\$ 324
Net income	\$ 54	\$ 56	\$ 203	\$ 185	\$ 169
Total assets	\$ 6,268	\$ 6,064	\$ 6,300	\$ 6,068	\$ 5,654
Long-term debt obligations (including amounts due within one year)	\$ 1,618	\$ 1,642	\$ 1,617	\$ 1,642	\$ 1,345
Ratio of earnings to fixed charges <sup>(1)</sup>	5.8	6.1	5.3	5.9	6.3

Capitalization:

	<u>March 31, 2017</u>	<u>% of Capitalization</u>
Long-term debt and notes payable	\$ 1,825	42.8%
Common equity	\$ 2,443	57.2%
Total capitalization	<u>\$ 4,268</u>	<u>100.0%</u>

<sup>(1)</sup> For purposes of this ratio, "Earnings" consist of earnings (as defined below) from continuing operations plus fixed charges. Fixed charges consist of all interest on indebtedness, amortization of debt discount and expense and the portion of rental expense that represents an imputed interest component. Earnings from continuing operations consist of income before taxes and the mark-to-market impact of derivative instruments.

The selected financial data presented above for the three fiscal years ended December 31, 2016, and as of December 31 for each of those years, have been derived from the Company's audited financial statements. The selected financial data presented above for the three months ended March 31, 2017 and 2016 have been derived from the Company's unaudited financial statements for the three months ended March 31, 2017 and 2016. The Company's audited financial statements for the three fiscal years ended December 31, 2016, and as of December 31 for each of those years, are included in the Company's Form 10-K for the year ended December 31, 2016 incorporated by reference herein. The Company's unaudited financial statements for the three months ended March 31, 2017 are included in the Company's Form 10-Q for the quarter ended March 31, 2017 incorporated by reference herein. "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-K for the year ended December 31, 2016 and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-Q for the quarter ended March 31, 2017, as well as the Combined Notes to Financial Statements as of December 31, 2016, 2015 and 2014 and the Combined Notes to Condensed Financial Statements (Unaudited) as of March 31, 2017 and December 31, 2016 and for the three-month periods ended March 31, 2017 and 2016, should be read in

conjunction with the above information. Deloitte & Touche LLP audited the Company's financial statements for the fiscal year ended December 31, 2016. Ernst & Young LLP audited the Company's financial statements for the two fiscal years ended December 31, 2015.

#### **Risk Factors**

Investing in the Bonds involves risk. Please see the risk factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, which is incorporated by reference in this Appendix A. Before making an investment decision, you should carefully consider these risks as well as the other information contained or incorporated by reference in this Appendix A. Risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair its business operations, its financial results and the value of the Bonds.

#### **Available Information**

The Company is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and, accordingly, files reports and other information with the Securities and Exchange Commission (the "SEC"). Such reports and other information on file can be inspected and copied at the public reference facilities of the SEC, currently at 100 F Street, N.E., Room 1580, Washington, D.C. 20549; or from the SEC's Web Site (<http://www.sec.gov>). Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

#### **Documents Incorporated by Reference**

The following documents, as filed by the Company with the SEC, are incorporated herein by reference:

1. Form 10-K Annual Report of the Company for the year ended December 31, 2016;
2. Form 10-Q Quarterly Report of the Company for the quarter ended March 31, 2017; and
3. Form 8-K Current Report of the Company filed with the SEC on April 19, 2017.

All documents filed by the Company with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference in this Appendix and to be made a part hereof from their respective dates of filing. Any statement contained in a document incorporated or deemed to be incorporated by reference in this Official Statement shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained in this Official Statement or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Official Statement modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

**The Company hereby undertakes to provide without charge to each person (including any beneficial owner) to whom a copy of this Official Statement has been delivered, on the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than certain exhibits to such documents. Requests for such copies should be directed to Treasurer, Louisville Gas and Electric Company, 220 West Main Street, Louisville, Kentucky 40202, telephone: (502) 627-2000.**



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APPENDIX B

(FORM OF OPINION OF BOND COUNSEL)

June 1, 2017

**Re: \$60,000,000 County of Trimble, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2017 Series A (Louisville Gas and Electric Company Project)**

We hereby certify that we have examined certified copies of the proceedings of record of the County of Trimble, Kentucky (the “**County**”), acting by and through its Fiscal Court as its duly authorized governing body, preliminary to and in connection with the issuance by the County of its Environmental Facilities Revenue Refunding Bonds, 2017 Series A (Louisville Gas and Electric Company Project), dated their date of issuance, in the aggregate principal amount of \$60,000,000 (the “**2017 Series A Bonds**”). The 2017 Series A Bonds are issued under the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the “**Act**”), for the purpose of providing funds which will be used, with other funds provided by Louisville Gas and Electric Company (the “**Company**”) for the current refunding of \$60,000,000 aggregate principal amount of the County’s Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project), dated April 26, 2007 (the “**Refunded 2007 Series A Bonds**”), which were issued for the purpose of currently refunding a portion of the costs of construction of air and water pollution control facilities and solid waste disposal facilities serving certain electric generating units of the Company located in Trimble County, Kentucky (the “**Project**”), as provided by the Act.

The 2017 Series A Bonds mature on June 1, 2033 and bear interest initially at the Long Term Rate, as defined in the Indenture, hereinafter described, subject to change as provided in such Indenture. The 2017 Series A Bonds will be subject to optional and mandatory redemption before maturity at the times, in the manner, and upon the terms set forth in the 2017 Series A Bonds. From such examination of the proceedings of the Fiscal Court of the County referred to above and from an examination of the Act, we are of the opinion that the County is duly authorized and empowered to issue the 2017 Series A Bonds under the laws of the Commonwealth of Kentucky now in force.

We have examined an executed counterpart of a certain Loan Agreement, dated as of June 1, 2017 (the “**Loan Agreement**”), by and between the County and the Company and a certified copy of the proceedings of record of the Fiscal Court of the County preliminary to and in connection with the execution and delivery of the Loan Agreement, pursuant to which the County has agreed to issue the 2017 Series A Bonds and to lend the proceeds thereof to the Company to provide funds to pay and discharge, with other funds provided by the Company, the Refunded 2007 Series A Bonds. The Company has agreed to make loan payments to the Trustee at times and in amounts fully adequate to pay maturing principal of, interest on, and redemption premium, if any, on the 2017 Series A Bonds as they become due and payable. From such examination, we are of the opinion that such proceedings of the Fiscal Court of the County show lawful authority for the execution and delivery of the Loan Agreement; that the Loan Agreement has been duly authorized, executed, and delivered by the County; and that the Loan Agreement is a legal, valid, and binding obligation of the County, enforceable in accordance with its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, or other similar laws affecting creditors’ rights generally, including equitable provisions where equitable remedies are sought.

We have also examined an executed counterpart of a certain Indenture of Trust, dated as of June 1, 2017 (the “**Indenture**”), by and between the County and U.S. Bank National Association, as trustee

(the “Trustee”), securing the 2017 Series A Bonds and setting forth the covenants and undertakings of the County in connection with the 2017 Series A Bonds and a certified copy of the proceedings of record of the Fiscal Court of the County preliminary to and in connection with the execution and delivery of the Indenture. Pursuant to the Indenture, certain of the County’s rights under the Loan Agreement, including the right to receive payments thereunder, and all moneys and securities held by the Trustee in accordance with the Indenture (except moneys and securities in the Rebate Fund created thereby) have been assigned to the Trustee, as security for the holders of the 2017 Series A Bonds. From such examination, we are of the opinion that such proceedings of the Fiscal Court of the County show lawful authority for the execution and delivery of the Indenture; that the Indenture has been duly authorized, executed, and delivered by the County; and that the Indenture is a legal, valid, and binding obligation upon the parties thereto according to its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, or other similar laws affecting creditors’ rights generally, including equitable provisions where equitable remedies are sought.

In our opinion the 2017 Series A Bonds have been validly authorized, executed, and issued in accordance with the laws of the Commonwealth of Kentucky now in full force and effect, and constitute legal, valid, and binding special and limited obligations of the County entitled to the benefit of the security provided by the Indenture and enforceable in accordance with their terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, or other similar laws affecting creditors’ rights generally, including equitable provisions where equitable remedies are sought. The 2017 Series A Bonds are payable by the County solely and only from payments and other amounts derived from the Loan Agreement and as provided in the Indenture.

In our opinion, under existing laws, including current statutes, regulations, administrative rulings, and official interpretations by the Internal Revenue Service, subject to the exceptions and qualifications contained in the succeeding paragraphs, (i) interest on the 2017 Series A Bonds is excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion is expressed regarding such exclusion from gross income with respect to any 2017 Series A Bond during any period in which it is held by a “substantial user” of the Project or a “related person,” as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”); and (ii) interest on the 2017 Series A Bonds is not a separate item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. In arriving at this opinion, we have relied upon representations, factual statements, and certifications of the Company with respect to certain material facts which are solely within the Company’s knowledge in reaching our conclusion, among other things, that all of the proceeds of the Refunded 2007 Series A Bonds were used to refinance air and water pollution control facilities and solid waste disposal facilities qualified for financing under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, and Section 1312(a) of the Tax Reform Act of 1986. Further, in arriving at the opinion set forth in this paragraph as to the exclusion from gross income of interest on the 2017 Series A Bonds, we have assumed and this opinion is conditioned on, the accuracy of and continuing compliance by the Company and the County with representations and covenants set forth in the Loan Agreement and the Indenture which are intended to assure compliance with certain tax-exempt interest provisions of the Code. Such representations and covenants must be accurate and must be complied with after the issuance of the 2017 Series A Bonds in order that interest on the 2017 Series A Bonds be excluded from gross income for federal income tax purposes. Failure to comply with certain of such representations and covenants in respect of the 2017 Series A Bonds after the issuance of the 2017 Series A Bonds could cause the interest thereon to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2017 Series A Bonds. We express no opinion (i) regarding the exclusion of interest on any 2017 Series A Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents (other than with approval of this firm) is taken which adversely affects the tax treatment of the 2017 Series A Bonds; or (ii) as to the treatment for

purposes of federal income taxation of interest on the 2017 Series A Bonds upon a Determination of Taxability. We are further of the opinion that interest on the 2017 Series A Bonds is excluded from gross income of the recipients thereof for Kentucky income tax purposes and that the 2017 Series A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof.

Our opinion as to the exclusion of interest on the 2017 Series A Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the 2017 Series A Bonds is further subject to the following exceptions and qualifications:

(a) Provisions of the Code applicable to corporations (as defined for federal income tax purposes) which impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income may subject a portion of the interest on the 2017 Series A Bonds earned by certain corporations to such corporate alternative minimum tax. Such corporate alternative minimum tax does not apply to any S corporation, regulated investment company, real estate investment trust, or REMIC.

(b) The Code provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the 2017 Series A Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(c) The Code also provides that passive investment income, including interest on the 2017 Series A Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, we express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the 2017 Series A Bonds.

Holders of the 2017 Series A Bonds should be aware that the ownership of the 2017 Series A Bonds may result in collateral federal income tax consequences. For instance, the Code provides that, for taxable years beginning after December 31, 1986, property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the 2017 Series A Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the 2017 Series A Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the 2017 Series A Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the 2017 Series A Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of Section 32 of the Code, which exceeds \$2,200. Interest on the 2017 Series A Bonds will be taken into account in the calculation of disqualified income.

We have received opinions of Gerald A. Reynolds, General Counsel, Chief Compliance Officer, and Corporate Secretary of the Company and Jones Day, Chicago, Illinois, counsel to the Company, of even date herewith. In rendering this opinion, we have relied upon said opinions with respect to the matters therein. We have also received an opinion of even date herewith of Hon. Crystal L. Heinz, County

Attorney of Trimble County, Kentucky, and relied upon said opinion with respect to the matters therein. The opinions are in forms satisfactory to us as to both scope and content.

We express no opinion as to the title to, the description of, or the existence or priority of any liens, charges, or encumbrances on the Project.

In rendering the foregoing opinions, we are passing upon only those matters specifically set forth in such opinions and are not passing upon the investment quality of the 2017 Series A Bonds or the accuracy or completeness of any statements made in connection with any offer or sale thereof. The opinions herein are expressed as of the date hereof and we assume no obligation to supplement or update such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We are members of the Bar of the Commonwealth of Kentucky and do not purport to be experts on the laws of any jurisdiction other than the Commonwealth of Kentucky and the United States of America, and we express no opinion as to the laws of any jurisdiction other than those specified.

Respectfully submitted,

STOLL KEENON OGDEN PLLC

NOT NEW ISSUES

BOOK-ENTRY ONLY

On April 26, 2007, the date on which the Bonds (as defined below) were originally issued, Stoll Keenon Ogden PLLC, as Bond Counsel, delivered its opinion that stated that, subject to the conditions and exceptions set forth under the caption "Tax Treatment" in this Reoffering Circular, under then current law, interest on each series of Bonds offered would be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion was expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" or a "related person" of the Project as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on each series of Bonds will not be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the branch profits tax on a portion of such interest. Bond Counsel was further of the opinion that interest on each series of Bonds would be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under then current law, the principal of each series of Bonds would be exempt from ad valorem taxes in Kentucky. Such opinions have not been updated as of the date hereof and no continuing tax exemption opinions are expressed by Bond Counsel. However, in connection with the expiration of the current Long Term Rate Period and the change to a new Long Term Rate Period on each series of Bonds, as more fully described in this Reoffering Circular, Bond Counsel will deliver its opinions to the effect that such change on each series of Bonds (a) is authorized or permitted by the Act and the Indenture and (b) will not adversely affect the validity of the Bonds or any exclusion of the interest thereon from the gross income of the owners of the Bonds for federal income tax purposes. See the information under the caption "Tax Treatment" in this Reoffering Circular.

**\$31,000,000**  
**LOUISVILLE/JEFFERSON COUNTY**  
**METRO GOVERNMENT, KENTUCKY**  
**Environmental Facilities Revenue**  
**Refunding Bonds,**  
**2007 Series A**  
**(Louisville Gas and Electric Company Project)**  
**Due: June 1, 2033**  
**Long Term Rate Period: 2 years**  
**Mandatory Purchase Date: June 3, 2019**  
**Interest Payment Dates: June 1 and December 1**  
**Interest Rate: 1.25%**

**\$35,200,000**  
**LOUISVILLE/JEFFERSON COUNTY**  
**METRO GOVERNMENT, KENTUCKY**  
**Environmental Facilities Revenue**  
**Refunding Bonds,**  
**2007 Series B**  
**(Louisville Gas and Electric Company Project)**  
**Due: June 1, 2033**  
**Long Term Rate Period: 2 years**  
**Mandatory Purchase Date: June 3, 2019**  
**Interest Payment Dates: June 1 and December 1**  
**Interest Rate: 1.25%**

Date of Change of Long Term Rate Period: June 1, 2017

The Louisville/Jefferson County Metro Government, Kentucky Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project) (the "Series A Bonds") and the Louisville/Jefferson County Metro Government, Kentucky Environmental Facilities Revenue Refunding Bonds, 2007 Series B (Louisville Gas and Electric Company Project) (the "Series B Bonds" and, collectively with the Series A Bonds, the "Bonds") are special and limited obligations of the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to separate Loan Agreements with Louisville Gas and Electric Company (the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds do not constitute general obligations of the Issuer or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky. **The Bonds will not be entitled to the benefits of any financial guaranty insurance policy or any other form of credit enhancement.** Principal of, and interest on, the Bonds of each series are secured by the delivery to U.S. Bank National Association, as Trustee, of First Mortgage Bonds of

**LOUISVILLE GAS AND ELECTRIC COMPANY**

The Bonds of each series were originally issued on April 26, 2007 and currently bear interest at a Long Term Rate. Pursuant to the Indentures under which each series of Bonds were separately issued, the Company has elected to exercise its option to change the existing Long Term Rate Period on each series of Bonds to a new Long Term Rate Period, effective as of June 1, 2017 (the "Change Date"). As a result of the expiration of the current Long Term Rate Period applicable to each series of Bonds, the Bonds are subject to mandatory purchase on the Change Date and are being reoffered hereby. The Series A Bonds are being purchased and reoffered hereby by U.S. Bancorp Investments, Inc., which also will serve as the remarketing agent for the Series A Bonds (the "Series A Remarketing Agent"). The Series B Bonds are being purchased and reoffered hereby by J.P. Morgan Securities LLC, which also will serve as Remarketing Agent for the Series B Bonds (the "Series B Remarketing Agent" and together with the Series A Remarketing Agent, the "Remarketing Agents").

The Bonds of each series are separate series, and the sale and delivery of one series is not dependent on the sale and delivery of the other series. The Series A Bonds will accrue interest from the Change Date, payable on June 1 and December 1, commencing on December 1, 2017 to and including June 2, 2019, and will be subject to mandatory purchase following this Long Term Rate Period on June 3, 2019 (the "Series A Mandatory Purchase Date"). The Series B Bonds will accrue interest from the Change Date, payable on June 1 and December 1, commencing on December 1, 2017 to and including June 2, 2019, and will be subject to mandatory purchase following this Long Term Rate Period on June 3, 2019 (the "Series B Mandatory Purchase Date"). Failure to pay the purchase price of a series of Bonds on the applicable Mandatory Purchase Date will constitute an Event of Default under the applicable Indenture (as defined herein). See the information contained under the caption "Summary of the Bonds — Mandatory Purchase of Bonds — Remarketing and Purchase of Bonds" below. The interest rate period, interest rate and Interest Rate Mode for each series of Bonds will be subject to change under certain conditions, in whole or in part, as described in this Reoffering Circular. Prior to the applicable Mandatory Purchase Date, a series of Bonds will not be subject to optional redemption, but will be subject to extraordinary optional redemption and mandatory redemption as described in this Reoffering Circular.

The Bonds are registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as the securities depository. Except as described in this Reoffering Circular, purchases of beneficial ownership interests in the Bonds will be made in book-entry-only form in denominations of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their beneficial interests in the Bonds. See the information contained under the caption "Summary of the Bonds — Book-Entry-Only System" below. The principal of, premium, if any, and interest on the Bonds will be paid by U.S. Bank National Association, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described below.

Price: 100%

The Bonds of each series are offered when, as and if issued and received by the respective Remarketing Agent, subject to prior sale, withdrawal or modification of the offer without notice (provided, however, that any such notice of withdrawal must be given on the Business Day prior to the Change Date), and to the approval of legality by Stoll Keenon Ogden PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois and Gerald A. Reynolds, General Counsel, Chief Compliance Officer and Corporate Secretary of the Company, and for the Remarketing Agents by their counsel, McGuireWoods LLP, Chicago, Illinois. It is expected that the Bonds will be available for redelivery to DTC in New York, New York on or about June 1, 2017.

**US Bancorp**  
**(as Remarketing Agent for the**  
**Series A Bonds)**

**J.P. Morgan**  
**(as Remarketing Agent for the**  
**Series B Bonds)**

Dated: May 18, 2017

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No dealer, broker, salesman or other person has been authorized by the Issuer, the Company or the Remarketing Agents to give any information or to make any representation with respect to the Bonds, other than those contained in this Reoffering Circular, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The Remarketing Agents have provided the following sentence for inclusion in this Reoffering Circular. The Remarketing Agents have reviewed the information in this Reoffering Circular in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agents do not guarantee the accuracy or completeness of such information. The information and expressions of opinion in this Reoffering Circular are subject to change without notice and neither the delivery of this Reoffering Circular nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. The information set forth in this Reoffering Circular with respect to the Issuer has been obtained from the Issuer, and all other information has been obtained from the Company and from other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Remarketing Agents.

In connection with the reoffering of the Bonds of a series, the respective Remarketing Agent may over-allot or effect transactions which stabilize or maintain the market prices of such Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE REOFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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<b>\$31,000,000</b> <b>Louisville/Jefferson County</b> <b>Metro Government, Kentucky</b> <b>Environmental Facilities Revenue</b> <b>Refunding Bonds,</b> <b>2007 Series A</b> <b>(Louisville Gas and Electric Company Project)</b> <b>Due: June 1, 2033</b>	<b>\$35,200,000</b> <b>Louisville/Jefferson County</b> <b>Metro Government, Kentucky</b> <b>Environmental Facilities Revenue</b> <b>Refunding Bonds,</b> <b>2007 Series B</b> <b>(Louisville Gas and Electric Company Project)</b> <b>Due: June 1, 2033</b>
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### Introductory Statement

This Reoffering Circular, including the cover page and appendices, is provided to furnish information in connection with the reoffering by the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer") of its (i) Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project) (the "Series A Bonds"), in the aggregate principal amount of \$31,000,000 issued on April 26, 2007 pursuant to an Indenture of Trust dated as of March 1, 2007, as amended and restated by the Amended and Restated Indenture of Trust dated as of September 1, 2008, and as amended and supplemented by Supplemental Indenture No. 1 to Amended and Restated Indenture of Trust dated as of September 1, 2010 (collectively, the "Series A Indenture"), between the Issuer and U.S. Bank National Association, as successor Trustee, Paying Agent, Tender Agent and Bond Registrar (the "Series A Trustee") and (ii) Environmental Facilities Revenue Refunding Bonds, 2007 Series B (Louisville Gas and Electric Company Project) (the "Series B Bonds" and, collectively with the Series A Bonds, the "Bonds"), in the aggregate principal amount of \$35,200,000 issued on April 26, 2007 pursuant to an Indenture of Trust dated as of March 1, 2007, as amended and restated by the Amended and Restated Indenture of Trust dated as of November 1, 2010 (the "Series B Indenture" and, collectively with the Series A Indenture, the "Indentures"), between the Issuer and U.S. Bank National Association, as successor Trustee, Paying Agent, Tender Agent and Bond Registrar (the "Series B Trustee" and, collectively with the Series A Trustee, the "Trustees").

Pursuant to (i) a Loan Agreement by and between Louisville Gas and Electric Company (the "Company") and the Issuer, dated as of March 1, 2007, as amended and restated by the Amended and Restated Loan Agreement dated as of September 1, 2008, and as amended and supplemented by Amendment No. 1 to Amended and Restated Loan Agreement dated as of September 1, 2010, each between the Company and the Issuer (collectively, the "Series A Loan Agreement") and (ii) a Loan Agreement by and between the Company and the Issuer dated as of March 1, 2007, as amended and restated as of November 1, 2010 (the "Series B Loan Agreement" and, collectively, with the Series A Loan Agreement, the "Loan Agreements"), proceeds from the sale of the Bonds were loaned by the Issuer to the Company. The Loan Agreements are separate undertakings by and between the Company and the Issuer.

The Company will continue to repay the loan under the applicable Loan Agreement by making payments to the applicable Trustee in sufficient amounts to pay the principal of and interest and any premium on, and purchase price of, the applicable series of Bonds. See "Summary of the Loan Agreements — General." Pursuant to the applicable Indenture, the Issuer's rights under the applicable Loan Agreement (other than with respect to certain indemnification and expense payments) were assigned to the applicable Trustee as security for the applicable series of Bonds.

For the purpose of further securing the Bonds, the Company has issued and delivered to each of the Trustees a separate tranche of the Company's First Mortgage Bonds, Collateral Series 2010 (the "First



Mortgage Bonds”). The principal amount, maturity date and interest rate (or method of determining interest rates) of each such tranche of First Mortgage Bonds is identical to the principal amount, maturity date and interest rate (or method of determining interest rates) of the related series of Bonds. The First Mortgage Bonds will only be payable, and interest thereon will only accrue, as described herein. See “Summary of the Loan Agreements — Issuance and Delivery of First Mortgage Bonds” and “Summary of the First Mortgage Bonds and the First Mortgage Indenture.” The First Mortgage Bonds will not provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase in accordance with the Indentures.

The First Mortgage Bonds have been issued under, and are secured by, an Indenture, dated as of October 1, 2010, as supplemented (the “First Mortgage Indenture”), between the Company and The Bank of New York Mellon, as trustee (the “First Mortgage Trustee”).

The proceeds of the Series A Bonds were applied to pay and discharge all of the \$31,000,000 outstanding principal amount of “County of Jefferson, Kentucky Pollution Control Revenue Bonds, 1992 Series A (Louisville Gas and Electric Company Project) dated September 17, 1992 (the “1992 Bonds”), previously issued by the Issuer to refinance certain air pollution control facilities (the “Series A Project”) owned by the Company. The proceeds of the Series B Bonds were applied to pay and discharge \$35,200,000 outstanding principal amount of County of Jefferson, Kentucky Pollution Control Revenue Bonds, 1993 Series A (Louisville Gas and Electric Company Project) dated August 31, 1993 (the “1993 Bonds”), previously issued by the Issuer to finance certain air and water pollution control and solid waste disposal facilities (the “Series B Project”) owned by the Company.

The Company is concurrently engaged in a separate refinancing of another issue of tax-exempt environmental facilities revenue refunding bonds in the principal amount of \$60,000,000 that were issued by another issuer and for which the Company is the primary obligor.

The Company is a wholly-owned subsidiary of LG&E and KU Energy LLC and an indirect wholly-owned subsidiary of PPL Corporation. The Company’s obligations under the Loan Agreements are solely its own and not those of any of its affiliates. None of PPL Corporation or the Company’s other affiliates will be obligated to make any payments due under the Loan Agreement or First Mortgage Bonds or any other payments of principal, interest, redemption price or purchase price of the Bonds.

Pursuant to the Indentures the Company has elected to exercise its option to change the existing Long Term Rate Period for each series of Bonds to a new Long Term Rate Period commencing the date appearing on the cover of this Reoffering Circular. On the Series A Mandatory Purchase Date of June 3, 2019, the Series A Bonds may be subsequently converted to a new Interest Rate Mode or the Long Term Rate Period may be changed at its expiration to another Long Term Rate Period. On the Series B Mandatory Purchase Date of June 3, 2019, the Series B Bonds may be subsequently converted to a new Interest Rate Mode or the Long Term Rate Period may be changed at its expiration to another Long Term Rate Period. ***This Reoffering Circular pertains only to the Bonds during such period of time that they bear interest at the Long Term Rate established on the Change Date of June 1, 2017. In the event of a remarketing of a series of Bonds on or after the applicable Mandatory Purchase Date, a supplement to this Reoffering Circular or a new reoffering circular will be prepared to describe the new terms and provisions then applicable to such series of Bonds.***

The Bonds are secured by payments made by the Company under the Loan Agreements, and are further secured by the First Mortgage Bonds. The Bonds are not entitled to the benefits of any financial guaranty insurance policy or any other form of credit enhancement.

The Bonds are special and limited obligations of the Issuer, and the Issuer's obligation to pay the principal of and interest and any premium on, and purchase price of, the Bonds is limited solely to the revenues and other amounts received by the Trustee under the applicable Indenture pursuant to the applicable Loan Agreement and amounts payable under the First Mortgage Bonds. The Bonds do not constitute an indebtedness, general obligation or pledge of the faith and credit or taxing power of the Issuer, the Commonwealth of Kentucky or any political subdivision thereof.

U.S. Bancorp Investments, Inc. will serve as Remarketing Agent for purposes of the mandatory purchase of the Series A Bonds on the Change Date and the reoffering of the Series A Bonds. J.P. Morgan Securities LLC will serve as Remarketing Agent for purposes of the mandatory purchase of the Series B Bonds on the Change Date and the reoffering of the Series B Bonds. Any Remarketing Agent may resign or be removed and a successor Remarketing Agent may be appointed in accordance with the terms of the applicable Indenture and the applicable Remarketing Agreement for the applicable series of Bonds between such Remarketing Agent and the Company.

Brief descriptions of the Company, the Issuer, the Bonds, the First Mortgage Bonds (including the Supplemental Indenture and the First Mortgage Indenture), the Loan Agreements and the Indentures are included in this Reoffering Circular. Appendix A to this Reoffering Circular has been furnished by the Company. The Issuer, Bond Counsel and the Remarketing Agents assume no responsibility for the accuracy or completeness of such Appendix A or such information. Appendix B to this Reoffering Circular contains the opinions of Bond Counsel delivered on the date on which the Bonds were initially issued, and the proposed forms of opinion of Bond Counsel to be delivered in connection with the change in the Long Term Rate Period. Such descriptions and information do not purport to be complete, comprehensive or definitive and are not to be construed as a representation or a guaranty of accuracy or completeness. All references in this Reoffering Circular to the documents are qualified in their entirety by reference to such documents, and references in this Reoffering Circular to the Bonds are qualified in their entirety by reference to the definitive form thereof included in the Indenture. Copies of the Loan Agreements and the Indentures will be available for inspection at the principal corporate trust office of the Trustee. The First Mortgage Indenture is available for inspection at the office of the Company in Louisville, Kentucky, and at the corporate trust office of the First Mortgage Trustee in Pittsburgh, Pennsylvania. Certain information relating to The Depository Trust Company ("DTC") and the book-entry-only system has been furnished by DTC. All statements in this Reoffering Circular are qualified in their entirety by reference to each such document and, with respect to the enforceability of certain rights and remedies, to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights. ***This Reoffering Circular pertains only to the Bonds during such period of time that they bear interest at the Long Term Rate established on the Change Date of June 1, 2017. In the event of a remarketing of the Bonds on or after the Mandatory Purchase Date, a supplement to this Reoffering Circular or a new reoffering circular will be prepared to describe the new terms and provisions then applicable to such Bonds.***

## The Projects

### *Series A Project*

The Series A Project has been completed. The Series A Project consists of certain air pollution control facilities in connection with the Mill Creek and Cane Run Generating Stations of the Company situated in Jefferson County, Kentucky. Major components of the Series A Project include the acquisition, construction, installation and equipping of electrostatic precipitators and sulphur dioxide removal systems serving generating units at the two generating stations.

The Natural Resources and Environmental Protection Cabinet (now the Energy and Environment Cabinet) of the Commonwealth of Kentucky and the Air Pollution Control District of Jefferson County, the agencies exercising jurisdiction with respect to the Series A Project, have each previously certified that the Series A Project, as designed, is in furtherance of the purpose of controlling atmospheric pollutants or contaminants.

The Company retired certain units at the Cane Run Generating Station, including units that include components that are part of the Series A Project.

***Series B Project***

The Series B Project has been completed. The Series B Project consists of certain air and water pollution control and solid waste disposal facilities in connection with the Mill Creek and Cane Run Generating Stations of the Company situated in Jefferson County, Kentucky. Major components of the Series B Project include the acquisition, construction, installation and equipping of electrostatic precipitators, sulphur dioxide removal systems, an ash retention and disposal basin, sludge processing facilities, solid waste disposal facilities and a mechanical draft cooling tower serving generating units at the generating stations.

The National Resources and Environmental Protection Cabinet (now the Energy and Environment Cabinet) of the Commonwealth of Kentucky and the Air Pollution Control District of Jefferson County, the agencies exercising jurisdiction with respect to the Series B Project, have each previously certified that the Series B Project, as designed, is in furtherance of the purpose of controlling atmospheric and water pollutants or contaminants.

The Company retired certain units at the Cane Run Generating Station, including units that include components that are part of the Series B Project.

**The Issuer**

The Issuer is a public body corporate and politic duly created and existing as a political subdivision under the Constitution and laws of the Commonwealth of Kentucky. The Issuer is authorized by Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (collectively, the "Act") to (i) change the Long Term Rate Period and reoffer the Bonds and (ii) continue to perform its obligations under the Loan Agreements and the Indentures. The Issuer, through its legislative body, the Metro Government Legislative Council, has adopted one or more ordinances authorizing the issuance of the Bonds and the execution and delivery of the related documents.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS PAYABLE SOLELY AND ONLY FROM CERTAIN SOURCES, INCLUDING AMOUNTS TO BE RECEIVED BY OR ON BEHALF OF THE ISSUER UNDER THE APPLICABLE LOAN AGREEMENT AND OTHER AMOUNTS RECEIVED FROM PAYMENTS MADE UNDER THE FIRST MORTGAGE BONDS. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS, GENERAL OBLIGATION OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF, AND DO NOT GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS.

### Separate Series

The Series A Bonds and the Series B Bonds will be paid from payments made by or on behalf of the Company, will have substantially the same claim to such source of funds and are treated for federal income tax purposes as a single issue of obligations. The Series A Bonds and the Series B Bonds, however, are separate series and redemption of either the Series A Bonds or the Series B Bonds may be made in the manner described below without the redemption of the other series. Similarly, a default under one of the series of Bonds or under one of the Loan Agreements will not necessarily constitute a default under the other series of Bonds or the other Loan Agreement. Each series of Bonds can bear interest at an Interest Rate Mode different from the Interest Rate Mode borne by the other series of Bonds. Unless specifically otherwise noted, the following discussion under the captions "Summary of the Bonds," "Summary of the Loan Agreements," "Summary of the First Mortgage Bonds and the First Mortgage Indenture," "Summary of the Indentures," "Enforceability of Remedies," "Tax Treatment," and "Continuing Disclosure" applies equally, but separately, to the Series A Bonds and the Series B Bonds.

As used under such captions with respect to the Series A Bonds, the term "Project" shall mean the Series A Project, the term "Bonds" shall mean the Series A Bonds, the term "First Mortgage Bonds" shall mean the Metro Louisville Tranche 7 of the First Mortgage Bonds delivered to the Series A Trustee, the term "Loan Agreement" shall mean the Series A Loan Agreement, the term "Indenture" shall mean the Series A Indenture, the term "Mandatory Purchase Date" shall mean the Series A Mandatory Purchase Date, the term "Remarketing Agent" shall mean U.S. Bancorp Investments, Inc., and the terms "Trustee" and "Tender Agent" shall mean the Series A Trustee.

As used herein under such captions with respect to the Series B Bonds, the term "Project" shall mean the Series B Project, the term "Bonds" shall mean the Series B Bonds, the term "First Mortgage Bonds" shall mean the Metro Louisville Tranche 8 of the First Mortgage Bonds delivered to the Series B Trustee, the term "Loan Agreement" shall mean the Series B Loan Agreement, the term "Indenture" shall mean the Series B Indenture, the term "Mandatory Purchase Date" shall mean the Series B Mandatory Purchase Date, the term "Remarketing Agent" shall mean J.P. Morgan Securities LLC and the terms "Trustee" and "Tender Agent" shall mean the Series B Trustee.

### Summary of the Bonds

#### General

The Bonds will be reoffered in the aggregate principal amount set forth on the cover page of this Reoffering Circular. The Bonds will mature on June 1, 2033. The Bonds are also subject to optional redemption and extraordinary optional redemption, in whole or in part, and mandatory redemption prior to maturity as described in this Reoffering Circular.

The Bonds currently bear interest at a Long Term Rate to and including May 31, 2017. Pursuant to the terms and provisions of the Indenture summarized below, the Company has exercised its option, effective the Change Date, to change the existing Long Term Rate Period to a new Long Term Rate Period. The Series A Bonds will bear interest at the Long Term Rate of 1.25% per annum from June 1, 2017, and, following the expiration of this new Long Term Rate Period, will be subject to mandatory purchase on June 3, 2019 (the "Series A Mandatory Purchase Date"). The Series B Bonds will bear interest at the Long Term Rate of 1.25% per annum from June 1, 2017, and, following the expiration of this new Long Term Rate Period, will be subject to mandatory purchase on June 3, 2019 (the "Series B Mandatory Purchase Date"). Interest on the Bonds is payable on each June 1 and December 1, commencing December 1, 2017 (unless any such interest payment date is not a Business Day, in which

case interest will be paid on the next succeeding Business Day), to the persons who are the registered owners of the Bonds as of the Record Date preceding such interest payment date. Interest also will be payable on the day following the end of the new Long Term Rate Period to the persons who are registered owners of the Bonds on the last day of such Long Term Rate Period.

The Bonds will continue to bear interest at a Long Term Rate until a Conversion to another Interest Rate Mode is specified by the Company or until the redemption or maturity of the Bonds. Also, following the expiration of the new Long Term Rate Period, the Company may elect to change the Long Term Rate Period to a different Long Term Rate Period. The permitted interest rate modes for the Bonds are (i) the "Flexible Rate," (ii) the "Daily Rate," (iii) the "Weekly Rate," (iv) the "Semi-Annual Rate," (v) the "Annual Rate," (vi) the "Long Term Rate" and (vii) the "Auction Rate."

This Reoffering Circular pertains only to the Bonds during such period of time that they bear interest at the Long Term Rate established on the Change Date of June 1, 2017. In the event of a remarketing of the Bonds on or after the Mandatory Purchase Date, a supplement to this Reoffering Circular or a new reoffering circular will be prepared describing the new terms and provisions then applicable to such Bonds.

Interest on the Bonds will be computed on the basis of a 360-day year, consisting of twelve 30-day months. Interest payable on any Interest Payment Date will be payable to the registered owner of the Bond as of the Record Date for such payment. The Record Date will be the close of business on the fifteenth day (whether or not a Business Day) of the month preceding each Interest Payment Date.

The Bonds initially will be issued solely in book-entry-only form through DTC (or its nominee, Cede & Co.). So long as the Bonds are held in the book-entry-only system, DTC or its nominee will be the registered owner or holder of the Bonds for all purposes of the Indenture, the Bonds and this Reoffering Circular. See "— Book-Entry-Only System" below. Individual purchases of book-entry interests in the Bonds will be made in book-entry-only form denominations of \$5,000 and integral multiples thereof.

Except as otherwise described below for Bonds held in DTC's book-entry-only system, the principal or redemption price of the Bonds is payable at the designated corporate trust office in New York, New York, of the Trustee, as paying agent (the "Paying Agent"). Except as otherwise described below for Bonds held in DTC's book-entry-only system, interest on the Bonds is payable by check mailed to the owner of record; provided that interest payable on each Bond will be payable in immediately available funds by wire transfer within the continental United States or by deposit into a bank account maintained with the Paying Agent at the written request of any owner of record holding at least \$1,000,000 aggregate principal amount of the Bonds, received by the Trustee, as bond registrar (the "Bond Registrar"), at least one Business Day prior to any Record Date.

Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the principal office of the Bond Registrar, accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond (i) during the fifteen days before any mailing of a notice of redemption of Bonds, (ii) after such Bond has been called for redemption or (iii) which has been purchased (see "— Mandatory Purchase of Bonds — Payment of Purchase Price" below). Registration of transfers and exchanges will be made without charge to the registered owners of Bonds, except that the Bond Registrar may require any registered owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

### **Security**

Payment of the principal of and interest and any premium on the Bonds are secured by an assignment by the Issuer to the Trustee of the Issuer's interest in and to the Loan Agreement and all payments to be made pursuant thereto (other than certain indemnification and expense payments). Pursuant to the Loan Agreement, the Company will agree to pay, among other things, amounts sufficient to pay the aggregate principal amount of and premium, if any, on the Bonds, together with interest thereon as and when the same become due. The Company further will agree to make payments of the purchase price of the Bonds tendered for purchase to the extent that funds are not otherwise available therefor under the provisions of the Indenture.

The payment of the principal of and interest and any premium on the Bonds is further secured by a principal amount of First Mortgage Bonds of the Company which equals the principal amount of the Bonds. If the Bonds become immediately due and payable as a result of a default in payment of the principal of, premium, if any, or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of default under the Loan Agreement and upon receipt by the First Mortgage Trustee of a written demand from the Trustee for redemption of the First Mortgage Bonds, or if all first mortgage bonds outstanding under the First Mortgage Indenture shall have been immediately due and payable, such First Mortgage Bonds will bear interest at the same interest rate or rates borne by the Bonds and the principal of such First Mortgage Bonds, together with interest accrued thereon from the last date or dates to which interest on the Bonds has been paid in full, will be payable in accordance with the Supplemental Indenture. See "Summary of the First Mortgage Bonds and the First Mortgage Indenture."

The First Mortgage Bonds are not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase in accordance with the Indenture. The Company is not required under the Loan Agreement or Indenture to provide any letter of credit or liquidity support for the Bonds. The First Mortgage Bonds are secured by a lien on certain property owned by the Company. In certain circumstances, the Company is permitted to reduce the aggregate principal amount of its First Mortgage Bonds held by the Trustee, but in no event to an amount lower than the aggregate outstanding principal amount of the Bonds. See "— Mandatory Purchase of Bonds — Remarketing and Purchase of Bonds."

### **The Bonds Are Not Insured**

The Bonds described in this Reoffering Circular are not insured, and holders thereof will have no recourse to, under or against any bond insurance policy or bond insurer.

### **Tender Agent**

Owners will be required to tender their Bonds to the Tender Agent for purchase at the time and in the manner described in this Reoffering Circular under the caption "— Mandatory Purchase of Bonds." So long as the Bonds are held in DTC's book-entry-only system, the Trustee will act as Tender Agent under the Indenture. Any successor Tender Agent appointed pursuant to the Indenture will also be a Paying Agent.

### **Remarketing Agent**

The Remarketing Agent may resign or be removed and a successor Remarketing Agent may be appointed in accordance with the terms of the Indenture and the Remarketing Agreement for the Bonds between the Remarketing Agent and the Company.

### **Certain Definitions**

As used in this Reoffering Circular, each of the following terms will have the meaning indicated. Certain capitalized terms used in this Reoffering Circular and not otherwise defined will have the meanings set forth in the Indenture.

*“Beneficial Owner”* means the person in whose name a Bond is recorded as such by the respective systems of DTC and each Participant (as defined in this Reoffering Circular) or the registered holder of such Bond if such Bond is not then registered in the name of Cede & Co.

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

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

*“Interest Payment Date”* means June 1 and December 1, and also the day following the end of the Long Term Rate Period.

*“Interest Period”* means the period from and including each Interest Payment Date to and including the day immediately preceding the next Interest Payment Date, provided, however that the first Interest Period for the Bonds will begin on (and include) the date of issuance of the Bonds and the final Interest Period will end on the day immediately preceding the maturity date of the Bonds.

*“Interest Rate Mode”* means the Flexible Rate, the Daily Rate, the Weekly Rate, the Semi-Annual Rate, the Annual Rate and the Long Term Rate, as applicable.

*“Long Term Rate Period”* means any period established by the Company and beginning on, and including, the date of Conversion to the Long Term Rate and ending on, and including, the day preceding the last Interest Payment Date for such period and, thereafter, each successive period of the same duration as the Long Term Rate Period previously established until the day preceding the earliest of the change to a different Long Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

### **Mandatory Purchase of Bonds**

**General.** The Bonds will be subject to mandatory purchase on the Mandatory Purchase Date at a purchase price equal to the principal amount thereof plus accrued and unpaid interest. Notice to owners of such mandatory purchase will be given by the Bond Registrar by first class mail at least 30 days prior the Mandatory Purchase Date. The notice of mandatory purchase will state those matters required to be set forth therein under the Indenture.

**Remarketing and Purchase of Bonds.** The Indenture provides that, subject to the terms of a Remarketing Agreement with the Company, unless otherwise instructed by the Company, the Remarketing Agent will use its commercially reasonable best efforts to remarket Bonds purchased on the Mandatory Purchase Date. Each such sale will be at a price equal to the principal amount thereof, plus interest accrued to the date of sale. The Remarketing Agent, the Trustee, the Paying Agent, the Bond Registrar or the Tender Agent each may purchase any Bonds offered for sale for its own account.

The purchase price of Bonds tendered for purchase will be paid by the Tender Agent from moneys derived from the remarketing of such Bonds by the Remarketing Agent and, if such remarketing proceeds are insufficient, from moneys made available by the Company. The Company is obligated to purchase any Bonds tendered for purchase to the extent such Bonds have not been remarketed. Any such purchases by the Company will not result in the extinguishment of the purchased Bonds. The Company currently maintains lines of credit or other liquidity facilities in amounts determined by it to be sufficient to meet its current needs and expects to continue to maintain such lines of credit or other liquidity facilities from time to time to the extent determined by it to be necessary to meet its then-current needs. The Trustee, any Paying Agent, the Tender Agent and the owners of the Bonds have no right to draw under any line of credit or other liquidity facility maintained by the Company. There is no provision in the Indenture or the Loan Agreement requiring the Company to maintain such financing arrangements which may be discontinued at any time without notice. The First Mortgage Bonds are not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase pursuant to the Indenture.

Any deficiency in purchase price payments resulting from the Remarketing Agent's failure to deliver remarketing proceeds of all Bonds with respect to which the Remarketing Agent notified the Tender Agent were remarketed will not result in an Event of Default under the Indenture until the opening of business on the next succeeding Business Day unless the Company fails to provide sufficient funds to pay such purchase price by the opening of business on such next succeeding Business Day. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase of Bonds will be consummated, but failure to consummate such purchase will not be deemed to be an Event of Default under the Indenture if sufficient funds have been provided in a timely manner by the Company to the Tender Agent for such purpose.

**Payment of Purchase Price.** Payment of the purchase price of any Bond will be payable on the Mandatory Purchase Date upon delivery of such Bond to the Tender Agent on such Mandatory Purchase Date; provided that such Bond must be delivered to the Tender Agent at or prior to 11:00 a.m. (New York City time). When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Tender Agent. If the Mandatory Purchase Date is not a Business Day, the purchase price will be payable on the next succeeding Business Day.

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

If the registered owner of any Bond (or portion thereof) that is subject to purchase pursuant to the Indenture fails to deliver such Bond with an appropriate instrument of transfer to the Tender Agent for purchase on the Mandatory Purchase Date, and if the Tender Agent is in receipt of the purchase price therefor, such Bond (or portion thereof) nevertheless will be deemed purchased on the Mandatory



Purchase Date. Any owner who so fails to deliver such Bond for purchase on (or before) the Mandatory Purchase Date will have no further rights thereunder, except the right to receive the purchase price thereof from those moneys deposited with the Tender Agent in the Purchase Fund pursuant to the Indenture upon presentation and surrender of such Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

#### **Redemptions**

*Optional Redemption.* Except as described below under the subheadings “--- Extraordinary Optional Redemption in Whole” and “--- Extraordinary Optional Redemption in Whole or in Part,” the Bonds are not subject to optional redemption prior to the Mandatory Purchase Date.

*Extraordinary Optional Redemption in Whole.* The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events has occurred within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

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

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

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

(iv) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the generating station where any of the Project is located to such extent that the Company will be prevented from carrying on its normal operations at such generating station for a period of six months.

As a result of a Company Letter Agreement between the Issuer and the Company, to be dated as of June 1, 2017, the Company will agree that it will not, prior to the Mandatory Purchase Date, exercise the rights under the Loan Agreement it would otherwise have to redeem the Bonds under the following circumstances:

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

(ii) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the generating station where any of the Project is located have occurred, which, in the judgment of the Company, render the continued operation of such generating station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to (i) with respect to the Series A Bonds, changes in clean air or other air pollution control requirements or (ii) with respect to the Series B Bonds, changes in clean air and water or other air and water pollution control requirements or solid waste disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable;

**Extraordinary Optional Redemption in Whole or in Part.** The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project, subject to receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See "Summary of the Loan Agreements — Maintenance; Damage, Destruction and Condemnation."

**Mandatory Redemption; Determination of Taxability.** The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a "Determination of Taxability." As used in this Reoffering Circular, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability will be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (a) gives the Company and the Trustee prompt notice of the commencement thereof, and (b) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (a) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (b) the Company exhausts or chooses not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, a redemption of a portion of such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described in this Reoffering Circular.

**General Redemption Terms.** Notice of redemption will be given by mailing a redemption notice conforming to the provisions and requirements of the Indenture by first class mail to the registered owners of the Bonds to be redeemed not less than 30 days but not more than 45 days prior to the redemption date.

Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect in such notice in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

#### **Conversion of Interest Rate Modes**

The Interest Rate Mode for the Bonds is subject to Conversion from time to time, including on the Mandatory Purchase Date following the end of the initial Long Term Rate Period, at the option of the Company in accordance with the terms of the Indenture, upon notice from the Bond Registrar to the registered owners of the Bonds. With any notice of Conversion, the Company must also deliver to the Bond Registrar an opinion of Bond Counsel stating that such Conversion is authorized or permitted by the Act and is authorized by the Indenture and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

#### **Book-Entry-Only System**

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

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC’s book-entry-only system, registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If fewer than all of the Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

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

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

A Beneficial Owner shall effect delivery of purchased Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer, the Company, the Tender Agent and the Trustee, or the Issuer, at the request of the Company, may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository for the Bonds). Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered as described in the Indenture (see "— Revision of Book-Entry-Only System; Replacement Bonds" below). The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as the nominee of DTC, references in this Reoffering Circular to the registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners. Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Issuer's obligations under the Indenture and the Company's obligations under the Loan Agreement and the First Mortgage Bonds, to the extent of the payments so made. Beneficial Owners will not be, and will not be considered by the Issuer or the Trustee to be, and will not have any rights as, owners of Bonds under the Indenture.

The Trustee and the Issuer, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption or of proposed document amendments requiring consent of registered owners and any other notices required by the document (including notices of Conversion and mandatory purchase) to be sent to registered owners only to DTC (or any successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption, the document amendment, the Conversion, the mandatory purchase or any other action premised on that notice.

The Issuer, the Company, the Trustee, the Tender Agent and the Remarketing Agents cannot and do not give any assurances that DTC will distribute payments on the Bonds made to DTC or its nominee as the registered owner or any redemption or other notices, to the Participants, or that the Participants or others will distribute such payments or notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Reoffering Circular.

THE ISSUER, THE COMPANY, THE TENDER AGENT, THE REMARKETING AGENTS AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A REGISTERED OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OR PURCHASE PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OF ANY NOTICE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

***Revision of Book-Entry-Only System; Replacement Bonds.*** In the event that DTC determines not to continue as the securities depository or is removed by the Issuer, at the direction of the Company, as the securities depository, the Issuer, at the direction of the Company, may appoint a successor securities depository reasonably acceptable to the Trustee. If the Issuer does not or is unable to appoint a successor securities depository, the Issuer will issue and the Trustee will authenticate and deliver fully registered Bonds, in authorized denominations, to the assignees of DTC or their nominees.

In the event that the book-entry-only system is discontinued, the following provisions will apply. The Bonds may be issued in denominations of \$5,000 and integral multiples thereof. Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the principal office of the Bond Registrar, accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond during the fifteen days before any mailing of a notice of redemption, after such Bond has been called for redemption in whole or in part, or after such Bond has been tendered or deemed tendered for optional or mandatory purchase as described above under "— Mandatory Purchase of Bonds." Registration of transfers and exchanges will be made without charge to the owners of Bonds, except that the Bond Registrar may require any owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

#### **Summary of the Loan Agreements**

*The following, in addition to the provisions contained elsewhere in this Reoffering Circular, is a brief description of certain provisions of the Loan Agreements. This description is only a summary and does not purport to be complete and definitive. Reference is made to the Loan Agreements for the detailed provisions thereof.*

**General**

The Loan Agreement initially commenced as of its initial date and will end on the earliest to occur of the maturity date of the Bonds, or the date on which all of the Bonds have been fully paid or provision has been made for such payment pursuant to the Indenture. See “Summary of the Indentures — Discharge of Indenture.”

The Company has agreed to repay the loan pursuant to the Loan Agreement by making timely payments to the Trustee in sufficient amounts to pay the principal of, premium, if any, and interest required to be paid on the Bonds on each date upon which any such payments are due. The Company has also agreed to pay (i) the agreed upon fees and expenses of the Trustee, the Bond Registrar, the Tender Agent and the Paying Agent and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent and the Tender Agent, as may be applicable, under the Indenture, (ii) the expenses in connection with any redemption of the Bonds and (iii) the reasonable expenses of the Issuer.

The Company covenants and agrees with the Issuer that it will cause the purchase of tendered Bonds that are not remarketed in accordance with the Indenture, and, to that end, the Company will cause funds to be made available to the Tender Agent at the times and in the manner required to effect such purchases in accordance with the Indenture (see “Summary of the Bonds — Mandatory Purchase of Bonds — Remarketing and Purchase of Bonds”).

All payments to be made by the Company to the Issuer pursuant to the Loan Agreement (except the fees and reasonable out of pocket expenses of the Issuer, the Trustee, the Paying Agent, the Bond Registrar and the Tender Agent, and amounts related to indemnification) have been assigned by the Issuer to the Trustee, and the Company will pay such amounts directly to the Trustee. The obligation of the Company to make the payments pursuant to the Loan Agreement are absolute and unconditional.

**Maintenance of Tax Exemption**

The Company and the Issuer have agreed not to take any action that would result in the interest paid on the Bonds being included in gross income of any Bondholder (other than a holder who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes or that adversely affects the validity of the Bonds.

**Issuance and Delivery of First Mortgage Bonds**

For the purpose of providing security for the Bonds, the Company has executed and delivered to the Trustee the First Mortgage Bonds. The principal amount of the First Mortgage Bonds executed and delivered to the Trustee equals the aggregate principal amount of the Bonds. If the Bonds become immediately due and payable as a result of a default in payment of the principal of, premium, if any, or interest on the Bonds, or a default in payment of the purchase price of such Bonds tendered for purchase, due to an event of default under the Loan Agreement and upon receipt by the First Mortgage Trustee of a written demand from the Trustee for redemption of the First Mortgage Bonds, or if all first mortgage bonds outstanding under the First Mortgage Indenture shall have become immediately due and payable, such First Mortgage Bonds will bear interest at the same interest rate or rates borne by the Bonds and the principal of such First Mortgage Bonds, together with interest accrued thereon from the last date to which interest on the Bonds shall have been paid in full, will then be payable. See, however, “Summary of the Indentures — Waiver of Events of Default.”

Upon payment of the principal of, premium, if any, and interest on any of the Bonds, and the surrender to and cancellation thereof by the Trustee, or upon provision for the payment thereof having

been made in accordance with the Indenture, First Mortgage Bonds with corresponding principal amounts equal to the aggregate principal amount of the Bonds so surrendered and canceled or for the payment of which provision has been made, will be surrendered by the Trustee to the First Mortgage Trustee and will be canceled by the First Mortgage Trustee. The First Mortgage Bonds are registered in the name of the Trustee and are nontransferable, except to effect transfers to any successor trustee under the Indenture.

#### **Payment of Taxes**

The Company has agreed to pay certain taxes and other governmental charges that may be lawfully assessed, levied or charged against or with respect to the Project (see, however, subparagraph (i) under “Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole”). The Company may contest such taxes or other governmental charges unless the security provided by the Indenture would be materially endangered.

#### **Maintenance; Damage, Destruction and Condemnation**

So long as any Bonds are outstanding, the Company will maintain the Project or cause the Project to be maintained in good working condition and will make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Series A Project as air pollution control and abatement facilities under Section 103(b)(4)(F) of the Code and the Act and the Series B Project as air and water pollution control and abatement facilities and solid waste disposal facilities under Section 103(b)(4)(E) and (F) of the Code and the Act. However, the Company will have no obligation to maintain, repair, replace or renew any portion of the Project, the maintenance, repair, replacement or renewal of which becomes uneconomical to the Company because of certain events, including damage or destruction by a cause not within the Company’s control, condemnation of the Project, change in government standards and regulations, economic or other obsolescence or termination of operation of generating facilities to the Project.

The Company, at its own expense, may remodel the Project or make substitutions, modifications and improvements to the Project as it deems desirable, which remodeling, substitutions, modifications and improvements will be deemed, under the terms of the Loan Agreement, to be a part of the Project. The Company may not, however, change or alter the basic nature of the Project or cause it to lose its status under Section 103(b)(4)(F) or Section 103(b)(4)(E) and (F), as the case may be, of the Code and the Act.

If, prior to the payment of all Bonds outstanding, the Project or any portion thereof is destroyed, damaged or taken by the exercise of the power of eminent domain and the Issuer, the Company or the First Mortgage Trustee receives net proceeds from insurance or a condemnation award in connection therewith, the Company will (i) cause such net proceeds to be used to repair or restore the Project or (ii) take any other action, including the redemption of the Bonds in whole or in part at their principal amount, which, in the opinion of Bond Counsel, will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes. See “Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole or in Part.”

#### **Insurance**

The Company will insure the Project in accordance with the provisions of the First Mortgage Indenture.



**Assignment, Merger and Release of Obligations of the Company**

The Company may assign the Loan Agreement, pursuant to an opinion of Bond Counsel that such assignment will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, without obtaining the consent of either the Issuer or the Trustee. Such assignment, however, will not relieve the Company from primary liability for any of its obligations under the Loan Agreement and performance and observance of the other covenants and agreements to be performed by the Company. The Company may dispose of all or substantially all of its assets or consolidate with or merge into another corporation, provided the acquirer of the Company's assets or the corporation with which it consolidates with or merges into must be a corporation or other business organization organized and existing under the laws of the United States of America or one of the states of the United States of America, must be qualified and admitted to do business in the Commonwealth of Kentucky, must assume in writing all of the obligations and covenants of the Company under the Loan Agreement and must deliver a copy of such assumption to the Issuer and Trustee.

**Release and Indemnification Covenant**

The Company will indemnify and hold the Issuer harmless against any expense or liability incurred, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof.

**Events of Default**

Each of the following events constitutes an "event of default" under the Loan Agreement:

(i) failure by the Company to pay the amounts required for payment of the principal of, including purchase price for tendered Bonds and redemption and acceleration prices, and interest accrued, on the Bonds, at the times specified in the Indenture and the Bonds taking into account any periods of grace provided in the Indenture and the Bonds for the applicable payment of interest on the Bonds (see "Summary of the Indentures — Defaults and Remedies");

(ii) failure by the Company to observe and perform any covenant, condition or agreement, other than as referred to in paragraph (i) above, for a period of thirty days after written notice by the Issuer or Trustee, provided, however, that if such failure is capable of being corrected, but cannot be corrected in such 30-day period, it will not constitute an event of default under the Loan Agreement if corrective action with respect thereto is instituted within such period and is being diligently pursued;

(iii) certain events of bankruptcy, dissolution, liquidation, reorganization or insolvency of the Company;

(iv) the occurrence of an Event of Default under the Indenture; or

(v) all first mortgage bonds outstanding under the First Mortgage Indenture, if not already due, shall have become immediately due and payable, whether by declaration or otherwise, and such acceleration shall not have been rescinded by the First Mortgage Trustee.

Under the Loan Agreement, certain of the Company's obligations (other than the Company's obligations, among others, (i) not to permit any action which would result in interest paid on the Bonds being included in gross income for federal and Kentucky income taxes; (ii) to maintain its corporate existence and good standing, and to neither dispose of all or substantially all of its assets or consolidate

with or merge into another corporation unless certain provisions of the Loan Agreement are satisfied; and (iii) to make loan payments and certain other payments under the provisions of the Loan Agreement) may be suspended if by reason of force majeure (as defined in the Loan Agreement) the Company is unable to carry out such obligations.

#### **Remedies**

Upon the happening of an event of default under the Loan Agreement, the Trustee, on behalf of the Issuer, may, among other things, take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company, under the Loan Agreement.

In the event of a default in payment of the principal of, premium, if any, or interest on the Bonds, or a default in the payment of the purchase price of the Bonds tendered for purchase, and the acceleration of the maturity date of the Bonds (to the extent not already due and payable) as a consequence of such event of default, the Trustee may demand redemption of the First Mortgage Bonds. See "Summary of the First Mortgage Bonds and the First Mortgage Indenture" and "Summary of the Indentures — Defaults and Remedies." Any amounts collected upon the happening of any such event of default will be applied in accordance with the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture) and all other liabilities of the Company accrued under the Indenture and the Loan Agreement have been paid or satisfied, made available to the Company.

#### **Options to Prepay, Obligation to Prepay**

The Company may prepay the loan pursuant to the Loan Agreement, in whole or in part, on certain dates, at the prepayment prices as shown under the captions "Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole" and "— Extraordinary Optional Redemption in Whole or in Part." Upon the occurrence of the event described under the caption "Summary of the Bonds — Redemptions — Mandatory Redemption; Determination of Taxability," the Company will be obligated to prepay the loan in an aggregate amount sufficient to redeem the required principal amount of the Bonds.

In each instance, the loan prepayment price will be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem the requisite amount of the Bonds at a price equal to the applicable redemption price plus accrued interest to the redemption date, and to pay all reasonable and necessary fees and expenses of the Trustee, the Paying Agent or the Bond Registrar and all other liabilities of the Company under the Loan Agreement accrued to the redemption date.

#### **Amendments and Modifications**

No amendment or modification of the Loan Agreement is permissible without the written consent of the Trustee. The Issuer and the Trustee may, however, without the consent of or notice to any Bondholders, enter into any amendment or modification of the Loan Agreement (i) which may be required by the provisions of the Loan Agreement or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with any modification or change necessary to conform the Loan Agreement with changes and modifications in the Indenture or (iv) in connection with any other change which, in the judgment of the Trustee, does not adversely affect the Trustee or the Bondholders. Except for such amendments, the Loan Agreement may be amended or modified only with the consent of the Bondholders holding a majority in principal amount of the Bonds then outstanding (see "Summary of the Indentures — Supplemental Indentures" for an explanation of the procedures necessary for Bondholder consent); provided, however, that the approval of the Bondholders holding 100% in

principal amount of the Bonds then outstanding is necessary to effectuate an amendment or modification with respect to the Loan Agreement of the type described in clauses (i) through (iv) of the first sentence of the second paragraph of “Summary of the Indentures — Supplemental Indentures.”

#### **Summary of the First Mortgage Bonds and the First Mortgage Indenture**

*The following, in addition to the provisions contained elsewhere in this Reoffering Circular, is a brief description of certain provisions of the First Mortgage Bonds and the First Mortgage Indenture. This description is only a summary and does not purport to be complete and definitive. Reference is made to the First Mortgage Indenture and to the form of the First Mortgage Bonds for the detailed provisions thereof.*

#### **General**

The First Mortgage Bonds, in a principal amount equal to the principal amount of the Bonds, were issued as a new tranche from a new series of first mortgage bonds under the First Mortgage Indenture (see “Summary of the Loan Agreements — Issuance and Delivery of First Mortgage Bonds”). The statements herein made (being for the most part summaries of certain provisions of the First Mortgage Indenture) are subject to the detailed provisions of the First Mortgage Indenture, which is incorporated herein by this reference. Words or phrases italicized are defined in the First Mortgage Indenture.

The First Mortgage Bonds will mature on the same date and bear interest at the same rate or rates as the Bonds; however, the principal of and interest on the First Mortgage Bonds will not be payable other than upon the occurrence of an event of default under the Loan Agreement. If the Bonds become immediately due and payable as a result of the occurrence of an event of default under the Loan Agreement that has resulted in a default in payment of the principal of, premium, if any, or interest on the Bonds, or a default in payment of the purchase price of any such Bonds tendered for purchase, and the maturity date of the Bonds has been accelerated (to the extent the Bonds are not already due and payable) as a consequence of such event of default, and if all first mortgage bonds outstanding under the First Mortgage Indenture shall not have become immediately due and payable following an event of default under the First Mortgage Indenture, the Company will be obligated to redeem the First Mortgage Bonds upon receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee for redemption, at a redemption price equal to the principal amount thereof plus accrued interest at the rates borne by the Bonds from the last date to which interest on the Bonds has been paid.

The First Mortgage Bonds at all times will be in fully registered form registered in the name of the Trustee, will be non-negotiable, and will be non-transferable except to any successor trustee under the Indenture. Upon payment and cancellation of Bonds by the Trustee or the Paying Agent (other than any Bond or portion thereof that was canceled by the Trustee or the Paying Agent and for which one or more Bonds were delivered and authenticated pursuant to the Indenture), whether at maturity, by redemption or otherwise, or upon provision for the payment of the Bonds having been made in accordance with the Indenture, an equal principal amount of First Mortgage Bonds will be deemed fully paid and the obligations of the Company thereunder will cease.

#### **Security; Lien of the First Mortgage Indenture**

*General.* Except as described below under this heading and under “— Issuance of Additional First Mortgage Bonds,” and subject to the exceptions described under “— Satisfaction and Discharge,” all first mortgage bonds issued under the First Mortgage Indenture, including the First Mortgage Bonds, will be secured, equally and ratably, by the lien of the First Mortgage Indenture, which constitutes, subject to

*permitted liens* and exclusions as described below, a first mortgage lien on substantially all of the Company's real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and the storage, transportation and distribution of natural gas (other than property duly released from the lien of the First Mortgage Indenture in accordance with the provisions thereof and other than *excepted property*, as described below). Property that is subject to the lien of the First Mortgage Indenture is referred to below as "Mortgaged Property."

The Company may obtain the release of property from the lien of the First Mortgage Indenture from time to time, upon the bases provided for such release in the First Mortgage Indenture. See "— Release of Property."

The Company may enter into supplemental indentures with the First Mortgage Trustee, without the consent of the holders of the first mortgage bonds, in order to subject additional property (including property that would otherwise be excepted from such lien) to the lien of the First Mortgage Indenture. This property would constitute *property additions* and would be available as a basis for the issuance of additional first mortgage bonds. See "— Issuance of Additional First Mortgage Bonds."

The First Mortgage Indenture provides that after-acquired property (other than *excepted property*) will be subject to the lien of the First Mortgage Indenture. However, in the case of consolidation or merger (whether or not the Company is the surviving company) or transfer of the Mortgaged Property as or substantially as an entirety, the First Mortgage Indenture will not be required to be a lien upon any of the properties either owned or subsequently acquired by the successor company except properties acquired from the Company in or as a result of such transfer, as well as improvements, extensions and additions (as defined in the First Mortgage Indenture) to such properties and renewals, replacements and substitutions of or for any part or parts thereof. See "— Consolidation, Merger and Conveyance of Assets as an Entirety."

**Excepted Property.** The lien of the First Mortgage Indenture does not cover, among other things, the following types of property: property located outside of Kentucky and not specifically subjected or required to be subjected to the lien of the First Mortgage Indenture; property not used by the Company in its electric generation, transmission and distribution business or its natural gas storage, transportation and distribution business; cash and securities not paid, deposited or held under the First Mortgage Indenture or required so to be; contracts, leases and other agreements of all kinds, contract rights, bills, notes and other instruments, revenues, accounts receivable, claims, demands and judgments; governmental and other licenses, permits, franchises, consents and allowances; intellectual property rights and other general intangibles; vehicles, movable equipment, aircraft and vessels; all goods, stock in trade, wares, merchandise and inventory held for the purpose of sale or lease in the ordinary course of business; materials, supplies, inventory and other personal property consumable in the operation of the Company's business; fuel; tools and equipment; furniture and furnishings; computers and data processing, telecommunications and other facilities used primarily for administrative or clerical purposes or otherwise not used in connection with the operation or maintenance of electric generation, transmission and distribution facilities or natural gas storage, transportation and distribution facilities; coal, ore, gas, oil and other minerals and timber rights; electric energy and capacity, gas, steam, water and other products generated, produced, manufactured, purchased or otherwise acquired; real property and facilities used primarily for the production or gathering of natural gas; property which has been released from the lien of the First Mortgage Indenture; and leasehold interests. Property of the Company not covered by the lien of the First Mortgage Indenture is referred to herein as *excepted property*. Properties held by any of the Company's subsidiaries, as well as properties leased from others, would not be subject to the lien of the First Mortgage Indenture.

**Permitted Liens.** The lien of the First Mortgage Indenture is subject to permitted liens described in the First Mortgage Indenture. Such *permitted liens* include liens existing at the execution date of the First Mortgage Indenture, purchase money liens and other liens placed or otherwise existing on property acquired by the Company after the execution date of the First Mortgage Indenture at the time the Company acquires it, tax liens and other governmental charges which are not delinquent or which are being contested in good faith, mechanics', construction and materialmen's liens, certain judgment liens, easements, reservations and rights of others (including governmental entities) in, and defects of title to, the Company's property, certain leases and leasehold interests, liens to secure public obligations, rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by the Company or by others on the Company's property, rights and interests of persons other than the Company arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of such persons in such property and liens which have been bonded or for which other security arrangements have been made.

The First Mortgage Indenture also provides that the First Mortgage Trustee will have a lien, prior to the lien on behalf of the holders of the first mortgage bonds, including the First Mortgage Bonds, upon the Mortgaged Property as security for the Company's payment of its reasonable compensation and expenses and for indemnity against certain liabilities. Any such lien would be a *permitted lien* under the First Mortgage Indenture.

#### **Issuance of Additional First Mortgage Bonds**

The maximum principal amount of first mortgage bonds that may be authenticated and delivered under the First Mortgage Indenture is subject to the issuance restrictions described below; provided, however, that the maximum principal amount of first mortgage bonds outstanding at any one time shall not exceed One Quintillion Dollars (\$1,000,000,000,000,000,000), which amount may be changed by supplemental indenture. As of March 31, 2017, first mortgage bonds in an aggregate principal amount of \$1,634,304,000 were outstanding under the First Mortgage Indenture, of which \$549,304,000 were issued to secure the Company's payment obligations with respect to its outstanding pollution control and environmental facilities revenue bonds, including the Bonds.

First mortgage bonds of any series may be issued from time to time on the basis of, and in an aggregate principal amount not exceeding:

- 66 2/3% of the *cost* or *fair value* to the Company (whichever is less) of *property additions* (as described below) which do not constitute *funded property* (generally, *property additions* which have been made the basis of the authentication and delivery of first mortgage bonds, the release of Mortgaged Property or the withdrawal of cash, which have been substituted for retired *funded property* or which have been used for other specified purposes) after certain deductions and additions, primarily including adjustments to offset property retirements;
- the aggregate principal amount of *retired securities* (as described below); or
- an amount of cash deposited with the First Mortgage Trustee.

*Property additions* generally include any property which is owned by the Company and is subject to the lien of the First Mortgage Indenture except (with certain exceptions) goodwill, going concern value rights or intangible property, or any property the acquisition or construction of which is properly chargeable to one of the Company's operating expense accounts in accordance with U.S. generally accepted accounting principles.

*Retired securities* means, generally, first mortgage bonds which are no longer outstanding under the First Mortgage Indenture, which have not been retired by the application of *funded cash* and which have not been used as the basis for the authentication and delivery of first mortgage bonds, the release of property or the withdrawal of cash.

At March 31, 2017, approximately \$1.47 billion of property additions and \$275 million of retired securities were available to be used as the basis for the authentication and delivery of first mortgage bonds.

#### **Release of Property**

Unless an *event of default* has occurred and is continuing, the Company may obtain the release from the lien of the First Mortgage Indenture of any Mortgaged Property, except for cash held by the First Mortgage Trustee, upon delivery to the First Mortgage Trustee of an amount in cash equal to the amount, if any, by which sixty-six and two-thirds percent (66-2/3%) of the cost of the property to be released (or, if less, the *fair value* to the Company of such property at the time it became *funded property*) exceeds the aggregate of:

- an amount equal to 66 2/3% of the aggregate principal amount of obligations secured by *purchase money liens* upon the property to be released and delivered to the First Mortgage Trustee;
- an amount equal to 66 2/3% of the *cost or fair value* to the Company (whichever is less) of certified *property additions* not constituting *funded property* after certain deductions and additions, primarily including adjustments to offset property retirements (except that such adjustments need not be made if such *property additions* were acquired or made within the 90-day period preceding the release);
- the aggregate principal amount of first mortgage bonds the Company would be entitled to issue on the basis of *retired securities* (with such entitlement being waived by operation of such release);
- the aggregate principal amount of first mortgage bonds delivered to the First Mortgage Trustee (with such first mortgage bonds to be canceled by the First Mortgage Trustee);
- any amount of cash and/or an amount equal to 66 2/3% of the aggregate principal amount of obligations secured by *purchase money liens* upon the property released that is delivered to the trustee or other holder of a lien prior to the lien of the First Mortgage Indenture, subject to certain limitations described in the First Mortgage Indenture; and
- any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released.

As used in the First Mortgage Indenture, the term *purchase money lien* means, generally, a lien on the property being released which is retained by the transferor of such property or granted to one or more other persons in connection with the transfer or release thereof, or granted to or held by a trustee or agent for any such persons, and may include liens which cover property in addition to the property being released and/or which secure indebtedness in addition to indebtedness to the transferor of such property.

Unless an *event of default* has occurred and is continuing, property which is not *funded property* may generally be released from the lien of the First Mortgage Indenture without depositing any cash or property with the First Mortgage Trustee as long as (a) the aggregate amount of *cost or fair value* to the Company (whichever is less) of all *property additions* which do not constitute *funded property* (excluding the property to be released) after certain deductions and additions, primarily including adjustments to offset property retirements, is not less than zero or (b) the cost or *fair value* (whichever is less) of property

to be released does not exceed the aggregate amount of the cost or fair value to the Company (whichever is less) of *property additions* acquired or made within the 90-day period preceding the release.

The First Mortgage Indenture provides simplified procedures for the release of minor properties and property taken by eminent domain and provides for dispositions of certain obsolete property and grants or surrender of certain rights without any release or consent by the First Mortgage Trustee.

If the Company retains any interest in any property released from the lien of the First Mortgage Indenture, the First Mortgage Indenture will not become a lien on such property or such interest therein or any improvements, extensions or additions to such property or renewals, replacements or substitutions of or for such property or any part or parts thereof.

#### **Withdrawal of Cash**

Unless an *event of default* has occurred and is continuing, and subject to certain limitations, cash held by the First Mortgage Trustee may, generally, (1) be withdrawn by the Company (a) to the extent of sixty-six and two-thirds percent (66-2/3%) of the cost or *fair value* to the Company (whichever is less) of *property additions* not constituting *funded property*, after certain deductions and additions, primarily including adjustments to offset retirements (except that such adjustments need not be made if such *property additions* were acquired or made within the 90-day period preceding the withdrawal) or (b) in an amount equal to the aggregate principal amount of first mortgage bonds that the Company would be entitled to issue on the basis of *retired securities* (with the entitlement to such issuance being waived by operation of such withdrawal) or (c) in an amount equal to the aggregate principal amount of any outstanding first mortgage bonds delivered to the First Mortgage Trustee; or (2) upon the Company's request, be applied to (a) the purchase of first mortgage bonds in a manner and at a price approved by the Company or (b) the payment (or provision for payment) at stated maturity of any first mortgage bonds or the redemption (or provision for payment) of any first mortgage bonds which are redeemable; provided, however, that cash deposited with the First Mortgage Trustee as the basis for the authentication and delivery of first mortgage bonds may, in addition, be withdrawn in an amount not exceeding the aggregate principal amount of cash delivered to the First Mortgage Trustee for such purpose.

#### **Events of Default**

An "*event of default*" occurs under the First Mortgage Indenture if

- the Company does not pay any interest on any first mortgage bonds within 30 days of the due date;
- the Company does not pay principal or premium, if any, on any first mortgage bonds on the due date;
- the Company remains in breach of any other covenant (excluding covenants specifically dealt with elsewhere in this section) in respect of any first mortgage bonds for 90 days after the Company receives a written notice of default stating the Company is in breach and requiring remedy of the breach; the notice must be sent by either the First Mortgage Trustee or holders of 25% of the principal amount of outstanding first mortgage bonds; the First Mortgage Trustee or such holders can agree to extend the 90-day period and such an agreement to extend will be automatically deemed to occur if the Company initiates corrective action within such 90 day period and the Company is diligently pursuing such action to correct the default; or
- the Company files for bankruptcy or certain other events in bankruptcy, insolvency, receivership or reorganization occur.

**Remedies**

***Acceleration of Maturity.*** If an event of default occurs and is continuing, then either the First Mortgage Trustee or the holders of not less than 25% in principal amount of the outstanding first mortgage bonds may declare the principal amount of all of the first mortgage bonds to be due and payable immediately.

***Rescission of Acceleration.*** After the declaration of acceleration has been made and before the First Mortgage Trustee has obtained a judgment or decree for payment of the money due, such declaration and its consequences will be rescinded and annulled, if

- the Company pays or deposits with the First Mortgage Trustee a sum sufficient to pay:
  - all overdue interest;
  - the principal of and premium, if any, which have become due otherwise than by such declaration of acceleration and interest thereon;
  - interest on overdue interest to the extent lawful; and
  - all amounts due to the First Mortgage Trustee under the First Mortgage Indenture; and
- all *events of default*, other than the nonpayment of the principal which has become due solely by such declaration of acceleration, have been cured or waived as provided in the First Mortgage Indenture.

For more information as to waiver of defaults, see “— Waiver of Default and of Compliance” below.

***Appointment of Receiver and Other Remedies.*** Subject to the First Mortgage Indenture, under certain circumstances and to the extent permitted by law, if an *event of default* occurs and is continuing, the First Mortgage Trustee has the power to appoint a receiver of the Mortgaged Property, and is entitled to all other remedies available to mortgagees and secured parties under the Uniform Commercial Code or any other applicable law.

***Control by Holders; Limitations.*** Subject to the First Mortgage Indenture, if an *event of default* occurs and is continuing, the holders of a majority in principal amount of the outstanding first mortgage bonds will have the right to

- direct the time, method and place of conducting any proceeding for any remedy available to the First Mortgage Trustee, or
- exercise any trust or power conferred on the First Mortgage Trustee.

The rights of holders to make direction are subject to the following limitations:

- the holders’ directions may not conflict with any law or the First Mortgage Indenture; and
- the holders’ directions may not involve the First Mortgage Trustee in personal liability where the First Mortgage Trustee believes indemnity is not adequate.



The First Mortgage Trustee may also take any other action it deems proper which is not inconsistent with the holders' direction.

In addition, the First Mortgage Indenture provides that no holder of any first mortgage bond will have any right to institute any proceeding, judicial or otherwise, with respect to the First Mortgage Indenture for the appointment of a receiver or for any other remedy thereunder unless

- that holder has previously given the First Mortgage Trustee written notice of a continuing *event of default*;
- the holders of 25% in aggregate principal amount of the outstanding first mortgage bonds have made written request to the First Mortgage Trustee to institute proceedings in respect of that *event of default* and have offered the First Mortgage Trustee reasonable indemnity against costs, expenses and liabilities incurred in complying with such request; and
- for 60 days after receipt of such notice, request and offer of indemnity, the First Mortgage Trustee has failed to institute any such proceeding and no direction inconsistent with such request has been given to the First Mortgage Trustee during such 60-day period by the holders of a majority in aggregate principal amount of outstanding first mortgage bonds.

Furthermore, no holder of first mortgage bonds will be entitled to institute any such action if and to the extent that such action would disturb or prejudice the rights of other holders of first mortgage bonds.

However, each holder of first mortgage bonds has an absolute and unconditional right to receive payment when due and to bring a suit to enforce that right.

**Notice of Default.** The First Mortgage Trustee is required to give the holders of the first mortgage bonds notice of any default under the First Mortgage Indenture to the extent required by the Trust Indenture Act, unless such default has been cured or waived; except that in the case of an *event of default* of the character specified in the third bullet point under “— Events of Default” (regarding a breach of certain covenants continuing for 90 days after the receipt of a written notice of default), no such notice shall be given to such holders until at least 60 days after the occurrence thereof. The Trust Indenture Act currently permits the First Mortgage Trustee to withhold notices of default (except for certain payment defaults) if the First Mortgage Trustee in good faith determines the withholding of such notice to be in the interests of the holders of the first mortgage bonds.

The Company will furnish the First Mortgage Trustee with an annual statement as to its compliance with the conditions and covenants in the First Mortgage Indenture.

**Waiver of Default and of Compliance.** The holders of a majority in aggregate principal amount of the outstanding first mortgage bonds may waive, on behalf of the holders of all outstanding first mortgage bonds, any past default under the First Mortgage Indenture, except a default in the payment of principal, premium or interest, or with respect to compliance with certain provisions of the First Mortgage Indenture that cannot be amended without the consent of the holder of each outstanding first mortgage bond affected.

Compliance with certain covenants in the First Mortgage Indenture or otherwise provided with respect to first mortgage bonds may be waived by the holders of a majority in aggregate principal amount of the affected first mortgage bonds, considered as one class.

**Consolidation, Merger and Conveyance of Assets as an Entirety**

Subject to the provisions described below, the Company has agreed to preserve its corporate existence.

The Company has agreed not to consolidate with or merge with or into any other entity or convey, transfer or lease the Mortgaged Property as or substantially as an entirety to any entity unless

- the entity formed by such consolidation or into which the Company merges, or the entity which acquires or which leases the Mortgaged Property substantially as an entirety, is an entity organized and existing under the laws of the United States of America or any State or Territory thereof or the District of Columbia, and
  - expressly assumes, by supplemental indenture, the due and punctual payment of the principal of, and premium and interest on, all the outstanding first mortgage bonds and the performance of all of the Company's covenants under the First Mortgage Indenture, and
  - such entity confirms the lien of the First Mortgage Indenture on the Mortgaged Property; and
- in the case of a lease, such lease is made expressly subject to termination by (i) the Company or by the First Mortgage Trustee and (ii) the purchaser of the property so leased at any sale thereof, at any time during the continuance of an *event of default*; and
- immediately after giving effect to such transaction, no *event of default*, and no event which after notice or lapse of time or both would become an *event of default*, will have occurred and be continuing.

In the case of the conveyance or other transfer of the Mortgaged Property as or substantially as an entirety to any other person, upon the satisfaction of all the conditions described above the Company would be released and discharged from all obligations under the First Mortgage Indenture and on the first mortgage bonds then outstanding unless the Company elects to waive such release and discharge.

The First Mortgage Indenture does not prevent or restrict:

- any consolidation or merger after the consummation of which the Company would be the surviving or resulting entity; or
- any conveyance or other transfer, or lease, of any part of the Mortgaged Property which does not constitute the entirety or substantially the entirety thereof.

If following a conveyance or other transfer, or lease, of any part of the Mortgaged Property, the fair value of the Mortgaged Property retained by the Company exceeds an amount equal to three-halves (3/2) of the aggregate principal amount of all outstanding first mortgage bonds, then the part of the Mortgaged Property so conveyed, transferred or leased shall be deemed not to constitute the entirety or substantially the entirety of the Mortgaged Property. This fair value will be determined within 90 days of the conveyance or transfer by an independent expert that the Company selects and that is approved by the First Mortgage Trustee.

**Modification of First Mortgage Indenture**

*Without Holder Consent.* Without the consent of any holders of first mortgage bonds, the Company and the First Mortgage Trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the succession of another entity to the Company;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series or tranche of first mortgage bonds, or to surrender any right or power conferred upon the Company;
- to correct or amplify the description of any property at any time subject to the lien of the First Mortgage Indenture; or to better assure, convey and confirm unto the First Mortgage Trustee any property subject or required to be subjected to the lien of the First Mortgage Indenture; or to subject to the lien of the First Mortgage Indenture additional property (including property of others), to specify any additional Permitted Liens with respect to such additional property and to modify the provisions in the First Mortgage Indenture for dispositions of certain types of property without release in order to specify any additional items with respect to such additional property;
- to add any additional *events of default*, which may be stated to remain in effect only so long as the first mortgage bonds of any one more particular series remains outstanding;
- to change or eliminate any provision of the First Mortgage Indenture or to add any new provision to the First Mortgage Indenture that does not adversely affect the interests of the holders in any material respect;
- to establish the form or terms of any series or tranche of first mortgage bonds;
- to provide for the issuance of bearer securities;
- to evidence and provide for the acceptance of appointment of a successor First Mortgage Trustee or by a co-trustee or separate trustee;
- to provide for the procedures required to permit the utilization of a noncertificated system of registration for any series or tranche of first mortgage bonds;
- to change any place or places where
  - the Company may pay principal, premium and interest,
  - first mortgage bonds may be surrendered for transfer or exchange, and
  - notices and demands to or upon the Company may be served;
- to amend and restate the First Mortgage Indenture as originally executed, and as amended from time to time, with such additions, deletions and other changes that do not adversely affect the interest of the holders in any material respect;
- to cure any ambiguity, defect or inconsistency or to make any other changes that do not adversely affect the interests of the holders in any material respect; or

- to increase or decrease the maximum principal amount of first mortgage bonds that may be outstanding at any time.

In addition, if the Trust Indenture Act is amended after the date of the First Mortgage Indenture so as to require changes to the First Mortgage Indenture or so as to permit changes to, or the elimination of, provisions which, at the date of the First Mortgage Indenture or at any time thereafter, were required by the Trust Indenture Act to be contained in the First Mortgage Indenture, the First Mortgage Indenture will be deemed to have been amended so as to conform to such amendment or to effect such changes or elimination, and the Company and the First Mortgage Trustee may, without the consent of any holders, enter into one or more supplemental indentures to effect or evidence such amendment.

***With Holder Consent.*** Except as provided above, the consent of the holders of at least a majority in aggregate principal amount of the first mortgage bonds of all outstanding series, considered as one class, is generally required for the purpose of adding to, or changing or eliminating any of the provisions of, the First Mortgage Indenture pursuant to a supplemental indenture. However, if less than all of the series of outstanding first mortgage bonds are directly affected by a proposed supplemental indenture, then such proposal only requires the consent of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds of all directly affected series, considered as one class. Moreover, if the first mortgage bonds of any series have been issued in more than one tranche and if the proposed supplemental indenture directly affects the rights of the holders of first mortgage bonds of one or more, but less than all, of such tranches, then such proposal only requires the consent of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds of all directly affected tranches, considered as one class.

However, no amendment or modification may, without the consent of the holder of each outstanding first mortgage bond directly affected thereby:

- change the stated maturity of the principal or interest on any first mortgage bond (other than pursuant to the terms thereof), or reduce the principal amount, interest or premium payable (or the method of calculating such rates) or change the currency in which any first mortgage bond is payable, or impair the right to bring suit to enforce any payment;
- create any lien (not otherwise permitted by the First Mortgage Indenture) ranking prior to the lien of the First Mortgage Indenture with respect to all or substantially all of the Mortgaged Property, or terminate the lien of the First Mortgage Indenture on all or substantially all of the Mortgaged Property (other than in accordance with the terms of the First Mortgage Indenture), or deprive any holder of the benefits of the security of the lien of the First Mortgage Indenture;
- reduce the percentages of holders whose consent is required for any supplemental indenture or waiver of compliance with any provision of the First Mortgage Indenture or of any default thereunder and its consequences, or reduce the requirements for quorum and voting under the First Mortgage Indenture; or
- modify certain of the provisions of the First Mortgage Indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to first mortgage bonds.

A supplemental indenture which changes, modifies or eliminates any provision of the First Mortgage Indenture expressly included solely for the benefit of holders of first mortgage bonds of one or more particular series or tranches will be deemed not to affect the rights under the First Mortgage Indenture of the holders of first mortgage bonds of any other series or tranche.

### **Satisfaction and Discharge**

Any first mortgage bonds or any portion thereof will be deemed to have been paid and no longer outstanding for purposes of the First Mortgage Indenture and, at the Company's election, the Company's entire indebtedness with respect to those securities will be satisfied and discharged, if there shall have been irrevocably deposited with the First Mortgage Trustee or any Paying Agent (other than the Company), in trust:

- money sufficient, or
- in the case of a deposit made prior to the maturity of such first mortgage bonds, non-redeemable *eligible obligations* (as defined in the First Mortgage Indenture) sufficient, or
- a combination of the items listed in the preceding two bullet points, which in total are sufficient,

to pay when due the principal of, and any premium, and interest due and to become due on such first mortgage bonds or portions of such first mortgage bonds on and prior to their maturity.

The Company's right to cause its entire indebtedness in respect of the first mortgage bonds of any series to be deemed to be satisfied and discharged as described above will be subject to the satisfaction of any conditions specified in the instrument creating such series.

The First Mortgage Indenture will be deemed satisfied and discharged when no first mortgage bonds remain outstanding and when the Company has paid all other sums payable by it under the First Mortgage Indenture.

All moneys the Company pays to the First Mortgage Trustee or any Paying Agent on First Mortgage Bonds that remain unclaimed at the end of two years after payments have become due may be paid to or upon the Company's order. Thereafter, the holder of such First Mortgage Bond may look only to the Company for payment.

### **Duties of the First Mortgage Trustee; Resignation and Removal of the First Mortgage Trustee; Deemed Resignation**

The First Mortgage Trustee will have, and will be subject to, all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to these provisions, the First Mortgage Trustee will be under no obligation to exercise any of the powers vested in it by the First Mortgage Indenture at the request of any holder of first mortgage bonds, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The First Mortgage Trustee will not be required to expend or risk its own funds or otherwise incur financial liability in the performance of its duties if the First Mortgage Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The First Mortgage Trustee may resign at any time by giving written notice to the Company.

The First Mortgage Trustee may also be removed by act of the holders of a majority in principal amount of the then outstanding first mortgage bonds.

No resignation or removal of the First Mortgage Trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the First Mortgage Indenture.

Under certain circumstances, the Company may appoint a successor trustee and if the successor accepts, the First Mortgage Trustee will be deemed to have resigned.

#### **Evidence to be Furnished to the First Mortgage Trustee**

Compliance with First Mortgage Indenture provisions is evidenced by written statements of the Company's officers or persons selected or paid by the Company. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. In addition, the First Mortgage Indenture requires the Company to give to the First Mortgage Trustee, not less than annually, a brief statement as to the Company's compliance with the conditions and covenants under the First Mortgage Indenture.

#### **Miscellaneous Provisions**

The First Mortgage Indenture provides that certain first mortgage bonds, including those for which payment or redemption money has been deposited or set aside in trust as described under "— Satisfaction and Discharge" above, will not be deemed to be "outstanding" in determining whether the holders of the requisite principal amount of the outstanding first mortgage bonds have given or taken any demand, direction, consent or other action under the First Mortgage Indenture as of any date, or are present at a meeting of holders for quorum purposes.

The Company will be entitled to set any day as a record date for the purpose of determining the holders of outstanding first mortgage bonds of any series entitled to give or take any demand, direction, consent or other action under the First Mortgage Indenture, in the manner and subject to the limitations provided in the First Mortgage Indenture. In certain circumstances, the First Mortgage Trustee also will be entitled to set a record date for action by holders. If such a record date is set for any action to be taken by holders of particular first mortgage bonds, such action may be taken only by persons who are holders of such first mortgage bonds on the record date.

#### **Governing Law**

The First Mortgage Indenture and the first mortgage bonds provide that they are to be governed by and construed in accordance with the laws of the State of New York except where the Trust Indenture Act is applicable or where otherwise required by law. The effectiveness of the lien of the First Mortgage Indenture, and the perfection and priority thereof, will be governed by Kentucky law.

#### **Summary of the Indentures**

*The following, in addition to the provisions contained elsewhere in this Reoffering Circular, is a brief description of certain provisions of the Indentures. This description is only a summary and does not purport to be complete and definitive. Reference is made to the Indentures for the detailed provisions thereof.*

#### **Security**

Pursuant to the Indenture, the Issuer has assigned and pledged to the Trustee its interest in and to the Loan Agreement, including payments and other amounts due the Issuer thereunder, together with all moneys, property and securities from time to time held by the Trustee under the Indenture (with certain exceptions, including moneys held in or earnings on the Rebate Fund and the Purchase Fund). The Bonds have been further secured by the First Mortgage Bonds delivered to the Trustee (see "Summary of the Loan Agreements — Issuance and Delivery of First Mortgage Bonds"). The First Mortgage Bonds will

be registered in the name of the Trustee and will be nontransferable, except to effect a transfer to any successor trustee. The Bonds will not be directly secured by the Project (although the Project is subject to the lien of the First Mortgage Indenture).

**No Pecuniary Liability of the Issuer**

No provision, covenant or agreement contained in the Indenture or in the Loan Agreement, nor any breach thereof, will constitute or give rise to any pecuniary liability of the Issuer or any charge upon any of its assets or its general credit or taxing powers. The Issuer has not obligated itself by making the covenants, agreements or provisions contained in the Indenture or in the Loan Agreement, except with respect to the Project and the application of the amounts assigned to the payment of the principal of, premium, if any, and interest on the Bonds.

**The Bond Fund**

The payments to be made by the Company pursuant to the Loan Agreement to the Issuer and certain other amounts specified in the Indenture are deposited into a Bond Fund that has been established pursuant to the Indenture (the "Bond Fund") and is maintained in trust by the Trustee. Moneys in the Bond Fund are used solely and only for the payment of the principal of, premium, if any, and interest on the Bonds, for the redemption of Bonds prior to maturity and for the payment of the reasonable fees and expenses to which the Trustee, Bond Registrar, Tender Agent, Authentication Agent, any Paying Agents and the Issuer are entitled pursuant to the Indenture or the Loan Agreement. Any moneys held in the Bond Fund are invested by the Trustee at the specific written direction of the Company in certain Governmental Obligations, investment grade corporate obligations and other investments permitted under the Indenture.

**The Rebate Fund**

A Rebate Fund has been created by the Indenture (the "Rebate Fund") and is maintained as a separate fund free and clear of the lien of the Indenture. The Issuer, the Trustee and the Company have agreed to comply with all rebate requirements of the Code and, in particular, the Company has agreed that if necessary, it will deposit in the Rebate Fund any such amount as is required under the Code. However, the Issuer, the Trustee and the Company may disregard the Rebate Fund provisions to the extent that they receive an opinion of Bond Counsel that such failure to comply will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

**Discharge of Indenture**

When all the Bonds and all fees and charges accrued and to accrue of the Trustee and the Paying Agent have been paid or provided for, and when proper notice has been given to the Bondholders or the Trustee that the proper amounts have been so paid or provided for, and if the Issuer is not in default in any other respect under the Indenture, the Indenture will become null and void. The Bonds will be deemed to have been paid and discharged when there have been irrevocably deposited with the Trustee moneys sufficient to pay the principal, premium, if any, and accrued interest on such Bonds to the due date (whether such date be by reason of maturity or upon redemption) or, in lieu thereof, Governmental Obligations have been deposited which mature in such amounts and at such times as will provide the funds necessary to so pay such Bonds, and when all reasonable and necessary fees and expenses of the Trustee, the Authenticating Agent, the Bond Registrar, the Tender Agent and the Paying Agent have been paid or provided for.

### **Surrender of First Mortgage Bonds**

Upon payment of any principal of, premium, if any, and interest on any of the Bonds which reduces the principal amount of Bonds outstanding, or upon provision for the payment thereof having been made in accordance with the Indenture (see “Discharge of Indenture” above), First Mortgage Bonds in a principal amount equal to the principal amount of the Bonds so paid, or for the payment of which such provision has been made, shall be surrendered by the Trustee to the First Mortgage Trustee. The First Mortgage Bonds so surrendered shall be deemed fully paid and the obligations of the Company thereunder terminated.

### **Defaults and Remedies**

Each of the following events constitutes an “Event of Default” under the Indenture:

- (i) Failure to make payment of any installment of interest on any Bond, (a) if such Bond bears interest at other than the Long Term Rate, within a period of one Business Day from the due date and (b) if such Bond bears interest at the Long Term Rate, within a period of five Business Days from the date due;
- (ii) Failure to make punctual payment of the principal of, or premium, if any, on any Bond on the due date, whether at the stated maturity thereof, or upon proceedings for redemption, or upon the maturity thereof by declaration or if payment of the purchase price of any Bond required to be purchased pursuant to the Indenture is not made when such payment has become due and payable, provided that no event of default has occurred in respect of failure to receive such purchase price for any Bond if the Company has made the payment on the next Business Day as described in the last paragraph under “Summary of the Bonds — Mandatory Purchase of Bonds — Remarketing and Purchase of Bonds” above;
- (iii) Failure of the Issuer to perform or observe any other of the covenants, agreements or conditions in the Indenture or in the Bonds which failure continues for a period of 30 days after written notice by the Trustee, provided, however, that if such failure is capable of being cured, but cannot be cured in such 30-day period, it will not constitute an event of default under the Indenture if corrective action in respect of such failure is instituted within such 30-day period and is being diligently pursued;
- (iv) The occurrence of an “event of default” under the Loan Agreement (see “Summary of the Loan Agreements — Events of Default”); or
- (v) All first mortgage bonds outstanding under the First Mortgage Indenture, if not already due, shall have become immediately due and payable, whether by declaration or otherwise, and such acceleration shall not have been rescinded by the First Mortgage Trustee.

Upon the occurrence of an Event of Default under the Indenture, the Trustee may, and upon the written request of the registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding and upon receipt of indemnity reasonably satisfactory to it will: (i) enforce each and every right of the Trustee as a holder of the First Mortgage Bonds under the Supplemental Mortgage Indenture (see “Summary of the First Mortgage Bonds and the First Mortgage Indenture”), (ii) declare the principal of all Bonds and interest accrued thereon to be immediately due and payable and (iii) declare all payments under the Loan Agreement to be immediately due and payable and enforce each and every other right granted to the Issuer under the Loan Agreement for the benefit of the Bondholders. In exercising such rights, the Trustee will take any action that, in the judgment of the Trustee, would best serve the interests of the registered owners. Upon the occurrence of an Event of Default under the Indenture, the Trustee may also proceed to pursue any available remedy by suit at law or in equity to enforce the



payment of the principal of, premium, if any, and interest on the Bonds then outstanding and may also issue a Redemption Demand for such First Mortgage Bonds to the First Mortgage Trustee.

If an Event of Default under paragraph (i), (ii), (iv) or (v) above shall occur and be continuing and the maturity date of the Bonds has been accelerated (to the extent the Bonds are not already due and payable) as a consequence of such event of default, the Trustee may, and upon the written request of the registered owners holding not less than 25% in principal amount of all Bonds then outstanding and upon receipt of indemnity satisfactory to it shall, exercise such rights as it shall possess under the First Mortgage Indenture as a holder of the First Mortgage Bonds. In the event the First Mortgage Bonds become due and payable, the principal of and all accrued interest on the Bonds shall be deemed to be paid solely to the extent of the moneys realized on the First Mortgage Bonds and any other moneys realized by the Trustee pursuant to any remedy exercised by it.

If the Trustee recovers any moneys following an Event of Default, unless the principal of the Bonds has been declared due and payable, all such moneys will be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and the payment of any sums due and payable to the United States pursuant to Section 148(f) of the Code, (ii) to the payment of all interest then due on the Bonds and (iii) to the payment of unpaid principal and premium, if any, of the Bonds. If the principal of the Bonds has become due or has been accelerated, such moneys will be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and (ii) to the payment of principal of and interest then due and unpaid on the Bonds.

No Bondholder may institute any suit or proceeding in equity or at law for the enforcement of the Indenture unless an Event of Default has occurred of which the Trustee has been notified or is deemed to have notice, and registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding have made written request to the Trustee to proceed to exercise the powers granted under the Indenture or to institute such action in their own name and the Trustee fails or refuses to exercise its powers within a reasonable time after receipt of indemnity satisfactory to it.

Any judgment against the Issuer pursuant to the exercise of rights under the Indenture will be enforceable only against specifically assigned payments, funds and accounts under the Indenture in the hands of the Trustee. No deficiency judgment will be authorized against the general credit of the Issuer.

No default under paragraph (iii) above will constitute an Event of Default until actual notice is given to the Issuer and the Company by the Trustee or to the Issuer, the Company and the Trustee by the registered owners holding not less than 25% in aggregate principal amount of all Bonds outstanding and the Issuer and the Company has had thirty days after such notice to correct the default and failed to do so. If the default is such that it cannot be corrected within the applicable period but is capable of being cured, it will not constitute an Event of Default if corrective action is instituted by the Issuer or the Company within the applicable period and diligently pursued until the default is corrected.

#### **Waiver of Events of Default**

Except as provided below, the Trustee may in its discretion waive any Event of Default under the Indenture and will do so upon the written request of the registered owners holding a majority in principal amount of all Bonds then outstanding. If, after the principal of all Bonds then outstanding has been declared to be due and payable and prior to any judgment or decree for the appointment of a receiver or for the payment of the moneys due has been obtained or entered, (i) the Company will cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of and premium, if any, on any and all Bonds which have become due otherwise than by

reason of such declaration (with interest thereon as provided in the Indenture) and the expenses of the Trustee in connection with such default and (ii) all Events of Default under the Indenture (other than nonpayment of the principal of Bonds due by said declaration) have been remedied, then such Event of Default will be deemed waived and such declaration and its consequences rescinded and annulled by the Trustee. Such waiver, rescission and annulment will be binding upon all Bondholders. No such waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Upon any waiver or rescission as described above or any discontinuance or abandonment of proceedings under the Indenture, the Trustee shall immediately rescind in writing any Redemption Demand of First Mortgage Bonds previously given to the First Mortgage Trustee. The rescission under the First Mortgage Indenture of a declaration that all first mortgage bonds outstanding under the First Mortgage Indenture are immediately due and payable shall also constitute a waiver of an Event of Default described in paragraph (v) under the subcaption "Defaults and Remedies" above and a waiver and rescission of its consequences, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Notwithstanding the foregoing, nothing in the Indenture will affect the right of a registered owner to enforce the payment of principal of, premium, if any, and interest on the Bonds after the maturity thereof.

#### **Voting of First Mortgage Bonds Held by Trustee**

The Trustee, as the holder of the First Mortgage Bonds, shall attend any meeting of holders of first mortgage bonds outstanding under the First Mortgage Indenture as to which it receives due notice. The Trustee shall vote the First Mortgage Bonds held by it, or shall consent with respect thereto, proportionally in the way in which the Trustee reasonably believes will be the vote or consent of all other holders of first mortgage bonds outstanding under the First Mortgage Indenture then eligible to vote or consent.

Notwithstanding the foregoing, the Trustee shall not vote the First Mortgage Bonds in favor of, or give consent to, any action which, in the Trustee's opinion, would materially adversely affect the First Mortgage Bonds in a manner not generally shared by all other series of first mortgage bonds, except upon notification by the Trustee to the registered owners of all Bonds then outstanding of such proposal and consent thereto of the registered owners of at least 66 2/3% in principal amount of all Bonds then outstanding.

#### **Supplemental Indentures**

The Issuer and the Trustee may enter into indentures supplemental to the Indenture without the consent of or notice to, the Bondholders in order (i) to cure any ambiguity or formal defect or omission in the Indenture, (ii) to grant to or confer upon the Trustee, as may lawfully be granted, additional rights, remedies, powers or authorities for the benefit of the Bondholders, (iii) to subject to the Indenture additional revenues, properties or collateral, (iv) to permit qualification of the Indenture under any federal statute or state blue sky law, (v) to add additional covenants and agreements of the Issuer for the protection of the Bondholders or to surrender or limit any rights, powers or authorities reserved to or conferred upon the Issuer, (vi) to make any other modification or change to the Indenture which, in the sole judgment of the Trustee, does not adversely affect the Trustee or any Bondholder, (vii) to make other amendments not otherwise permitted by (i), (ii), (iii), (iv) or (vi) of this paragraph to provisions relating to federal income tax matters under the Code or other relevant provisions if, in the opinion of Bond Counsel, those amendments would not adversely affect the exclusion of the interest on the Bonds from gross

income for federal income tax purposes, (viii) to make any modification or change to the Indenture necessary to provide liquidity or credit support for the Bonds, or (ix) to permit the issuance of the Bonds in other than book-entry-only form or to provide changes to or for the book-entry system.

Exclusive of supplemental indentures for the purposes set forth in the preceding paragraph, the consent of registered owners holding a majority in aggregate principal amount of all Bonds then outstanding is required to approve any supplemental indenture, except no such supplemental indenture may permit, without the consent of all of the registered owners of the Bonds then outstanding, (i) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture or a reduction in the principal amount of any Bond or the rate of interest or time of redemption or redemption premium thereon, (ii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iii) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture or (iv) the deprivation of any registered owners of the lien of the Indenture.

If at any time the Issuer requests the Trustee to enter into any supplemental indenture requiring the consent of the registered owners of the Bonds, the Trustee, upon being satisfactorily indemnified with respect to expenses, must notify all such registered owners. Such notice must set forth the nature of the proposed supplemental indenture and must state that copies thereof are on file at the principal office of the Trustee for inspection. If, within sixty days (or such longer period as shall be prescribed by the Issuer or the Company) following the mailing of such notice, the registered owners holding the requisite amount of the Bonds outstanding have consented to the execution thereof, no Bondholder will have any right to object or question the execution thereof.

No supplemental indenture may become effective unless the Company consents to the execution and delivery of such supplemental indenture. The Company will be deemed to have consented to the execution and delivery of any supplemental indenture if the Trustee does not receive a notice of protest or objection signed by the Company on or before 4:30 p.m., local time in the city in which the principal office of the Trustee is located, on the fifteenth day after the mailing to the Company of a notice of the proposed changes and a copy of the proposed supplemental indenture.

#### **Enforceability of Remedies**

The remedies available to the Trustee, the Issuer and the owners upon an event of default under the Loan Agreement, the Indenture or the First Mortgage Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified in the Loan Agreement, the Indenture or the First Mortgage Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by principles of equity, bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors generally.

### Reoffering

Subject to the terms and conditions of a Remarketing and Bond Purchase Agreement dated May 18, 2017, between the Company and U.S. Bancorp Investments, Inc., as Remarketing Agent for the Series A Bonds, U.S. Bancorp Investments, Inc. has agreed to purchase and reoffer the Series A Bonds delivered to the Paying Agent for purchase on June 1, 2017, at a price equal to 100% of the principal amount of the Series A Bonds, plus accrued interest (if any), and in connection therewith will receive compensation in the amount of \$96,875, plus reimbursement of certain expenses. Under the terms of the Remarketing and Bond Purchase Agreement, the Company has agreed to indemnify U.S. Bancorp Investments, Inc. against certain civil liabilities, including liabilities under federal securities laws.

Subject to the terms and conditions of a Remarketing and Bond Purchase Agreement dated May 18, 2017, between the Company and J.P. Morgan Securities LLC, as Remarketing Agent for the Series B Bonds, J.P. Morgan Securities LLC has agreed to purchase and reoffer the Series B Bonds delivered to the Paying Agent for purchase on June 1, 2017, at a price equal to 100% of the principal amount of the Series B Bonds, plus accrued interest (if any), and in connection therewith will receive compensation in the amount of \$110,000, plus reimbursement of certain expenses. Under the terms of the Remarketing and Bond Purchase Agreement, the Company has agreed to indemnify J.P. Morgan Securities LLC against certain civil liabilities, including liabilities under federal securities laws.

J.P. Morgan Securities LLC, the Remarketing Agent of the Series B Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series B Bonds from J.P. Morgan Securities LLC at the original issue price less a negotiated portion of the selling concession applicable to any Series B Bonds that such firm sells.

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

The Remarketing Agents and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Remarketing Agents and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Company, for which they received or will receive customary fees and expenses. U.S. Bancorp Investments, Inc., the Remarketing Agent for the Series A Bonds, is an affiliate of U.S. Bank National Association, the trustee under the Indenture governing the Bonds.

In the ordinary course of their various business activities, the Remarketing Agents and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Company.

"US Bancorp" is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as the Remarketing Agent of the Series A Bonds and is reoffering the Series A Bonds pursuant to this Reoffering Circular, and U.S. Bank National Association, which is serving as Trustee, Paying Agent, Tender Agent and Registrar for the Bonds.

### Tax Treatment

On April 26, 2007, the date of original issuance and delivery of the Bonds, Bond Counsel delivered its opinion stating that under existing law, including current statutes, regulations, administrative rulings and official interpretations, subject to the qualifications and exceptions set forth below, interest on the Bonds would be excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion would be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" of the Project or a "related person" as such terms are used in Section 147(a) of the Code. Interest on the Bonds would not be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Bond Counsel further opined that, subject to the assumptions stated in the preceding sentence, (i) interest on the Bonds would be excluded from gross income of the owners thereof for Kentucky income tax purposes and (ii) the Bonds would be exempt from all ad valorem taxes in Kentucky. Such opinion has not been updated as of the date hereof and no continuing tax exemption opinions are expressed by Bond Counsel.

Bond Counsel also will deliver an opinion in connection with this reoffering to the effect that the change of the Long Term Rate Period (i) is authorized or permitted by Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act") and the Indenture and (ii) will not adversely affect the validity of the Bonds or any exclusion from gross income of interest on the Bonds for federal income tax purposes to which interest on the Bonds would otherwise be entitled.

The opinion of Bond Counsel as to the excludability of interest from gross income for federal income tax purposes was based upon and assumed the accuracy of certain representations of facts and circumstances, including with respect to the Project, which were within the knowledge of the Company and compliance by the Company with certain covenants and undertakings set forth in the proceedings authorizing the Bonds which are intended to assure that the Bonds are and will remain obligations the interest on which is not includable in gross income of the recipients thereof under the law in effect on the date of such opinion. Bond Counsel did not independently verify the accuracy of the certifications and representations made by the Company and the Issuer. On the date of the opinion and subsequent to the original delivery of the Bonds on April 26, 2007, such representations of facts and circumstances must be accurate and such covenants and undertakings must continue to be complied with in order that interest on the Bonds be and remain excludable from gross income of the recipients thereof for federal income tax purposes under existing law. Bond Counsel expressed no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents other than with the approval of Bond Counsel is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability.

Bond Counsel further opined that the Code prescribed a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the Issuer to the federal government, require future or continued compliance after issuance of the Bonds in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with certain of these requirements by the Company or the Issuer with respect to the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes and to be subject to federal income taxation retroactively to the date of their issuance. The Company and the Issuer each covenanted to take all actions required of each to assure that the interest on the Bonds will be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

The opinion of Bond Counsel as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds was subject to the following exceptions and qualifications:

(i) Provisions of the Code applicable to corporations (as defined for federal income tax purposes) which impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income may subject a portion of the interest on the Bonds earned by certain corporations to such corporate alternative minimum tax. Such corporate alternative minimum tax does not apply to any S corporation, regulated investment company, real estate investment trust or REMIC.

(ii) The Code also provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(iii) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, Bond Counsel expressed no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Owners of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income tax credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of Section 32 of the Code, which exceeds \$2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters and any other tax consequences of holding the Bonds.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend one or more of the federal tax matters referred to above or could adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

The opinion of Bond Counsel relating to the change of the Long Term Rate Period for the Bonds in substantially the form in which it is expected to be delivered on the Change Date, redated to the Change Date, is attached as Appendix B-2.

### Legal Matters

Certain legal matters in connection with the change in the Long Term Rate Period and reoffering of the Bonds will be passed upon by Stoll Keenon Ogden PLLC, Louisville, Kentucky, Bond Counsel. Certain legal matters pertaining to the Company will be passed upon by Jones Day, Chicago, Illinois, and Gerald A. Reynolds, General Counsel, Chief Compliance Officer and Corporate Secretary for the Company. McGuireWoods LLP, Chicago, Illinois, will pass upon certain legal matters for the Remarketing Agents.

### Continuing Disclosure

Because the Bonds are special and limited obligations of the Issuer, the Issuer is not an “obligated person” for purposes of Rule 15c2-12 (the “Rule”) promulgated by the SEC under the Exchange Act, and does not have any continuing obligations thereunder. Accordingly, the Issuer will not provide any continuing disclosure information with respect to the Bonds or the Issuer.

In order to enable the Remarketing Agents to comply with the requirements of the Rule, the Company has covenanted in separate continuing disclosure undertaking agreements delivered to the Trustee for the benefit of the holders of the Bonds (each, a “Continuing Disclosure Agreement”) to provide certain continuing disclosure for the benefit of the holders of the Bonds. Under each Continuing Disclosure Agreement, the Company has covenanted to take the following actions:

(i) The Company will provide to the Municipal Securities Rulemaking Board (“MSRB”) (in electronic format) (a) annual financial information of the type set forth in Appendix A to this Reoffering Circular (including any information incorporated by reference in Appendix A) and (b) audited financial statements prepared in accordance with generally accepted accounting principles, in each case not later than 120 days after the end of the Company’s fiscal year.

(ii) The Company will file in a timely manner not in excess of 10 business days after the occurrence of the event with the MSRB notice of the occurrence of any of the following events (if applicable) with respect to the respective series of Bonds: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) any unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancement facilities reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (g) modifications to rights of the holders of the Bonds of such series, if material; (h) the giving of notice of optional or unscheduled redemption of any Bonds of such series, if material, and tender offers; (i) defeasance of the Bonds of such series or any portion thereof; (j) release, substitution, or sale of property securing repayment of the Bonds of such series, if material; (k) rating changes; (l) bankruptcy, insolvency, receivership or similar event of the Company; (m) the consummation of a merger, consolidation or acquisition involving the Company, or the sale of all of substantially all of the assets of the Company, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (n) appointment of a successor or additional trustee or a change of name of a trustee, if material.

(iii) The Company will file in a timely manner with the MSRB notice of a failure by the Company to file any of the information referred to in paragraph (i) above by the due date.

The Company may amend each Continuing Disclosure Agreement (and the Trustee agrees to any amendment so requested by the Company that does not change the duties of the Trustee thereunder) or waive any provision thereof, but only with a change in circumstances that arises from a change in legal requirements, change in law, or change in the nature or status of the Company with respect to the respective series of the Bonds or the type of business conducted by the Company; provided that the undertaking, as amended or following such waiver, would have complied with the requirements of the Rule on the date of issuance of the respective series of the Bonds, after taking into account any amendments to the Rule as well as any change in circumstances, and the amendment or waiver does not materially impair the interests of the holders of the Bonds to which such undertaking relates, in the opinion of the Trustee or counsel expert in federal securities laws acceptable to both the Company and the Trustee, or is approved by the Beneficial Owners of a majority in aggregate principal amount of the outstanding Bonds of the respective series. The Company acknowledges that its undertakings pursuant to the Rule described under this caption are intended to be for the benefit for the holders of each respective series of the Bonds and will be enforceable by the holders of those Bonds or by the Trustee on behalf of such holders. Any breach by the Company of these undertakings pursuant to the Rule will not constitute an event of default under the respective Indenture, Loan Agreement or Bonds.

The Company is a party to continuing disclosure agreements with respect to ten series of pollution control bonds. The MSRB's Electronic Municipal Market Access ("EMMA") website reflects that, within the past five years, for two series of such bonds, the Company's 2011 annual financial statements were timely posted, but to outdated CUSIP numbers. The 2011 annual financial statements were re-posted to the correct CUSIP numbers for those series in May 2012. With respect to both series of bonds, the Company also failed to file on the MSRB's EMMA website in a timely manner a notice of the Company's failure to file such 2011 financial statements in accordance with the applicable continuing disclosure agreements. The Company has subsequently made all of these corrective filings. The Company's 2011 annual financial statements had been filed with the SEC on February 28, 2012. The Company has had, and continues to have, procedures in place in order to make material event notices and financial statement filings on an ongoing basis.



This Reoffering Circular has been duly approved, executed and delivered by the Company.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

**Appendix A**

**THE COMPANY**

Louisville Gas and Electric Company (the “Company”), incorporated in Kentucky in 1913, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy and the distribution and sale of natural gas. As of December 31, 2016, the Company provides electric service to approximately 407,000 customers in Louisville and adjacent areas in Kentucky, covering approximately 700 square miles in nine counties and provides natural gas service to approximately 324,000 customers in its electric service area and eight additional counties in Kentucky. The Company’s coal-fired electric generating stations, all equipped with systems to reduce sulphur dioxide emissions, produce most of the Company’s electricity. The remainder is generated by a natural gas combined cycle combustion turbine, a hydroelectric power plant, natural gas and oil fueled combustion turbines and a small solar facility. Underground natural gas storage fields help the Company provide economical and reliable natural gas service to customers.

The Company is a wholly-owned subsidiary of LG&E and KU Energy LLC and an indirect wholly-owned subsidiary of PPL Corporation. The Company’s affiliate, Kentucky Utilities Company (“KU”), is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy in Kentucky, Virginia and Tennessee. The Company’s obligations under the Loan Agreement are solely its own, and not those of any of its affiliates. None of KU, PPL Corporation or the Company’s other affiliates will be obligated to make any payment on the Loan Agreement or the Bonds.

The Company’s executive offices are located at 220 West Main Street, Louisville, Kentucky 40202, telephone: (502) 627-2000.

The information above concerning the Company is only a summary and does not purport to be comprehensive. Additional information regarding the Company, including audited financial statements, is available in the documents listed under the heading “Documents Incorporated by Reference,” which documents are incorporated by reference herein.

**Selected Financial Data**  
(Dollars in millions)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Operating revenues	\$ 391	\$ 386	\$ 1,430	\$ 1,444	\$ 1,533
Operating income	\$ 106	\$ 108	\$ 405	\$ 362	\$ 324
Net income	\$ 54	\$ 56	\$ 203	\$ 185	\$ 169
Total assets	\$ 6,268	\$ 6,064	\$ 6,300	\$ 6,068	\$ 5,654
Long-term debt obligations (including amounts due within one year)	\$ 1,618	\$ 1,642	\$ 1,617	\$ 1,642	\$ 1,345
Ratio of earnings to fixed charges <sup>(1)</sup>	5.8	6.1	5.3	5.9	6.3

Capitalization:

	March 31, 2017	% of Capitalization
Long-term debt and notes payable	\$ 1,825	42.8%
Common equity	\$ 2,443	57.2%
Total capitalization	\$ 4,268	100.0%

<sup>(1)</sup> For purposes of this ratio, "Earnings" consist of earnings (as defined below) from continuing operations plus fixed charges. Fixed charges consist of all interest on indebtedness, amortization of debt discount and expense and the portion of rental expense that represents an imputed interest component. Earnings from continuing operations consist of income before taxes and the mark-to-market impact of derivative instruments.

The selected financial data presented above for the three fiscal years ended December 31, 2016, and as of December 31 for each of those years, have been derived from the Company's audited financial statements. The selected financial data presented above for the three months ended March 31, 2017 and 2016 have been derived from the Company's unaudited financial statements for the three months ended March 31, 2017 and 2016. The Company's audited financial statements for the three fiscal years ended December 31, 2016, and as of December 31 for each of those years, are included in the Company's Form 10-K for the year ended December 31, 2016 incorporated by reference herein. The Company's unaudited financial statements for the three months ended March 31, 2017 are included in the Company's Form 10-Q for the quarter ended March 31, 2017 incorporated by reference herein. "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-K for the year ended December 31, 2016 and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-Q for the quarter ended March 31, 2017, as well as the Combined Notes to Financial Statements as of December 31, 2016, 2015 and 2014 and the Combined Notes to Condensed Financial Statements (Unaudited) as of March 31, 2017 and December 31, 2016 and for the three-month periods ended March 31, 2017 and 2016, should be read in

conjunction with the above information. Deloitte & Touche LLP audited the Company's financial statements for the fiscal year ended December 31, 2016. Ernst & Young LLP audited the Company's financial statements for the two fiscal years ended December 31, 2015.

#### **Risk Factors**

Investing in the Bonds involves risk. Please see the risk factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, which is incorporated by reference in this Appendix A. Before making an investment decision, you should carefully consider these risks as well as the other information contained or incorporated by reference in this Appendix A. Risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair its business operations, its financial results and the value of the Bonds.

#### **Available Information**

The Company is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and, accordingly, files reports and other information with the Securities and Exchange Commission (the "SEC"). Such reports and other information on file can be inspected and copied at the public reference facilities of the SEC, currently at 100 F Street, N.E., Room 1580, Washington, D.C. 20549; or from the SEC's Web Site (<http://www.sec.gov>). Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

#### **Documents Incorporated by Reference**

The following documents, as filed by the Company with the SEC, are incorporated herein by reference:

1. Form 10-K Annual Report of the Company for the year ended December 31, 2016;
2. Form 10-Q Quarterly Report of the Company for the quarter ended March 31, 2017; and
3. Form 8-K Current Report of the Company filed with the SEC on April 19, 2017.

All documents filed by the Company with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 subsequent to the date of this Reoffering Circular and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference in this Appendix and to be made a part hereof from their respective dates of filing. Any statement contained in a document incorporated or deemed to be incorporated by reference in this Reoffering Circular shall be deemed to be modified or superseded for purposes of this Reoffering Circular to the extent that a statement contained in this Reoffering Circular or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Reoffering Circular modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Reoffering Circular.

The Company hereby undertakes to provide without charge to each person (including any beneficial owner) to whom a copy of this Reoffering Circular has been delivered, on the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Reoffering Circular by reference, other than certain exhibits to such documents. Requests for such copies should be directed to Treasurer, Louisville Gas and Electric Company, 220 West Main Street, Louisville, Kentucky 40202, telephone: (502) 627-2000.

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**Appendix B**

**Opinions of Bond Counsel and  
Form of Opinion of Bond Counsel**

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**Opinions of Bond Counsel dated April 26, 2007**

**Appendix B-1**



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STOLL · KEENON · OGDEN  
PLLC

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LOUISVILLE, KENTUCKY 40202-2828  
502-333-6000  
FAX: 502-333-6099  
WWW.SKOFIRM.COM

April 26, 2007

Re: \$31,000,000 "Louisville/Jefferson County Metro Government, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project)"

We hereby certify that we have examined certified copies of the proceedings of record of the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer"), being the governmental successor by operation of law to the County of Jefferson, Kentucky (the "Predecessor County"), acting by and through its Metro Council as its duly authorized governing body, preliminary to and in connection with the issuance by the Issuer of its Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project), dated their date of issuance, in the aggregate principal amount of \$31,000,000 (the "Bonds"). The Bonds are issued under the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), for the purpose of providing funds which will be used, with other funds provided by Louisville Gas and Electric Company (the "Company") for the current refunding of \$31,000,000 aggregate principal amount of the Predecessor County's Pollution Control Revenue Bonds, 1992 Series A (Louisville Gas and Electric Company Project), dated September 17, 1992 (the "Prior Bonds"), which were issued for the purpose of currently refunding a portion of the capital costs of facilities for the abatement and control of air pollution serving the Mill Creek and Cane Run Generating Stations of the Company in Jefferson County, Kentucky (the "Project"), as provided by the Act.

The Bonds mature on June 1, 2033 and bear interest initially at the Auction Rate, as defined in the Indenture, hereinafter described, subject to change as provided in such Indenture. The Bonds will be subject to optional and mandatory redemption prior to maturity at the times, in the manner and upon the terms set forth in the Bonds. From such examination of the proceedings of the Metro Council of the Issuer referred to above and from an examination of the Act, we are of the opinion that the Issuer is duly authorized and empowered to issue the Bonds under the laws of the Commonwealth of Kentucky now in force.

B-1-1

LEXINGTON ♦ LOUISVILLE ♦ FRANKFORT ♦ HENDERSON

April 26, 2007  
Page 2

We have examined an executed counterpart of a certain Loan Agreement, dated as of March 1, 2007 (the "Loan Agreement"), between the Issuer and the Company and a certified copy of the proceedings of record of the Metro Council of the Issuer preliminary to and in connection with the execution and delivery of the Loan Agreement, pursuant to which the Issuer has agreed to issue the Bonds and to lend the proceeds thereof to the Company to provide funds to pay and discharge, with other funds provided by the Company, the Prior Bonds. The Company has agreed to make Loan payments to the Trustee at times and in amounts fully adequate to pay maturing principal of, interest on and redemption premium, if any, on the Bonds as same become due and payable. From such examination, we are of the opinion that such proceedings of the Metro Council of the Issuer show lawful authority for the execution and delivery of the Loan Agreement; that the Loan Agreement has been duly authorized, executed and delivered by the Issuer; and that the Loan Agreement is a legal, valid and binding obligation of the Issuer, enforceable in accordance with its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

We have also examined an executed counterpart of a certain Indenture of Trust, dated as of March 1, 2007 (the "Indenture"), by and between the Issuer and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"), securing the Bonds and setting forth the covenants and undertakings of the Issuer in connection with the Bonds and a certified copy of the proceedings of record of the Metro Council of the Issuer preliminary to and in connection with the execution and delivery of the Indenture. Pursuant to the Indenture, certain of the Issuer's rights under the Loan Agreement, including the right to receive payments thereunder, and all moneys and securities held by the Trustee in accordance with the Indenture (except moneys and securities in the Rebate Fund created thereby) have been assigned to the Trustee, as security for the holders of the Bonds. From such examination, we are of the opinion that such proceedings of the Metro Council of the Issuer show lawful authority for the execution and delivery of the Indenture; that the Indenture has been duly authorized, executed and delivered by the Issuer; and that the Indenture is a legal, valid and binding obligation upon the parties thereto according to its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

In our opinion the Bonds have been validly authorized, executed and issued in accordance with the laws of the Commonwealth of Kentucky now in full force and effect, and constitute legal, valid and binding special obligations of the Issuer entitled to the benefit of the security provided by the Indenture and enforceable in accordance with their terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought. The Bonds are payable by the Issuer solely and only from payments and other amounts derived from the Loan Agreement and as provided in the Indenture.

April 26, 2007  
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In our opinion, under existing laws, including current statutes, regulations, administrative rulings and official interpretations by the Internal Revenue Service, subject to the exceptions and qualifications contained in the succeeding paragraphs, (i) interest on the Bonds is excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion is expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" of the Project or a "related person," as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not a separate item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. In arriving at this opinion, we have relied upon representations, factual statements and certifications of the Company with respect to certain material facts which are solely within the Company's knowledge in reaching our conclusion, inter alia, that not less than substantially all of the proceeds of the Prior Bonds were used to refinance air pollution control facilities qualified for financing under Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended. Further, in arriving at the opinion set forth in this paragraph as to the exclusion from gross income of interest on the Bonds, we have assumed and this opinion is conditioned on, the accuracy of and continuing compliance by the Company and the Issuer with representations and covenants set forth in the Loan Agreement and the Indenture which are intended to assure compliance with certain tax-exempt interest provisions of the Code. Such representations and covenants must be accurate and must be complied with subsequent to the issuance of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes. Failure to comply with certain of such representations and covenants in respect of the Bonds subsequent to the issuance of the Bonds could cause the interest thereon to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents (other than with approval of this firm) is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability. We are further of the opinion that interest on the Bonds is excluded from gross income of the recipients thereof for Kentucky income tax purposes and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof.

Our opinion as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds is further subject to the following exceptions and qualifications:

(a) Provisions of the Code applicable to corporations (as defined for federal income tax purposes) which impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income may subject a portion of the interest on the Bonds earned by certain corporations to such corporate alternative minimum tax. Such corporate alternative minimum tax does not apply to any S corporation, regulated investment company, real estate investment trust or REMIC.

April 26, 2007  
Page 4

(b) The Code provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(c) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, we express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Holders of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that, for taxable years beginning after December 31, 1986, property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of Section 32 of the Code, which exceeds \$2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income.

We have received opinions of John R. McCall, Esq., General Counsel of the Company and Jones Day, Chicago, Illinois, counsel to the Company, of even date herewith. In rendering this opinion, we have relied upon said opinions with respect to the matters therein. We have also received an opinion of even date herewith of Hon. Irv Maze, County Attorney of Jefferson County, Kentucky and the chief legal officer of the Issuer, and relied upon said opinion with respect to the matters therein. Said opinions are in forms satisfactory to us as to both scope and content.

We express no opinion as to the title to, the description of, or the existence or priority of any liens, charges or encumbrances on, the Project.

April 26, 2007  
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In rendering the foregoing opinions, we are passing upon only those matters specifically set forth in such opinions and are not passing upon the investment quality of the Bonds or the accuracy or completeness of any statements made in connection with any offer or sale thereof. The opinions herein are expressed as of the date hereof and we assume no obligation to supplement or update such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We are members of the Bar of the Commonwealth of Kentucky and do not purport to be experts on the laws of any jurisdiction other than the Commonwealth of Kentucky and the United States of America, and we express no opinion as to the laws of any jurisdiction other than those specified.

Respectfully submitted,

A handwritten signature in cursive script that reads "Stoll Keenon Ogden PLLC".

STOLL KEENON OGDEN PLLC



STOLL · KEENON · OGDEN  
PLLC

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April 26, 2007

Re: \$35,200,000 "Louisville/Jefferson County Metro Government, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series B (Louisville Gas and Electric Company Project)"

We hereby certify that we have examined certified copies of the proceedings of record of the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer"), being the governmental successor by operation of law to the County of Jefferson, Kentucky (the "Predecessor County"), acting by and through its Metro Council as its duly authorized governing body, preliminary to and in connection with the issuance by the Issuer of its Environmental Facilities Revenue Refunding Bonds, 2007 Series B (Louisville Gas and Electric Company Project), dated their date of issuance, in the aggregate principal amount of \$35,200,000 (the "Bonds"). The Bonds are issued under the provisions of Chapter 67C and Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "Act"), for the purpose of providing funds which will be used, with other funds provided by Louisville Gas and Electric Company (the "Company") for the current refunding of \$35,200,000 aggregate principal amount of the Predecessor County's Pollution Control Revenue Bonds, 1993 Series A (Louisville Gas and Electric Company Project), dated August 31, 1993 (the "Prior Bonds"), which were issued for the purpose of currently refunding a portion of the capital costs of facilities for the control, containment, reduction and abatement of atmospheric and liquid pollutants and contaminants and for the disposal of solid wastes serving the Mill Creek and Cane Run Generating Stations of the Company in Jefferson County, Kentucky (the "Project"), as provided by the Act.

The Bonds mature on June 1, 2033 and bear interest initially at the Auction Rate, as defined in the Indenture, hereinafter described, subject to change as provided in such Indenture. The Bonds will be subject to optional and mandatory redemption prior to maturity at the times, in the manner and upon the terms set forth in the Bonds. From such examination of the proceedings of the Metro Council of the Issuer referred to above and from an examination of the Act, we are of the opinion that the Issuer is duly authorized and empowered to issue the Bonds under the laws of the Commonwealth of Kentucky now in force.

April 26, 2007  
Page 2

We have examined an executed counterpart of a certain Loan Agreement, dated as of March 1, 2007 (the "Loan Agreement"), between the Issuer and the Company and a certified copy of the proceedings of record of the Metro Council of the Issuer preliminary to and in connection with the execution and delivery of the Loan Agreement, pursuant to which the Issuer has agreed to issue the Bonds and to lend the proceeds thereof to the Company to provide funds to pay and discharge, with other funds provided by the Company, the Prior Bonds. The Company has agreed to make Loan payments to the Trustee at times and in amounts fully adequate to pay maturing principal of, interest on and redemption premium, if any, on the Bonds as same become due and payable. From such examination, we are of the opinion that such proceedings of the Metro Council of the Issuer show lawful authority for the execution and delivery of the Loan Agreement; that the Loan Agreement has been duly authorized, executed and delivered by the Issuer; and that the Loan Agreement is a legal, valid and binding obligation of the Issuer, enforceable in accordance with its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

We have also examined an executed counterpart of a certain Indenture of Trust, dated as of March 1, 2007 (the "Indenture"), by and between the Issuer and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"), securing the Bonds and setting forth the covenants and undertakings of the Issuer in connection with the Bonds and a certified copy of the proceedings of record of the Metro Council of the Issuer preliminary to and in connection with the execution and delivery of the Indenture. Pursuant to the Indenture, certain of the Issuer's rights under the Loan Agreement, including the right to receive payments thereunder, and all moneys and securities held by the Trustee in accordance with the Indenture (except moneys and securities in the Rebate Fund created thereby) have been assigned to the Trustee, as security for the holders of the Bonds. From such examination, we are of the opinion that such proceedings of the Metro Council of the Issuer show lawful authority for the execution and delivery of the Indenture; that the Indenture has been duly authorized, executed and delivered by the Issuer; and that the Indenture is a legal, valid and binding obligation upon the parties thereto according to its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought.

In our opinion the Bonds have been validly authorized, executed and issued in accordance with the laws of the Commonwealth of Kentucky now in full force and effect, and constitute legal, valid and binding special obligations of the Issuer entitled to the benefit of the security provided by the Indenture and enforceable in accordance with their terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally, including equitable provisions where equitable remedies are sought. The Bonds are payable by the Issuer solely and only from payments and other amounts derived from the Loan Agreement and as provided in the Indenture.



April 26, 2007  
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In our opinion, under existing laws, including current statutes, regulations, administrative rulings and official interpretations by the Internal Revenue Service, subject to the exceptions and qualifications contained in the succeeding paragraphs, (i) interest on the Bonds is excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion is expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" of the Project or a "related person," as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not a separate item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. In arriving at this opinion, we have relied upon representations, factual statements and certifications of the Company with respect to certain material facts which are solely within the Company's knowledge in reaching our conclusion, inter alia, that not less than substantially all of the proceeds of the Prior Bonds were used to refinance air and water pollution control facilities and solid waste disposal facilities qualified for financing under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended. Further, in arriving at the opinion set forth in this paragraph as to the exclusion from gross income of interest on the Bonds, we have assumed and this opinion is conditioned on, the accuracy of and continuing compliance by the Company and the Issuer with representations and covenants set forth in the Loan Agreement and the Indenture which are intended to assure compliance with certain tax-exempt interest provisions of the Code. Such representations and covenants must be accurate and must be complied with subsequent to the issuance of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes. Failure to comply with certain of such representations and covenants in respect of the Bonds subsequent to the issuance of the Bonds could cause the interest thereon to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents (other than with approval of this firm) is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability. We are further of the opinion that interest on the Bonds is excluded from gross income of the recipients thereof for Kentucky income tax purposes and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof.

Our opinion as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds is further subject to the following exceptions and qualifications:

(a) Provisions of the Code applicable to corporations (as defined for federal income tax purposes) which impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income may subject a portion of the interest on the Bonds earned by certain corporations to such corporate alternative minimum tax. Such corporate alternative minimum tax does not apply to any S corporation, regulated investment company, real estate investment trust or REMIC.

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(b) The Code provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(c) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, we express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Holders of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that, for taxable years beginning after December 31, 1986, property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of Section 32 of the Code, which exceeds \$2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income.

We have received opinions of John R. McCall, Esq., General Counsel of the Company and Jones Day, Chicago, Illinois, counsel to the Company, of even date herewith. In rendering this opinion, we have relied upon said opinions with respect to the matters therein. We have also received an opinion of even date herewith of Hon. Irv Maze, County Attorney of Jefferson County, Kentucky and the chief legal officer of the Issuer, and relied upon said opinion with respect to the matters therein. Said opinions are in forms satisfactory to us as to both scope and content.

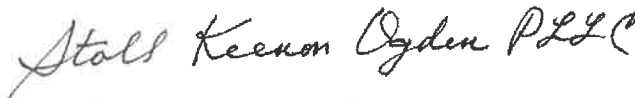
We express no opinion as to the title to, the description of, or the existence or priority of any liens, charges or encumbrances on, the Project.

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In rendering the foregoing opinions, we are passing upon only those matters specifically set forth in such opinions and are not passing upon the investment quality of the Bonds or the accuracy or completeness of any statements made in connection with any offer or sale thereof. The opinions herein are expressed as of the date hereof and we assume no obligation to supplement or update such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We are members of the Bar of the Commonwealth of Kentucky and do not purport to be experts on the laws of any jurisdiction other than the Commonwealth of Kentucky and the United States of America, and we express no opinion as to the laws of any jurisdiction other than those specified.

Respectfully submitted,

A handwritten signature in cursive script that reads "Stoll Keenon Ogden PLLC".

STOLL KEENON OGDEN PLLC

**Appendix B-2**

**Form of Opinion of Bond Counsel**

June 1, 2017

Re: Change in Long Term Rate Period of \$31,000,000 "Louisville/Jefferson County Metro Government, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project)"

Ladies and Gentlemen:

This opinion is being furnished in accordance with the requirements of the Indenture of Trust dated as of March 1, 2007, as amended and restated as of September 1, 2008, and as further amended and supplemented pursuant to Supplemental Indenture No. 1 to Amended and Restated Indenture of Trust dated as of September 1, 2010, (collectively, the "Indenture") between the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer") and U.S. Bank National Association, as successor Trustee, Bond Registrar, Paying Agent and Tender Agent (the "Trustee"), pertaining to \$31,000,000 principal amount of Louisville/Jefferson County Metro Government, Kentucky Environmental Facilities Revenue Refunding Bonds, 2007 Series A (Louisville Gas and Electric Company Project), dated April 26, 2007 (the "2007 Series A Bonds"), in order to satisfy certain requirements of Section 2.02(d)(ii) of the Indenture. Pursuant to Section 2.02(d)(ii) of the Indenture, the Company has elected to change the existing Long Term Rate Period applicable to the 2007 Series A Bonds expiring on May 31, 2017 to a new Long Term Rate Period applicable to the 2007 Series A Bonds commencing on and effective as of June 1, 2017 and ending on June 2, 2019. The 2007 Series A Bonds will be subject to mandatory tender for purchase on June 3, 2019 following expiration of the new Long Term Rate Period. The 2007 Series A Bonds mature on June 1, 2033. The terms used herein denoted by initial capitals and not otherwise defined shall have the meanings specified in the Indenture.

We have examined the law and such documents and matters as we have deemed necessary to provide this opinion. As to questions of fact material to the opinions expressed herein, we have relied upon the provisions of the Indenture and related documents, and upon representations made to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, as of the date hereof, we are of the opinion that the change in the Long Term Rate Period applicable to the 2007 Series A Bonds expiring on May 31, 2017 to a new Long Term Rate Period commencing on and effective as of June 1, 2017 and ending on June 2, 2019 as described herein (a) is authorized or permitted by the Act and is authorized by the Indenture and (b) will not adversely affect the validity of the 2007 Series A Bonds or any exclusion from gross income of the interest on the 2007 Series A Bonds for federal income tax purposes to which interest on the 2007 Series A Bonds would otherwise be entitled. Interest on the 2007 Series A Bonds is not and will not be excluded from gross income during any period when the 2007 Series A Bonds are held by the Company or a "related person" of the Company as defined in Section 147(a) of the Internal Revenue Code of 1986, as amended.

In rendering this opinion, we assume, without verifying, that the Issuer and the Company have complied and will comply with all covenants contained in the Indenture, the Loan Agreement between the Issuer and the Company, dated as of March 1, 2007, as amended and restated as of September 1, 2008, and as further amended and supplemented pursuant to Amendment No. 1 to Amended and Restated Loan Agreement dated as of September 1, 2010, and other documents relating to the 2007 Series A Bonds. We rendered our approving opinion at the time of the issuance of the 2007 Series A Bonds relating to, among other things, the validity of the 2007 Series A Bonds and the exclusion from federal income taxation of interest on the 2007 Series A Bonds. We have not been requested to update or continue such opinion and

have not undertaken to do so. Accordingly, we do not express any opinion with respect to the 2007 Series A Bonds except as set forth above.

Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We express no opinion herein as to the investment quality of the 2007 Series A Bonds or the adequacy, accuracy or completeness of any information furnished to any person in connection with any offer or sale of the 2007 Series A Bonds.

Respectfully submitted,

STOLL KEENON OGDEN PLLC

**Appendix B-3**

**Form of Opinion of Bond Counsel**

June 1, 2017

Re: Change in Long Term Rate Period of \$35,200,000 "Louisville/Jefferson County Metro Government, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2007 Series B (Louisville Gas and Electric Company Project)"

Ladies and Gentlemen:

This opinion is being furnished in accordance with the requirements of the Amended and Restated Indenture of Trust dated as of November 1, 2010 (the "Indenture") between the Louisville/Jefferson County Metro Government, Kentucky (the "Issuer") and U.S. Bank National Association, as successor Trustee, Bond Registrar, Paying Agent and Tender Agent (the "Trustee"), pertaining to \$35,200,000 principal amount of Louisville/Jefferson County Metro Government, Kentucky Environmental Facilities Revenue Refunding Bonds, 2007 Series B (Louisville Gas and Electric Company Project), dated April 26, 2007 (the "2007 Series B Bonds"), in order to satisfy certain requirements of Section 2.02(d)(ii) of the Indenture. Pursuant to Section 2.02(d)(ii) of the Indenture, the Company has elected to change the existing Long Term Rate Period applicable to the 2007 Series B Bonds expiring on May 31, 2017 to a new Long Term Rate Period applicable to the 2007 Series B Bonds commencing on and effective as of June 1, 2017 and ending on June 2, 2019. The 2007 Series B Bonds will be subject to mandatory tender for purchase on June 3, 2019 following expiration of the new Long Term Rate Period. The 2007 Series B Bonds mature on June 1, 2033. The terms used herein denoted by initial capitals and not otherwise defined shall have the meanings specified in the Indenture.

We have examined the law and such documents and matters as we have deemed necessary to provide this opinion. As to questions of fact material to the opinions expressed herein, we have relied upon the provisions of the Indenture and related documents, and upon representations made to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, as of the date hereof, we are of the opinion that the change in the Long Term Rate Period applicable to the 2007 Series B Bonds expiring on May 31, 2017 to a new Long Term Rate Period commencing on and effective as of June 1, 2017 and ending on June 2, 2019 as described herein (a) is authorized or permitted by the Act and is authorized by the Indenture and (b) will not adversely affect the validity of the 2007 Series B Bonds or any exclusion from gross income of the interest on the 2007 Series B Bonds for federal income tax purposes to which interest on the 2007 Series B Bonds would otherwise be entitled. Interest on the 2007 Series B Bonds is not and will not be excluded from gross income during any period when the 2007 Series B Bonds are held by the Company or a "related person" of the Company as defined in Section 147(a) of the Internal Revenue Code of 1986, as amended.

In rendering this opinion, we assume, without verifying, that the Issuer and the Company have complied and will comply with all covenants contained in the Indenture, the Amended and Restated Loan Agreement between the Issuer and the Company, dated as of November 1, 2010, and other documents relating to the 2007 Series B Bonds. We rendered our approving opinion at the time of the issuance of the 2007 Series B Bonds relating to, among other things, the validity of the 2007 Series B Bonds and the exclusion from federal income taxation of interest on the 2007 Series B Bonds. We have not been requested to update or continue such opinion and have not undertaken to do so. Accordingly, we do not express any opinion with respect to the 2007 Series B Bonds except as set forth above.

Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We express no opinion herein as to the investment quality of the 2007 Series B Bonds or the adequacy, accuracy or completeness of any information furnished to any person in connection with any offer or sale of the 2007 Series B Bonds.

Respectfully submitted,

STOLL KEENON OGDEN PLLC







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**NEW ISSUE**

**BOOK-ENTRY-ONLY**

*Subject to the conditions and exceptions set forth under the heading "Tax Treatment," Bond Counsel is of the opinion that, under current law, interest on the Bonds offered hereby will be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" or a "related person" of the Project as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will not be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the branch profits tax on a portion of such interest. Bond Counsel is further of the opinion that interest on the Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, the principal of the Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of the Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of the Bonds. See "Tax Treatment" herein.*

**\$96,000,000**  
**COUNTY OF CARROLL, KENTUCKY**  
**Pollution Control Revenue Refunding Bonds**  
**2016 Series A**  
**(Kentucky Utilities Company Project)**

**Dated:** Date of original delivery  
**Long Term Rate Period:** 3 years  
**Interest Payment Dates:** March 1 and September 1

**Due:** September 1, 2042  
**Mandatory Purchase Date:** September 1, 2019  
**Interest Rate:** 1.05%

The County of Carroll, Kentucky, Pollution Control Revenue Refunding Bonds, 2016 Series A (Kentucky Utilities Company Project) (the "Bonds") will be special and limited obligations of the County of Carroll, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to a Loan Agreement with Kentucky Utilities Company (the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds will not constitute general obligations of the Issuer or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky.

Principal of, and interest on, the Bonds are further secured by the delivery to U.S. Bank National Association, as Trustee, of First Mortgage Bonds of

**KENTUCKY UTILITIES COMPANY**

From and after the date of the issuance and delivery of the Bonds, the Bonds will bear interest at the Long Term Rate of 1.05% per annum from the date of issuance to and including August 31, 2019, and will be subject to mandatory purchase following the initial Long Term Rate Period on September 1, 2019 (the "Mandatory Purchase Date"). Interest on the Bonds will be payable on each March 1 and September 1, commencing March 1, 2017. The interest rate period, interest rate and interest rate mode will be subject to change under certain conditions, as described in this Official Statement. Prior to the Mandatory Purchase Date, the Bonds will not be subject to optional redemption, but will be subject to extraordinary optional redemption and mandatory redemption following a determination of taxability prior to maturity, as described in this Official Statement.

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**PRICE: 100%**

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The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Purchases of beneficial ownership interests in the Bonds will be made in book-entry only form in denominations of \$250,000 and multiples thereof. Purchasers will not receive certificates representing their beneficial interests in the Bonds. See the information contained under the heading "Summary of the Bonds — Book-Entry-Only System" in this Official Statement. The principal or redemption price of and interest on the Bonds will be paid by U.S. Bank National Association, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described herein.

*The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Stoll Keenon Ogden PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois and Gerald A. Reynolds, General Counsel, Chief Compliance Officer and Corporate Secretary of the Company, for the Issuer by its County Attorney, and for the Underwriters by their counsel, McGuireWoods LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about August 25, 2016.*

**BofA Merrill Lynch**

**PNC Capital Markets LLC**

Dated: August 17, 2016

No dealer, broker, salesman or other person has been authorized by the Issuer, the Company or the Underwriters to give any information or to make any representation with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the completeness of such information. The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

**In connection with the offering of the Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of such Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.**

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**OFFICIAL STATEMENT**

**\$96,000,000**  
**County of Carroll, Kentucky**  
**Pollution Control Revenue Refunding Bonds**  
**2016 Series A**  
**(Kentucky Utilities Company Project)**

**Introductory Statement**

This Official Statement, including the cover page and Appendices, is provided to furnish information in connection with the offer and sale by the County of Carroll, Kentucky (the "Issuer") of its Pollution Control Revenue Refunding Bonds, 2016 Series A (Kentucky Utilities Company Project), in the aggregate principal amount of \$96,000,000 (the "Bonds") to be issued pursuant to an Indenture of Trust dated as of August 1, 2016 (the "Indenture") between the Issuer and U.S. Bank National Association (the "Trustee"), as Trustee, Paying Agent and Bond Registrar.

Pursuant to a Loan Agreement by and between Kentucky Utilities Company (the "Company") and the Issuer, dated as of August 1, 2016 (the "Loan Agreement"), proceeds from the sale of the Bonds, other than accrued interest, if any, paid by the initial purchasers thereof, will be loaned by the Issuer to the Company.

The proceeds of the Bonds (other than any accrued interest) will be applied in full, together with other moneys made available by the Company, to pay and discharge all of the \$96,000,000 outstanding principal amount of County of Carroll, Kentucky, Pollution Control Revenue Bonds, 2002 Series C (Kentucky Utilities Company Project) (the "2002 Bonds"), previously issued by the Issuer to refinance certain pollution control facilities (the "Project") owned by the Company. For information regarding the pollution control facilities, see "The Project."

It is a condition to the Underwriters' obligation to purchase the Bonds that the Company irrevocably instruct the trustee in respect of the 2002 Bonds, on or prior to the date of issuance of the Bonds, to call the 2002 Bonds for redemption.

The Company will repay the loan under the Loan Agreement by making payments to the Trustee in sufficient amounts to pay the principal or redemption price of and interest on the Bonds and will further agree under the Loan Agreement to make payments of the purchase price of the Bonds tendered for purchase to the extent funds are not otherwise available under the Indenture. See "Summary of the Loan Agreement — General." Pursuant to the Indenture, the Issuer's rights under the Loan Agreement (other than with respect to certain rights to indemnification, reimbursement, notice and payment of expenses) will be assigned to the Trustee as security for the Bonds.

For the purpose of further securing the Bonds, the Company will issue and deliver to the Trustee a series of the Company's First Mortgage Bonds, Collateral Series 2016CCA (the "First Mortgage Bonds"). The principal amount, maturity date and interest rate (or method of determining interest rates) of such First Mortgage Bonds will correspond to the principal amount, maturity date and interest rate (or method of determining interest rates) of the Bonds. The First Mortgage Bonds will only be payable, and interest thereon will only accrue, as described herein. See "Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds" and "Summary of the First Mortgage Bonds and the First Mortgage Indenture." The First Mortgage Bonds will not provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase in accordance with the Indenture.

The First Mortgage Bonds will be issued under, and will be secured by, the Company's Indenture, dated as of October 1, 2010, as previously supplemented and as to be supplemented by a supplemental indenture to be dated as of August 1, 2016 relating to the Bonds (the "First Mortgage Supplemental Indenture," and the Indenture, as so supplemented, the "First Mortgage Indenture"), between the Company and The Bank of New York Mellon, as trustee (the "First Mortgage Trustee").

The Company is a wholly-owned subsidiary of LG&E and KU Energy LLC and an indirect wholly-owned subsidiary of PPL Corporation. The Company's obligations under the Loan Agreement are solely its own, and not those of any of its affiliates. None of PPL Corporation or the Company's other affiliates will be obligated to make any payments due under the Loan Agreement or First Mortgage Bonds or any other payments of principal, interest, redemption price or purchase price of the Bonds.

**The Bonds will be special and limited obligations of the Issuer, and the Issuer's obligation to pay the principal or redemption price of and interest on, and purchase price of, the Bonds will be limited solely to the revenues and other amounts received by the Trustee under the Indenture pursuant to the Loan Agreement, including amounts payable on the First Mortgage Bonds. The Bonds will not constitute an indebtedness, general obligation or pledge of the faith and credit or taxing power of the Issuer, the Commonwealth of Kentucky or any political subdivision thereof.**

Brief descriptions of the Company, the Issuer, the Bonds, the Loan Agreement, the Indenture, the First Mortgage Bonds and the First Mortgage Indenture are included in this Official Statement. Such descriptions and information do not purport to be complete, comprehensive or definitive and are not to be construed as a representation or a guaranty of completeness. All references in this Official Statement to the documents are qualified in their entirety by reference to such documents, and references in this Official Statement to the Bonds are qualified in their entirety by reference to the definitive form of the Bonds included in the Indenture. Copies of the Loan Agreement and the Indenture will be available for inspection at the principal corporate trust office of the Trustee and, until the issuance of the Bonds, may be obtained from the Underwriters. The First Mortgage Indenture (including the form of the First Mortgage Bonds) is available for inspection at the office of the Company in Lexington, Kentucky, and at the corporate trust office of the First Mortgage Trustee, in Pittsburgh, Pennsylvania. Certain information relating to The Depository Trust Company ("DTC") and the book-entry-only system has been furnished by DTC. Appendix A to this Official Statement and all information contained under the headings "The Project" and "Use of Proceeds" has been furnished by the Company. The Issuer, Bond Counsel and the Remarketing Agent assume no responsibility for the accuracy or completeness of such Appendix A or such information. The Underwriters have reviewed the information in Appendix A to this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the completeness of such Appendix A or such information. Appendix B to this Official Statement contains the proposed form of opinion of Bond Counsel to be delivered in connection with the issuance and delivery of the Bonds.

***This Official Statement only describes the terms and provisions applicable to the Bonds while accruing interest at the Long Term Rate for the initial Long Term Rate Period. In the event of a remarketing of the Bonds on or after the Mandatory Purchase Date, a supplement to this Official Statement or a new reoffering circular will be prepared describing the new terms and provisions then applicable to such Bonds.***

#### **The Issuer**

The Issuer is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky. The Issuer is authorized by Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (collectively, the "Act") to (a) issue the Bonds to pay and discharge the 2002 Bonds, (b) lend the proceeds from the sale of the Bonds to the Company for such purpose and (c) enter into and perform its obligations under the Loan Agreement and the Indenture. The Issuer, through its legislative body, the Fiscal Court, has adopted one or more ordinances authorizing the issuance of the Bonds and the execution and delivery of the related documents.

THE BONDS WILL BE SPECIAL AND LIMITED OBLIGATIONS PAYABLE SOLELY AND ONLY FROM CERTAIN SOURCES, INCLUDING AMOUNTS TO BE RECEIVED BY OR ON BEHALF OF THE ISSUER UNDER THE LOAN AGREEMENT, INCLUDING AMOUNTS PAYABLE ON THE FIRST MORTGAGE BONDS. THE BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS, GENERAL OBLIGATION OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF, AND WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS.

#### **The Project**

The Project being refinanced with the Bonds has been completed and is the property of the Company, subject to the lien of the First Mortgage Indenture. The Project consists of certain air, solid waste and water pollution control facilities at the Company's Ghent Generating Station located in Carroll County, Kentucky (the "Generating Station").

The Department for Natural Resources and Environmental Protection of the Commonwealth of Kentucky (now the Energy and Environment Cabinet), the agency exercising jurisdiction with respect to the Project, has certified that the Project, as designed (which includes the facilities constituting the Project), is in furtherance of the purposes of abating and controlling atmospheric and water pollutants or contaminants, as applicable.

#### **Use of Proceeds**

The proceeds from the sale of the Bonds (other than any accrued interest) will be used, together with funds to be provided by the Company, to pay and discharge at a redemption price of 100% of the principal amount thereof, plus accrued interest, all of the outstanding 2002 Bonds, on the date of the issuance of the Bonds. The 2002 Bonds currently bear interest at an auction rate and mature on October 1, 2032. For the twelve months ended June 30, 2016, the weighted average interest rate on the 2002 Bonds was 0.526%.

### Summary of the Bonds

#### General

The Bonds will be issued in the aggregate principal amount set forth on the cover page of this Official Statement. The Bonds will mature as to principal on September 1, 2042. The Bonds are also subject to redemption prior to maturity as described in this Official Statement.

The Bonds will bear interest at the Long Term Rate of 1.05% per annum from August 25, 2016 to and including August 31, 2019, and will be subject to mandatory purchase following the initial Long Term Rate Period on September 1, 2019 (the "Mandatory Purchase Date"). Interest on the Bonds will be paid on each March 1 and September 1, commencing March 1, 2017. The Bonds will continue to bear interest at a Long Term Rate for periods to be determined by the Company until a Conversion to another Interest Rate Mode or until the maturity or redemption of the Bonds. The permitted Interest Rate Modes for the Bonds are (i) the Flexible Rate, (ii) the Daily Rate, (iii) the Weekly Rate, (iv) the Semi-Annual Rate, (v) the Annual Rate, (vi) the Long Term Rate, (vii) the LIBOR Index Rate and (viii) the SIFMA-Based Term Rate.

*This Official Statement only describes the terms and provisions applicable to the Bonds while accruing interest at the Long Term Rate for the initial Long Term Rate Period. In the event of a remarketing of the Bonds on or after the Mandatory Purchase Date, a supplement to this Official Statement or a new reoffering circular will be prepared describing the new terms and provisions then applicable to such Bonds.*

Interest on the Bonds will be computed on the basis of a 360-day year, consisting of twelve 30-day months. Interest payable on each March 1 and September 1 will be payable to the registered owner of the Bond as of the February 15 and August 15 preceding such March 1 and September 1.

The Bonds initially will be issued solely in book-entry-only form through DTC (or its nominee, Cede & Co.). So long as the Bonds are held in the book-entry-only system, DTC or its nominee will be the registered owner or holder of the Bonds for all purposes of the Indenture, the Bonds and this Official Statement. See "— Book-Entry-Only System" below. Individual purchases of book-entry interests in the Bonds will be made in book-entry-only form in denominations of \$250,000 and multiples thereof.

So long as the Bonds are held in book-entry-only form, the principal or redemption price of and interest on, and purchase price of, the Bonds will be payable by the Trustee, as paying agent (the "Paying Agent"), through the facilities of DTC (or a successor depository).

Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the designated office of the Trustee, as bond registrar (the "Bond Registrar"), accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar duly executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond (i) during the fifteen days before any mailing of a notice of redemption of Bonds, (ii) after such Bond has been called for redemption or (iii) which has been purchased (see "Mandatory Purchase of Bonds — Payment of Purchase Price" below). Registration of transfers and exchanges will be made without charge to the registered owners of Bonds, except that the Bond Registrar may require any registered owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

**Certain Definitions**

As used herein, each of the following terms will have the meaning indicated.

*“Beneficial Owner”* means the person in whose name a Bond is recorded as such by the respective systems of DTC and each Participant (as defined herein) or the registered holder of such Bond if such Bond is not then registered in the name of Cede & Co.

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

*“Conversion”* means any conversion from time to time in accordance with the terms of the Indenture of the Bonds from one Interest Rate Mode to another Interest Rate Mode or the establishment of a new Long Term Rate Period.

*“Interest Rate Mode”* means the Flexible Rate, the Daily Rate, the Weekly Rate, the Semi-Annual Rate, the Annual Rate, the Long Term Rate, the LIBOR Index Rate and the SIFMA-Based Term Rate.

*“Long Term Rate Period”* means the period beginning on, and including, the date of issuance of the Bonds and ending on, and including, August 31, 2019 and, thereafter, the period established by the Company under the Indenture and beginning on September 1, 2019 and ending on the day preceding the last Interest Payment Date for such period and, thereafter, each successive period of the same duration until the day immediately preceding the earliest of the change to a different Long Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

*“Remarketing Agent”* means Merrill Lynch, Pierce, Fenner & Smith Incorporated and its successor or successors, who will act as the Remarketing Agent with respect to the Bonds. The Remarketing Agent may resign or be removed and a successor Remarketing Agent may be appointed in accordance with the terms of the Indenture and the remarketing agreement to be entered into between the Remarketing Agent and the Company (the “Remarketing Agreement”). The Remarketing Agent may, without notice to the Company, assign its rights and obligations as Remarketing Agent to a broker-dealer affiliate in accordance with the terms of the Indenture and the Remarketing Agreement.

*“Tender Agent”* means, so long as the Bonds are held in DTC’s book-entry-only system, the Trustee, who will act as Tender Agent under the Indenture. Any successor Tender Agent appointed pursuant to the Indenture will also be a Paying Agent.



### **Mandatory Purchase of Bonds**

**General.** The Bonds will be subject to mandatory purchase on the Mandatory Purchase Date at a purchase price equal to the principal amount thereof plus accrued and unpaid interest. Notice to owners of such mandatory purchase will be given by the Bond Registrar by first class mail at least 20 days prior the Mandatory Purchase Date. The notice of mandatory purchase will state those matters required to be set forth therein under the Indenture.

**Remarketing and Purchase of Bonds.** The Indenture provides that, subject to the terms of a Remarketing Agreement with the Company, unless otherwise instructed by the Company, the Remarketing Agent will use its commercially reasonable best efforts to remarket Bonds purchased on the Mandatory Purchase Date. Each such sale will be at a price equal to the principal amount thereof, plus interest accrued to the date of sale. The Remarketing Agent, the Trustee, the Paying Agent, the Bond Registrar or the Tender Agent each may purchase any Bonds offered for sale for its own account.

The purchase price of Bonds tendered for purchase will be paid by the Tender Agent from moneys derived from the remarketing of such Bonds by the Remarketing Agent and, if such remarketing proceeds are insufficient, from moneys made available by the Company.

The Company is obligated to purchase any Bonds tendered for purchase to the extent such Bonds have not been remarketed. Any such purchases by the Company will not result in the extinguishment of the purchased Bonds. The Company currently maintains lines of credit or other liquidity facilities in amounts determined by it to be sufficient to meet its current needs and expects to continue to maintain such lines of credit or other liquidity facilities from time to time to the extent determined by it to be necessary to meet its then-current needs. The Trustee, any Paying Agent, the Tender Agent and the owners of the Bonds have no right to draw under any line of credit or other liquidity facility maintained by the Company. There is no provision in the Indenture or the Loan Agreement requiring the Company to maintain such financing arrangements which may be discontinued at any time without notice. The First Mortgage Bonds are not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase pursuant to the Indenture.

Any deficiency in purchase price payments resulting from the Remarketing Agent's failure to deliver remarketing proceeds of all Bonds with respect to which the Remarketing Agent notified the Tender Agent were remarketed will not result in an Event of Default under the Indenture until the opening of business on the next succeeding Business Day unless the Company fails to provide sufficient funds to pay such purchase price by the opening of business on such next succeeding Business Day. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase of Bonds will be consummated, but failure to consummate such purchase will not be deemed to be an Event of Default under the Indenture if sufficient funds have been provided in a timely manner by the Company to the Tender Agent for such purpose.

**Payment of Purchase Price.** Payment of the purchase price of any Bond will be payable on the Mandatory Purchase Date upon delivery of such Bond to the Tender Agent on such Mandatory Purchase Date; provided that such Bond must be delivered to the Tender Agent at or prior to 11:00 a.m. (New York City time). When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Tender Agent. If the Mandatory Purchase Date is not a Business Day, the purchase price will be payable on the next succeeding Business Day.

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

If the registered owner of any Bond (or portion thereof) that is subject to purchase pursuant to the Indenture fails to deliver such Bond with an appropriate instrument of transfer to the Tender Agent for purchase on the Mandatory Purchase Date, and if the Tender Agent is in receipt of the purchase price therefor, such Bond (or portion thereof) nevertheless will be deemed purchased on the Mandatory Purchase Date. Any owner who so fails to deliver such Bond for purchase on (or before) the Mandatory Purchase Date will have no further rights thereunder, except the right to receive the purchase price thereof from those moneys deposited with the Tender Agent in the Purchase Fund pursuant to the Indenture upon presentation and surrender of such Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

#### **Redemptions**

**Optional Redemption.** Except as described below under the subheadings “--- Extraordinary Optional Redemption in Whole” and “--- Extraordinary Optional Redemption in Whole or in Part,” the Bonds are not subject to optional redemption prior to the Mandatory Purchase Date.

**Extraordinary Optional Redemption in Whole.** The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events occur within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

- (i) if the Project or a portion thereof or other property of the Company in connection with which the Project is used has been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or other property of the Company in connection with which the Project is used unsatisfactory to the Company for its intended use, and such condition continues for a period of six months;
- (ii) there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use;
- (iii) the Loan Agreement has become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action (whether state or federal) or any final decree, judgment or order of any court or administrative body, whether state or federal; or
- (iv) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such Generating Station for a period of six months.

As a result of a Company Letter Agreement between the Issuer and the Company, to be dated as of August 25, 2016, the Company will agree that it will not, prior to September 1, 2019, exercise the rights under the Loan Agreement it would otherwise have to redeem the Bonds under the following circumstances:

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

(ii) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station have occurred, which, in the judgment of the Company, render the continued operation of the Generating Station or any generating unit at the Generating Station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in clean air or water or other air and water pollution control requirements or solid waste disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable.

***Extraordinary Optional Redemption in Whole or in Part.*** The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project, subject to compliance with the terms of the First Mortgage Indenture and receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See “Summary of the Loan Agreement — Maintenance; Damage, Destruction and Condemnation.”

***Mandatory Redemption; Determination of Taxability.*** The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a “Determination of Taxability.” As used herein, a “Determination of Taxability” means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a “substantial user” or a “related person” of a substantial user of the Project within the meaning of Section 147 of the Internal Revenue Code of 1986, as amended (the “Code”); provided, however, that no such Determination of Taxability will be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (a) gives the Company and the

Trustee prompt notice of the commencement thereof, and (b) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (a) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (b) the Company will exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

**General Redemption Terms.** Notice of redemption will be given by mailing a redemption notice conforming to the provisions and requirements of the Indenture by first class mail to the registered owners of the Bonds to be redeemed not less than 20 days prior to the redemption date.

Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. If the provisions for discharging the Indenture set forth below under the heading "Summary of the Indenture — Discharge of Indenture" have not been complied with, any redemption notice may state that it is conditional on there being sufficient moneys to pay the full redemption price for the Bonds to be redeemed and that if sufficient funds have not been received by the Trustee by the opening of business on the redemption date, such notice shall be of no effect. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

#### **Conversion of Interest Rate Modes**

The Interest Rate Mode for the Bonds is subject to Conversion from time to time, including on the Mandatory Purchase Date following the end of the initial Long Term Rate Period, at the option of the Company in accordance with the terms of the Indenture, upon notice from the Bond Registrar to the

registered owners of the Bonds. With any notice of Conversion, the Company must also deliver to the Bond Registrar an opinion of Bond Counsel stating that such Conversion is authorized or permitted by the Act and is authorized by the Indenture and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

### **Security**

Payment of the principal or redemption price of and interest on the Bonds will be secured by an assignment by the Issuer to the Trustee of the Issuer's interest in and to the Loan Agreement and all payments to be made pursuant thereto (other than certain indemnification and expense payments). Pursuant to the Loan Agreement, the Company will agree to pay, among other things, amounts sufficient to pay the aggregate principal amount or redemption price of the Bonds, together with interest thereon as and when the same become due. The Company further will agree to make payments of the purchase price of the Bonds tendered for purchase to the extent that funds are not otherwise available therefor under the provisions of the Indenture.

The payment of the principal or redemption price of and interest on the Bonds will be further secured by the First Mortgage Bonds. The principal amount of the First Mortgage Bonds will equal the principal amount of the Bonds. If the Bonds become immediately due and payable as a result of a default in payment of the principal or redemption price of or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of default under the Loan Agreement and upon receipt by the First Mortgage Trustee of a written demand from the Trustee for redemption of the First Mortgage Bonds ("Redemption Demand"), or if all first mortgage bonds outstanding under the First Mortgage Indenture shall have become immediately due and payable, such First Mortgage Bonds will begin to bear interest at the same interest rate or rates borne by the Bonds and the principal of such First Mortgage Bonds, together with interest accrued thereon from the last date or dates to which interest on the Bonds has been paid in full, will be payable in accordance with the Supplemental Indenture. See "Summary of the First Mortgage Bonds and the First Mortgage Indenture."

The First Mortgage Bonds are not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase in accordance with the Indenture. The Company is not required under the Loan Agreement or Indenture to provide any letter of credit or liquidity support for the Bonds. The First Mortgage Bonds are secured by a lien on certain property owned by the Company. In certain circumstances, the Company is permitted to reduce the aggregate principal amount of its First Mortgage Bonds held by the Trustee, but in no event to an amount lower than the aggregate outstanding principal amount of the Bonds.

### **Book-Entry-Only System**

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

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal

Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the “Exchange Act”). DTC holds and provides asset servicing for U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and, together with Direct Participants, “Participants”). The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If fewer than all of the Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

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

whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

A Beneficial Owner shall effect delivery of purchased Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer, the Company, the Tender Agent and the Trustee, or the Issuer, at the request of the Company, may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository for the Bonds). Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be delivered as described in the Indenture (see "— Revision of Book-Entry-Only System; Replacement Bonds" below). The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners. Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Issuer's obligations under the Indenture and the Company's obligations under the Loan Agreement and the First Mortgage Bonds, to the extent of the payments so made. Beneficial Owners will not be, and will not be considered by the Issuer or the Trustee to be, and will not have any rights as, owners of Bonds under the Indenture.

The Trustee and the Issuer, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption or of proposed document amendments requiring consent of registered owners and any other notices required by the document (including notices of Conversion and mandatory purchase) to be sent to registered owners only to DTC (or any successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption, the document amendment, the Conversion, the mandatory purchase or any other action premised on that notice.

The Issuer, the Company, the Trustee and the Underwriters cannot and do not give any assurances that DTC will distribute payments on the Bonds made to DTC or its nominee as the registered owner or any redemption or other notices, to the Participants, or that the Participants or others will

distribute such payments or notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

THE ISSUER, THE COMPANY, THE UNDERWRITERS, THE REMARKETING AGENT AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A REGISTERED OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OR PURCHASE PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OF ANY NOTICE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

**Revision of Book-Entry-Only System; Replacement Bonds**

In the event that DTC determines not to continue as securities depository or is removed by the Issuer, at the direction of the Company, as securities depository, the Issuer, at the direction of the Company, may appoint a successor securities depository reasonably acceptable to the Trustee. If the Issuer does not or is unable to appoint a successor securities depository, the Issuer will issue and the Trustee will authenticate and deliver fully registered Bonds, in authorized denominations, to the assignees of DTC or their nominees.

In the event that the book-entry-only system is discontinued, the following provisions will apply. The Bonds may be issued in denominations of \$250,000 and multiples thereof. Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the designated office of the Bond Registrar, accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond during the fifteen days before any mailing of a notice of redemption, after such Bond has been called for redemption in whole or in part, or after such Bond has been tendered or deemed tendered for optional or mandatory purchase as described under "— Mandatory Purchase of Bonds." Registration of transfers and exchanges will be made without charge to the owners of Bonds, except that the Bond Registrar may require any owner requesting registration of transfer or exchange to pay any required tax or governmental charge.



### Summary of the Loan Agreement

*The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the Loan Agreement. This description is only a summary and does not purport to be complete and definitive. Reference is made to the Loan Agreement for the detailed provisions thereof.*

#### General

The term of the Loan Agreement will commence as of its date and end on the earliest to occur of September 1, 2042 or the date on which all of the Bonds have been fully paid or provision has been made for such payment pursuant to the Indenture. See “Summary of the Indenture — Discharge of Indenture.”

The Company will agree to repay the loan pursuant to the Loan Agreement by making timely payments to the Trustee in sufficient amounts to pay the principal or redemption price of and interest required to be paid on the Bonds on each date upon which any such payments are due. The Company will also agree to pay (i) the agreed upon fees and expenses of the Trustee, the Bond Registrar, the Tender Agent and the Paying Agent and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent and the Tender Agent, as may be applicable, under the Indenture, (ii) the expenses in connection with any redemption of the Bonds and (iii) the reasonable expenses of the Issuer.

The Company will covenant and agree with the Issuer that it will cause the purchase of tendered Bonds that are not remarketed in accordance with the Indenture and, to that end, the Company will cause funds to be made available to the Tender Agent at the times and in the manner required to effect such purchases in accordance with the Indenture (see “Summary of the Bonds — Mandatory Purchase of Bonds — Remarketing and Purchase of Bonds”).

All payments to be made by the Company to the Issuer pursuant to the Loan Agreement (except the fees and reasonable out-of-pocket expenses of the Issuer, the Trustee, the Paying Agent, the Bond Registrar and the Tender Agent, and amounts related to indemnification) will be assigned by the Issuer to the Trustee, and the Company will pay such amounts directly to the Trustee. The obligations of the Company to make the payments pursuant to the Loan Agreement are absolute and unconditional.

#### Maintenance of Tax Exemption

The Company and the Issuer will agree not to take any action that would result in the interest paid on the Bonds being included in gross income of any Bondholder (other than a holder who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes or that adversely affects the validity of the Bonds.

#### Issuance and Delivery of First Mortgage Bonds

For the purpose of providing security for the Bonds, the Company will execute and deliver to the Trustee the First Mortgage Bonds on the date of issuance of the Bonds. The principal amount of the First Mortgage Bonds executed and delivered to the Trustee will equal the aggregate principal amount of the Bonds. If the Bonds become immediately due and payable as a result of a default in payment of the principal or redemption price of or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of default under the Loan Agreement and upon receipt by the First Mortgage Trustee of a Redemption Demand, or if all first mortgage bonds outstanding under the First Mortgage Indenture shall have become immediately due and payable, such First Mortgage Bonds will then bear interest at the same interest rate or rates borne by the Bonds and the principal of such First Mortgage

Bonds, together with interest accrued thereon from the last date to which interest on the Bonds shall have been paid in full, will then be payable. See, however, "Summary of the Indenture — Waiver of Events of Default."

Upon payment of the principal or redemption price of and interest on any of the Bonds, and the surrender to and cancellation thereof by the Trustee, or upon provision for the payment thereof having been made in accordance with the Indenture, First Mortgage Bonds with corresponding principal amounts equal to the aggregate principal amount of the Bonds so surrendered and canceled or for the payment of which provision has been made, will be surrendered by the Trustee to the First Mortgage Trustee and will be canceled by the First Mortgage Trustee. The First Mortgage Bonds will be registered in the name of the Trustee and will be non transferable, except to effect transfers to any successor trustee under the Indenture.

#### **Payment of Taxes**

The Company will agree to pay certain taxes and other governmental charges that may be lawfully assessed, levied or charged against or with respect to the Project (see, however, subparagraph (i) under the heading "Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole"). The Company may contest such taxes or other governmental charges unless the security provided by the Indenture would be materially endangered.

#### **Maintenance; Damage, Destruction and Condemnation**

So long as any Bonds are outstanding, the Company will maintain, preserve and keep the Project or cause the Project to be maintained, preserved and kept in good repair, working order and condition and will make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as air and water pollution control and abatement facilities and solid waste disposal facilities, as applicable, under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended. However, the Company will have no obligation to maintain, preserve, keep, repair, replace or renew any portion of the Project, the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to the Company because of certain events, including damage or destruction by a cause not within the Company's control, condemnation of the Project, change in government standards and regulations, economic or other obsolescence or termination of operation of generating facilities to the Project.

The Company, at its own expense, may remodel the Project or make substitutions, modifications and improvements to the Project as it deems desirable, which remodeling, substitutions, modifications and improvements are deemed, under the terms of the Loan Agreement to be a part of the Project. The Company may not, however, change or alter the basic nature of the Project or cause it to lose its status under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended.

If, prior to the payment of all Bonds outstanding, the Project or any portion thereof is destroyed, damaged or taken by the exercise of the power of eminent domain and the Issuer, the Company or the First Mortgage Trustee receives net proceeds from insurance or a condemnation award in connection therewith, the Company must, subject to the requirements of the First Mortgage Indenture, (i) cause such net proceeds to be used to repair or restore the Project or (ii) take any other action, including the redemption of the Bonds in whole or in part at their principal amount, which, by the opinion of Bond Counsel, will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes. See "Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole or in Part."

**Project Insurance**

The Company will insure the Project in accordance with the provisions of the First Mortgage Indenture.

**Assignment, Merger and Release of Obligations of the Company**

The Company may assign the Loan Agreement, pursuant to an opinion of Bond Counsel that such assignment will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, without obtaining the consent of either the Issuer or the Trustee. Such assignment, however, will not relieve the Company from primary liability for any of its obligations under the Loan Agreement and performance and observance of the other covenants and agreements to be performed by the Company. The Company may dispose of all or substantially all of its assets or consolidate with or merge into another entity, provided the acquirer of the Company's assets or the entity with which it will consolidate with or merge into is a corporation or other business organization organized and existing under the laws of the United States of America or one of the states of the United States of America or the District of Columbia, is qualified and admitted to do business in the Commonwealths of Kentucky and Virginia, assumes in writing all of the obligations and covenants of the Company under the Loan Agreement and delivers a copy of such assumption to the Issuer and the Trustee.

**Release and Indemnification Covenant**

The Company will indemnify and hold the Issuer harmless against any expense or liability incurred, including attorneys' fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof.

**Events of Default**

Each of the following events constitutes an "Event of Default" under the Loan Agreement:

(i) failure by the Company to pay the amounts required for payment of the principal of, including purchase price for tendered Bonds and redemption and acceleration prices, and interest accrued, on the Bonds, at the times specified therein taking into account any periods of grace provided in the Indenture and the Bonds for the applicable payment of interest on the Bonds (see "Summary of the Indenture — Defaults and Remedies"), and such failure shall cause an event of default under the Indenture;

(ii) failure by the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraph (i) above, for a period of 30 days after written notice by the Issuer or Trustee, subject to extension by the Issuer and the Trustee, provided, however, that if such failure is capable of being corrected, but cannot be corrected in such 30-day period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action with respect thereto is instituted within such period and is being diligently pursued;

(iii) certain events of bankruptcy, dissolution, liquidation, reorganization or insolvency of the Company;

(iv) the occurrence of an Event of Default under the Indenture; or

(v) all first mortgage bonds outstanding under the First Mortgage Indenture, if not already due, shall have become immediately due and payable, whether by declaration or otherwise, and such acceleration shall not have been rescinded by the First Mortgage Trustee.

Under the Loan Agreement, certain of the Company's obligations (other than the Company's obligations, among others, (i) not to permit any action which would result in interest paid on the Bonds being included in gross income for federal and Kentucky income taxes; (ii) to execute and deliver the First Mortgage Bonds to the Trustee on or before the date of issuance of the Bonds in an amount equal to the principal amount of the Bonds; (iii) to maintain its corporate existence and good standing, and to neither dispose of all or substantially all of its assets or consolidate with or merge into another entity unless certain provisions of the Loan Agreement are satisfied; and (iv) to make loan payments and certain other payments under the provisions of the Loan Agreement) may be suspended if by reason of force majeure (as defined in the Loan Agreement) the Company is unable to carry out such obligations.

#### **Remedies**

Upon the happening and continuance of an Event of Default under the Loan Agreement, the Trustee, on behalf of the Issuer, may, among other things, take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company, under the Loan Agreement, including any remedies available in respect of the First Mortgage Bonds.

In the event of a default in payment of the principal or redemption price of or interest on the Bonds and the acceleration of the maturity date of the Bonds (to the extent not already due and payable) as a consequence of such Event of Default, the Trustee may demand redemption of the First Mortgage Bonds. See "Summary of the First Mortgage Bonds and the First Mortgage Indenture" and "Summary of the Indenture — Defaults and Remedies." Any amounts collected upon the happening of any such Event of Default must be applied in accordance with the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture) and all other liabilities of the Company accrued under the Indenture and the Loan Agreement have been paid or satisfied, made available to the Company.

#### **Options to Prepay; Obligation to Prepay**

The Company may prepay the loan pursuant to the Loan Agreement, in whole or in part, on certain dates, at the prepayment prices as shown under the headings "Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole" and "— Extraordinary Optional Redemption in Whole or in Part." Upon the occurrence of the event described under the heading "Summary of the Bonds — Redemptions — Mandatory Redemption; Determination of Taxability," the Company will be obligated to prepay the loan in an aggregate amount sufficient to redeem the required principal amount of the Bonds.

In each instance, the loan prepayment price must be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem the requisite amount of the Bonds at a price equal to 100% of the principal amount plus accrued interest to the redemption date, and to pay all reasonable and necessary fees and expenses of the Trustee, the Paying Agent, the Bond Registrar and the Tender Agent and all other liabilities of the Company under the Loan Agreement accrued to the redemption date.

### **Amendments and Modifications**

No alteration, amendment, change, supplement or modification of the Loan Agreement is permissible without the written consent of the Trustee. The Issuer and the Trustee may, however, without the consent of or notice to any Bondholders, enter into any alteration, amendment, change, supplement or modification of the Loan Agreement (i) which may be required by the provisions of the Loan Agreement or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with any modification or change necessary to conform the Loan Agreement with changes and modifications in the Indenture or (iv) in connection with any other change which, in the judgment of the Trustee, does not adversely affect the Trustee or the Bondholders. Except for such alterations, amendments, changes, supplements or modifications, the Loan Agreement may be altered, amended, changed, supplemented or modified only with the consent of the Bondholders holding a majority in principal amount of the Bonds then outstanding (see “Summary of the Indenture — Supplemental Indentures” for an explanation of the procedures necessary for Bondholder consent); provided, however, that the approval of the Bondholders holding 100% in principal amount of the Bonds then outstanding is necessary to effectuate an alteration, amendment, change, supplement or modification with respect to the Loan Agreement of the type described in clauses (i) through (iv) of the first sentence of the third paragraph of “Summary of the Indenture — Supplemental Indentures.”

### **Summary of the First Mortgage Bonds and the First Mortgage Indenture**

*The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the First Mortgage Bonds and the First Mortgage Indenture. This description is only a summary and does not purport to be complete and definitive. Reference is made to the First Mortgage Indenture and to the form of the First Mortgage Bonds for the detailed provisions thereof.*

#### **General**

In connection with the issuance of the Bonds, the First Mortgage Bonds will be issued in a principal amount equal to the principal amount of the Bonds and will constitute a new series of first mortgage bonds under the First Mortgage Indenture (see “Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds”). The statements herein made (being for the most part summaries of certain provisions of the First Mortgage Indenture) are subject to the detailed provisions of the First Mortgage Indenture, which is incorporated herein by this reference. Words or phrases italicized are defined in the First Mortgage Indenture.

The First Mortgage Bonds will mature on the same date and bear interest at the same rate or rates as the Bonds; however, the principal of and interest on the First Mortgage Bonds will not be payable other than upon the occurrence of an event of default under the Loan Agreement. If the Bonds become immediately due and payable as a result of a default in payment of the principal or redemption price of or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of default under the Loan Agreement, and if all first mortgage bonds outstanding under the First Mortgage Indenture shall not have become immediately due and payable following an *event of default* under the First Mortgage Indenture, the Company will be obligated to redeem the First Mortgage Bonds upon receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee for redemption, at a redemption price equal to the principal amount thereof plus accrued interest at the rates borne by the Bonds from the last date to which interest on the Bonds has been paid.

The First Mortgage Bonds at all times will be in fully registered form registered in the name of the Trustee, will be non negotiable, and will be non transferable except to any successor trustee under the

Indenture. Upon payment and cancellation of Bonds by the Trustee or the Paying Agent (other than any Bond or portion thereof that was canceled by the Trustee or the Paying Agent and for which one or more Bonds were delivered and authenticated pursuant to the Indenture), whether at maturity, by redemption or otherwise, or upon provision for the payment of the Bonds having been made in accordance with the Indenture, an equal principal amount of First Mortgage Bonds will be deemed fully paid and the obligations of the Company thereunder will cease.

#### **Security; Lien of the First Mortgage Indenture**

**General.** Except as described below under this heading and under “— Issuance of Additional First Mortgage Bonds,” and subject to the exceptions described under “— Satisfaction and Discharge,” all first mortgage bonds issued under the First Mortgage Indenture, including the First Mortgage Bonds, will be secured, equally and ratably, by the lien of the First Mortgage Indenture, which constitutes, subject to permitted liens and exclusions as described below, a first mortgage lien on substantially all of the Company’s real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity (other than property duly released from the lien of the First Mortgage Indenture in accordance with the provisions thereof and other than excepted property, as described below). Property that is subject to the lien of the First Mortgage Indenture is referred to below as “Mortgaged Property.”

The Company may obtain the release of property from the lien of the First Mortgage Indenture from time to time, upon the bases provided for such release in the First Mortgage Indenture. See “— Release of Property.”

The Company may enter into supplemental indentures with the First Mortgage Trustee, without the consent of the holders of the first mortgage bonds, in order to subject additional property (including property that would otherwise be excepted from such lien) to the lien of the First Mortgage Indenture. This property would constitute *property additions* and would be available as a basis for the issuance of additional first mortgage bonds. See “— Issuance of Additional First Mortgage Bonds.”

The First Mortgage Indenture provides that after-acquired property (other than *excepted property*) will be subject to the lien of the First Mortgage Indenture. However, in the case of consolidation or merger (whether or not the Company is the surviving company) or transfer of the Mortgaged Property as or substantially as an entirety, the First Mortgage Indenture will not be required to be a lien upon any of the properties either owned or subsequently acquired by the successor company except properties acquired from the Company in or as a result of such transfer, as well as improvements, extensions and additions (as defined in the First Mortgage Indenture) to such properties and renewals, replacements and substitutions of or for any part or parts thereof. See “— Consolidation, Merger and Conveyance of Assets as an Entirety.”

**Excepted Property.** The lien of the First Mortgage Indenture does not cover, among other things, the following types of property: property located outside of Kentucky and not specifically subjected or required to be subjected to the lien of the First Mortgage Indenture; property not used by the Company in its electric generation, transmission and distribution business; cash and securities not paid, deposited or held under the First Mortgage Indenture or required so to be; contracts, leases and other agreements of all kinds, contract rights, bills, notes and other instruments, revenues, accounts receivable, claims, demands and judgments; governmental and other licenses, permits, franchises, consents and allowances; intellectual property rights and other general intangibles; vehicles, movable equipment, aircraft and vessels; all goods, stock in trade, wares, merchandise and inventory held for the purpose of sale or lease in the ordinary course of business; materials, supplies, inventory and other personal property consumable in the operation of the Company’s business; fuel; tools and equipment; furniture and furnishings;

computers and data processing, telecommunications and other facilities used primarily for administrative or clerical purposes or otherwise not used in connection with the operation or maintenance of electric generation, transmission and distribution facilities; coal, ore, gas, oil and other minerals and timber rights; electric energy and capacity, gas, steam, water and other products generated, produced, manufactured, purchased or otherwise acquired; real property and facilities used primarily for the production or gathering of natural gas; property which has been released from the lien of the First Mortgage Indenture; and leasehold interests. Property of the Company not covered by the lien of the First Mortgage Indenture is referred to herein as excepted property. Properties held by any of the Company's subsidiaries, as well as properties leased from others, would not be subject to the lien of the First Mortgage Indenture.

**Permitted Liens.** The lien of the First Mortgage Indenture is subject to permitted liens described in the First Mortgage Indenture. Such *permitted liens* include liens existing at the execution date of the First Mortgage Indenture, purchase money liens and other liens placed or otherwise existing on property acquired by the Company after the execution date of the First Mortgage Indenture at the time the Company acquires it, tax liens and other governmental charges which are not delinquent or which are being contested in good faith, mechanics', construction and materialmen's liens, certain judgment liens, easements, reservations and rights of others (including governmental entities) in, and defects of title to, the Company's property, certain leases and leasehold interests, liens to secure public obligations, rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by the Company or by others on the Company's property, rights and interests of persons other than the Company arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of such persons in such property and liens which have been bonded or for which other security arrangements have been made.

The First Mortgage Indenture also provides that the First Mortgage Trustee will have a lien, prior to the lien on behalf of the holders of the first mortgage bonds, including the First Mortgage Bonds, upon the Mortgaged Property as security for the Company's payment of its reasonable compensation and expenses and for indemnity against certain liabilities. Any such lien would be a *permitted lien* under the First Mortgage Indenture.

#### **Issuance of Additional First Mortgage Bonds**

The maximum principal amount of first mortgage bonds that may be authenticated and delivered under the First Mortgage Indenture is subject to the issuance restrictions described below; provided, however, that the maximum principal amount of first mortgage bonds outstanding at any one time shall not exceed One Quintillion Dollars (\$1,000,000,000,000,000), which amount may be changed by supplemental indenture. As of June 30, 2016, first mortgage bonds in an aggregate principal amount of \$2,350,779,405 were outstanding under the First Mortgage Indenture, of which \$350,779,405 were issued to secure the Company's payment obligations with respect to its outstanding pollution control and environmental facilities revenue bonds, including the Bonds.

First mortgage bonds of any series may be issued from time to time on the basis of, and in an aggregate principal amount not exceeding:

- 66 2/3% of the *cost* or *fair value* to the Company (whichever is less) of *property additions* (as described below) which do not constitute *funded property* (generally, *property additions* which have been made the basis of the authentication and delivery of first mortgage bonds, the release of Mortgaged Property or the withdrawal of cash, which have been substituted for retired *funded property* or which have been used for other specified purposes) after certain deductions and additions, primarily including adjustments to offset property retirements;

- the aggregate principal amount of *retired securities* (as described below); or
- an amount of cash deposited with the First Mortgage Trustee.

*Property additions* generally include any property which is owned by the Company and is subject to the lien of the First Mortgage Indenture except (with certain exceptions) goodwill, going concern value rights or intangible property, or any property the acquisition or construction of which is properly chargeable to one of the Company's operating expense accounts in accordance with U.S. generally accepted accounting principles.

*Retired securities* means, generally, first mortgage bonds which are no longer outstanding under the First Mortgage Indenture, which have not been retired by the application of *funded cash* and which have not been used as the basis for the authentication and delivery of first mortgage bonds, the release of property or the withdrawal of cash.

At June 30, 2016, approximately \$1.8 billion of *property additions* and \$250 million of *retired securities* were available to be used as the basis for the authentication and delivery of first mortgage bonds. The Company intends to issue the First Mortgage Bonds on the basis of *retired securities*.

#### **Release of Property**

Unless an *event of default* has occurred and is continuing, the Company may obtain the release from the lien of the First Mortgage Indenture of any Mortgaged Property, except for cash held by the First Mortgage Trustee, upon delivery to the First Mortgage Trustee of an amount in cash equal to the amount, if any, by which sixty-six and two-thirds percent (66-2/3%) of the cost of the property to be released (or, if less, the *fair value* to the Company of such property at the time it became *funded property*) exceeds the aggregate of:

- an amount equal to 66 2/3% of the aggregate principal amount of obligations secured by *purchase money* liens upon the property to be released and delivered to the First Mortgage Trustee;
- an amount equal to 66 2/3% of the *cost* or *fair value* to the Company (whichever is less) of certified *property additions* not constituting *funded property* after certain deductions and additions, primarily including adjustments to offset property retirements (except that such adjustments need not be made if such *property additions* were acquired or made within the 90-day period preceding the release);
- the aggregate principal amount of first mortgage bonds the Company would be entitled to issue on the basis of *retired securities* (with such entitlement being waived by operation of such release);
- the aggregate principal amount of first mortgage bonds delivered to the First Mortgage Trustee (with such first mortgage bonds to be canceled by the First Mortgage Trustee);
- any amount of cash and/or an amount equal to 66 2/3% of the aggregate principal amount of obligations secured by *purchase money liens* upon the property released that is delivered to the trustee or other holder of a lien prior to the lien of the First Mortgage Indenture, subject to certain limitations described in the First Mortgage Indenture; and



- any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released.

As used in the First Mortgage Indenture, the term *purchase money lien* means, generally, a lien on the property being released which is retained by the transferor of such property or granted to one or more other persons in connection with the transfer or release thereof, or granted to or held by a trustee or agent for any such persons, and may include liens which cover property in addition to the property being released and/or which secure indebtedness in addition to indebtedness to the transferor of such property.

Unless an *event of default* has occurred and is continuing, property which is not *funded property* may generally be released from the lien of the First Mortgage Indenture without depositing any cash or property with the First Mortgage Trustee as long as (a) the aggregate amount of *cost* or *fair value* to the Company (whichever is less) of all *property additions* which do not constitute *funded property* (excluding the property to be released) after certain deductions and additions, primarily including adjustments to offset property retirements, is not less than zero or (b) the *cost* or *fair value* (whichever is less) of property to be released does not exceed the aggregate amount of the *cost* or *fair value* to the Company (whichever is less) of *property additions* acquired or made within the 90-day period preceding the release.

The First Mortgage Indenture provides simplified procedures for the release of minor properties and property taken by eminent domain, and provides for dispositions of certain obsolete property and grants or surrender of certain rights without any release or consent by the First Mortgage Trustee.

If the Company retains any interest in any property released from the lien of the First Mortgage Indenture, the First Mortgage Indenture will not become a lien on such property or such interest therein or any improvements, extensions or additions to such property or renewals, replacements or substitutions of or for such property or any part or parts thereof.

#### **Withdrawal of Cash**

Unless an *event of default* has occurred and is continuing, and subject to certain limitations, cash held by the First Mortgage Trustee may, generally, (1) be withdrawn by the Company (a) to the extent of sixty-six and two-thirds percent (66-2/3%) of the *cost* or *fair value* to the Company (whichever is less) of *property additions* not constituting *funded property*, after certain deductions and additions, primarily including adjustments to offset retirements (except that such adjustments need not be made if such *property additions* were acquired or made within the 90-day period preceding the withdrawal) or (b) in an amount equal to the aggregate principal amount of first mortgage bonds that the Company would be entitled to issue on the basis of *retired securities* (with the entitlement to such issuance being waived by operation of such withdrawal) or (c) in an amount equal to the aggregate principal amount of any outstanding first mortgage bonds delivered to the First Mortgage Trustee; or (2) upon the Company's request, be applied to (a) the purchase of first mortgage bonds in a manner and at a price approved by the Company or (b) the payment (or provision for payment) at stated maturity of any first mortgage bonds or the redemption (or provision for payment) of any first mortgage bonds which are redeemable; provided, however, that cash deposited with the First Mortgage Trustee as the basis for the authentication and delivery of first mortgage bonds may, in addition, be withdrawn in an amount not exceeding the aggregate principal amount of cash delivered to the First Mortgage Trustee for such purpose.

### Events of Default

An “*event of default*” occurs under the First Mortgage Indenture if

- the Company does not pay any interest on any first mortgage bonds within 30 days of the due date;
- the Company does not pay principal or premium, if any, on any first mortgage bonds on the due date;
- the Company remains in breach of any other covenant (excluding covenants specifically dealt with elsewhere in this section) in respect of any first mortgage bonds for 90 days after the Company receives a written notice of default stating the Company is in breach and requiring remedy of the breach; the notice must be sent by either the First Mortgage Trustee or holders of 25% of the principal amount of outstanding first mortgage bonds; the First Mortgage Trustee or such holders can agree to extend the 90-day period and such an agreement to extend will be automatically deemed to occur if the Company initiates corrective action within such 90-day period and the Company is diligently pursuing such action to correct the default; or
- the Company files for bankruptcy or certain other events in bankruptcy, insolvency, receivership or reorganization occur.

### Remedies

***Acceleration of Maturity.*** If an *event of default* occurs and is continuing, then either the First Mortgage Trustee or the holders of not less than 25% in principal amount of the outstanding first mortgage bonds may declare the principal amount of all of the first mortgage bonds to be due and payable immediately.

***Rescission of Acceleration.*** After the declaration of acceleration has been made and before the First Mortgage Trustee has obtained a judgment or decree for payment of the money due, such declaration and its consequences will be rescinded and annulled, if

- the Company pays or deposits with the First Mortgage Trustee a sum sufficient to pay:
  - all overdue interest;
  - the principal of and premium, if any, which have become due otherwise than by such declaration of acceleration and interest thereon;
  - interest on overdue interest to the extent lawful; and
  - all amounts due to the First Mortgage Trustee under the First Mortgage Indenture; and
- all *events of default*, other than the nonpayment of the principal which has become due solely by such declaration of acceleration, have been cured or waived as provided in the First Mortgage Indenture.

For more information as to waiver of defaults, see “— Waiver of Default and of Compliance” below.

***Appointment of Receiver and Other Remedies.*** Subject to the First Mortgage Indenture, under certain circumstances and to the extent permitted by law, if an *event of default* occurs and is continuing, the First Mortgage Trustee has the power to appoint a receiver of the Mortgaged Property, and is entitled to all other remedies available to mortgagees and secured parties under the Uniform Commercial Code or any other applicable law.

***Control by Holders; Limitations.*** Subject to the First Mortgage Indenture, if an *event of default* occurs and is continuing, the holders of a majority in principal amount of the outstanding first mortgage bonds will have the right to

- direct the time, method and place of conducting any proceeding for any remedy available to the First Mortgage Trustee, or
- exercise any trust or power conferred on the First Mortgage Trustee.

The rights of holders to make direction are subject to the following limitations:

- the holders’ directions may not conflict with any law or the First Mortgage Indenture; and
- the holders’ directions may not involve the First Mortgage Trustee in personal liability where the First Mortgage Trustee believes indemnity is not adequate.

The First Mortgage Trustee may also take any other action it deems proper which is not inconsistent with the holders’ direction.

In addition, the First Mortgage Indenture provides that no holder of any first mortgage bond will have any right to institute any proceeding, judicial or otherwise, with respect to the First Mortgage Indenture for the appointment of a receiver or for any other remedy thereunder unless

- that holder has previously given the First Mortgage Trustee written notice of a continuing *event of default*;
- the holders of 25% in aggregate principal amount of the outstanding first mortgage bonds have made written request to the First Mortgage Trustee to institute proceedings in respect of that *event of default* and have offered the First Mortgage Trustee reasonable indemnity against costs, expenses and liabilities incurred in complying with such request; and
- for 60 days after receipt of such notice, request and offer of indemnity, the First Mortgage Trustee has failed to institute any such proceeding and no direction inconsistent with such request has been given to the First Mortgage Trustee during such 60-day period by the holders of a majority in aggregate principal amount of outstanding first mortgage bonds.

Furthermore, no holder of first mortgage bonds will be entitled to institute any such action if and to the extent that such action would disturb or prejudice the rights of other holders of first mortgage bonds.

However, each holder of first mortgage bonds has an absolute and unconditional right to receive payment when due and to bring a suit to enforce that right.

**Notice of Default.** The First Mortgage Trustee is required to give the holders of the first mortgage bonds notice of any default under the First Mortgage Indenture to the extent required by the Trust Indenture Act, unless such default has been cured or waived; except that in the case of an *event of default* of the character specified in the third bullet point under “— Events of Default” (regarding a breach of certain covenants continuing for 90 days after the receipt of a written notice of default), no such notice shall be given to such holders until at least 60 days after the occurrence thereof. The Trust Indenture Act currently permits the First Mortgage Trustee to withhold notices of default (except for certain payment defaults) if the First Mortgage Trustee in good faith determines the withholding of such notice to be in the interests of the holders of the first mortgage bonds.

The Company will furnish the First Mortgage Trustee with an annual statement as to its compliance with the conditions and covenants in the First Mortgage Indenture.

**Waiver of Default and of Compliance.** The holders of a majority in aggregate principal amount of the outstanding first mortgage bonds may waive, on behalf of the holders of all outstanding first mortgage bonds, any past default under the First Mortgage Indenture, except a default in the payment of principal, premium or interest, or with respect to compliance with certain provisions of the First Mortgage Indenture that cannot be amended without the consent of the holder of each outstanding first mortgage bond affected.

Compliance with certain covenants in the First Mortgage Indenture or otherwise provided with respect to first mortgage bonds may be waived by the holders of a majority in aggregate principal amount of the affected first mortgage bonds, considered as one class.

#### **Consolidation, Merger and Conveyance of Assets as an Entirety**

Subject to the provisions described below, the Company has agreed to preserve its corporate existence.

The Company has agreed not to consolidate with or merge with or into any other entity or convey, transfer or lease the Mortgaged Property as or substantially as an entirety to any entity unless

- the entity formed by such consolidation or into which the Company merges, or the entity which acquires or which leases the Mortgaged Property substantially as an entirety, is an entity organized and existing under the laws of the United States of America or any State or Territory thereof or the District of Columbia; and
  - expressly assumes, by supplemental indenture, the due and punctual payment of the principal of, and premium and interest on, all the outstanding first mortgage bonds and the performance of all of the Company’s covenants under the First Mortgage Indenture; and
  - such entity confirms the lien of the First Mortgage Indenture on the Mortgaged Property; and
- in the case of a lease, such lease is made expressly subject to termination by (i) the Company or by the First Mortgage Trustee and (ii) the purchaser of the property so leased at any sale thereof, at any time during the continuance of an *event of default*; and

- immediately after giving effect to such transaction, no *event of default*, and no event which after notice or lapse of time or both would become an *event of default*, will have occurred and be continuing.

In the case of the conveyance or other transfer of the Mortgaged Property as or substantially as an entirety to any other person, upon the satisfaction of all the conditions described above the Company would be released and discharged from all obligations under the First Mortgage Indenture and on the first mortgage bonds then outstanding unless the Company elects to waive such release and discharge.

The First Mortgage Indenture does not prevent or restrict:

- any consolidation or merger after the consummation of which the Company would be the surviving or resulting entity; or
- any conveyance or other transfer, or lease, of any part of the Mortgaged Property which does not constitute the entirety or substantially the entirety thereof.

If following a conveyance or other transfer, or lease, of any part of the Mortgaged Property, the fair value of the Mortgaged Property retained by the Company exceeds an amount equal to three-halves (3/2) of the aggregate principal amount of all outstanding first mortgage bonds, then the part of the Mortgaged Property so conveyed, transferred or leased shall be deemed not to constitute the entirety or substantially the entirety of the Mortgaged Property. This *fair value* will be determined within 90 days of the conveyance or transfer by an independent expert that the Company selects and that is approved by the First Mortgage Trustee.

#### **Modification of First Mortgage Indenture**

***Without Holder Consent.*** Without the consent of any holders of first mortgage bonds, the Company and the First Mortgage Trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the succession of another entity to the Company;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series or tranche of first mortgage bonds, or to surrender any right or power conferred upon the Company;
- to correct or amplify the description of any property at any time subject to the lien of the First Mortgage Indenture; or to better assure, convey and confirm unto the First Mortgage Trustee any property subject or required to be subjected to the lien of the First Mortgage Indenture; or to subject to the lien of the First Mortgage Indenture additional property (including property of others), to specify any additional Permitted Liens with respect to such additional property and to modify the provisions in the First Mortgage Indenture for dispositions of certain types of property without release in order to specify any additional items with respect to such additional property;
- to add any additional *events of default*, which may be stated to remain in effect only so long as the first mortgage bonds of any one more particular series remains outstanding;

- to change or eliminate any provision of the First Mortgage Indenture or to add any new provision to the First Mortgage Indenture that does not adversely affect the interests of the holders in any material respect;
- to establish the form or terms of any series or tranche of first mortgage bonds;
- to provide for the issuance of bearer securities;
- to evidence and provide for the acceptance of appointment of a successor First Mortgage Trustee or by a co-trustee or separate trustee;
- to provide for the procedures required to permit the utilization of a noncertificated system of registration for any series or tranche of first mortgage bonds;
- to change any place or places where
  - the Company may pay principal, premium and interest,
  - first mortgage bonds may be surrendered for transfer or exchange, and
  - notices and demands to or upon the Company may be served;
- to amend and restate the First Mortgage Indenture as originally executed, and as amended from time to time, with such additions, deletions and other changes that do not adversely affect the interest of the holders in any material respect;
- to cure any ambiguity, defect or inconsistency or to make any other changes that do not adversely affect the interests of the holders in any material respect; or
- to increase or decrease the maximum principal amount of first mortgage bonds that may be outstanding at any time.

In addition, if the Trust Indenture Act is amended after the date of the First Mortgage Indenture so as to require changes to the First Mortgage Indenture or so as to permit changes to, or the elimination of, provisions which, at the date of the First Mortgage Indenture or at any time thereafter, were required by the Trust Indenture Act to be contained in the First Mortgage Indenture, the First Mortgage Indenture will be deemed to have been amended so as to conform to such amendment or to effect such changes or elimination, and the Company and the First Mortgage Trustee may, without the consent of any holders, enter into one or more supplemental indentures to effect or evidence such amendment.

***With Holder Consent.*** Except as provided above, the consent of the holders of at least a majority in aggregate principal amount of the first mortgage bonds of all outstanding series, considered as one class, is generally required for the purpose of adding to, or changing or eliminating any of the provisions of, the First Mortgage Indenture pursuant to a supplemental indenture. However, if less than all of the series of outstanding first mortgage bonds are directly affected by a proposed supplemental indenture, then such proposal only requires the consent of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds of all directly affected series, considered as one class. Moreover, if the first mortgage bonds of any series have been issued in more than one tranche and if the proposed supplemental indenture directly affects the rights of the holders of first mortgage bonds of one or more, but less than all, of such tranches, then such proposal only requires the consent of the holders of a

majority in aggregate principal amount of the outstanding first mortgage bonds of all directly affected tranches, considered as one class.

However, no amendment or modification may, without the consent of the holder of each outstanding first mortgage bond directly affected thereby:

- change the stated maturity of the principal or interest on any first mortgage bond (other than pursuant to the terms thereof), or reduce the principal amount, interest or premium payable (or the method of calculating such rates) or change the currency in which any first mortgage bond is payable, or impair the right to bring suit to enforce any payment;
- create any lien (not otherwise permitted by the First Mortgage Indenture) ranking prior to the lien of the First Mortgage Indenture with respect to all or substantially all of the Mortgaged Property, or terminate the lien of the First Mortgage Indenture on all or substantially all of the Mortgaged Property (other than in accordance with the terms of the First Mortgage Indenture), or deprive any holder of the benefits of the security of the lien of the First Mortgage Indenture;
- reduce the percentages of holders whose consent is required for any supplemental indenture or waiver of compliance with any provision of the First Mortgage Indenture or of any default thereunder and its consequences, or reduce the requirements for quorum and voting under the First Mortgage Indenture; or
- modify certain of the provisions of the First Mortgage Indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to first mortgage bonds.

A supplemental indenture which changes, modifies or eliminates any provision of the First Mortgage Indenture expressly included solely for the benefit of holders of first mortgage bonds of one or more particular series or tranches will be deemed not to affect the rights under the First Mortgage Indenture of the holders of first mortgage bonds of any other series or tranche.

#### **Satisfaction and Discharge**

Any first mortgage bonds or any portion thereof will be deemed to have been paid and no longer outstanding for purposes of the First Mortgage Indenture and, at the Company's election, the Company's entire indebtedness with respect to those securities will be satisfied and discharged, if there shall have been irrevocably deposited with the First Mortgage Trustee or any Paying Agent (other than the Company), in trust:

- money sufficient, or
- in the case of a deposit made prior to the maturity of such first mortgage bonds, non-redeemable *eligible obligations* (as defined in the First Mortgage Indenture) sufficient, or
- a combination of the items listed in the preceding two bullet points, which in total are sufficient,

to pay when due the principal of, and any premium, and interest due and to become due on such first mortgage bonds or portions of such first mortgage bonds on and prior to their maturity.

The Company's right to cause its entire indebtedness in respect of the first mortgage bonds of any series to be deemed to be satisfied and discharged as described above will be subject to the satisfaction of any conditions specified in the instrument creating such series.

The First Mortgage Indenture will be deemed satisfied and discharged when no first mortgage bonds remain outstanding and when the Company has paid all other sums payable by it under the First Mortgage Indenture.

All moneys the Company pays to the First Mortgage Trustee or any Paying Agent on First Mortgage Bonds that remain unclaimed at the end of two years after payments have become due may be paid to or upon the Company's order. Thereafter, the holder of such First Mortgage Bond may look only to the Company for payment.

**Duties of the First Mortgage Trustee; Resignation and Removal of the First Mortgage Trustee; Deemed Resignation**

The First Mortgage Trustee will have, and will be subject to, all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to these provisions, the First Mortgage Trustee will be under no obligation to exercise any of the powers vested in it by the First Mortgage Indenture at the request of any holder of first mortgage bonds, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The First Mortgage Trustee will not be required to expend or risk its own funds or otherwise incur financial liability in the performance of its duties if the First Mortgage Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The First Mortgage Trustee may resign at any time by giving written notice to the Company.

The First Mortgage Trustee may also be removed by act of the holders of a majority in principal amount of the then outstanding first mortgage bonds.

No resignation or removal of the First Mortgage Trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the First Mortgage Indenture.

Under certain circumstances, the Company may appoint a successor trustee and if the successor accepts, the First Mortgage Trustee will be deemed to have resigned.

**Evidence to be Furnished to the First Mortgage Trustee**

Compliance with First Mortgage Indenture provisions is evidenced by written statements of the Company's officers or persons selected or paid by the Company. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. In addition, the First Mortgage Indenture requires the Company to give to the First Mortgage Trustee, not less than annually, a brief statement as to the Company's compliance with the conditions and covenants under the First Mortgage Indenture.

**Miscellaneous Provisions**

The First Mortgage Indenture provides that certain first mortgage bonds, including those for which payment or redemption money has been deposited or set aside in trust as described under "—Satisfaction and Discharge" above, will not be deemed to be "outstanding" in determining whether the



holders of the requisite principal amount of the outstanding first mortgage bonds have given or taken any demand, direction, consent or other action under the First Mortgage Indenture as of any date, or are present at a meeting of holders for quorum purposes.

The Company will be entitled to set any day as a record date for the purpose of determining the holders of outstanding first mortgage bonds of any series entitled to give or take any demand, direction, consent or other action under the First Mortgage Indenture, in the manner and subject to the limitations provided in the First Mortgage Indenture. In certain circumstances, the First Mortgage Trustee also will be entitled to set a record date for action by holders. If such a record date is set for any action to be taken by holders of particular first mortgage bonds, such action may be taken only by persons who are holders of such first mortgage bonds on the record date.

#### **Governing Law**

The First Mortgage Indenture and the first mortgage bonds provide that they are to be governed by and construed in accordance with the laws of the State of New York except where the Trust Indenture Act is applicable or where otherwise required by law. The effectiveness of the lien of the First Mortgage Indenture, and the perfection and priority thereof, will be governed by Kentucky law.

#### **Summary of the Indenture**

*The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the Indenture. This description is only a summary and does not purport to be complete and definitive. Reference is made to the Indenture for the detailed provisions thereof.*

#### **Security**

Pursuant to the Indenture, the Issuer will assign and pledge to the Trustee its interest in and to the Loan Agreement, including payments and other amounts due the Issuer thereunder, together with all moneys, property and securities from time to time held by the Trustee under the Indenture (with certain exceptions, including moneys held in or earnings on the Rebate Fund and the Purchase Fund).

The Bonds will be further secured by the First Mortgage Bonds to be delivered to the Trustee (see "Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds"). The First Mortgage Bonds will be registered in the name of the Trustee and will be nontransferable, except to effect a transfer to any successor trustee. The Bonds will not be directly secured by the Project (although the Project is subject to the lien of the First Mortgage Indenture).

#### **No Pecuniary Liability of the Issuer**

No provision, covenant or agreement contained in the Indenture or in the Loan Agreement, nor any breach thereof, will constitute or give rise to any pecuniary liability of the Issuer or any charge upon any of its assets or its general credit or taxing powers. The Issuer has not obligated itself by making the covenants, agreements or provisions contained in the Indenture or in the Loan Agreement, except with respect to the application of the amounts assigned to payment of the principal or redemption price of and interest on the Bonds.

**The Bond Fund**

The payments to be made by the Company pursuant to the Loan Agreement to the Issuer and certain other amounts specified in the Indenture will be deposited into a Bond Fund established pursuant to the Indenture (the "Bond Fund") and will be maintained in trust by the Trustee. Moneys in the Bond Fund will be used solely and only for the payment of the principal or redemption price of and interest on the Bonds, and for the payment of the reasonable fees and expenses to which the Trustee, Bond Registrar, Tender Agent, Authenticating Agent, any Paying Agent and the Issuer are entitled pursuant to the Indenture or the Loan Agreement. Any moneys held in the Bond Fund will be invested by the Trustee at the specific written direction of the Company in certain Governmental Obligations, investment-grade corporate obligations and other investments permitted under the Indenture.

**The 2002 Bond Fund**

The proceeds from the issuance of the Bonds will be deposited by the Trustee in the County of Carroll, Kentucky, Pollution Control Revenue Bond Fund, 2002 Series C (Kentucky Utilities Company Project) created by the Indenture of Trust dated as of July 1, 2002 for the 2002 Bonds in an amount adequate to pay, together with other moneys to be provided by the Company, all principal of and accrued interest on the related issue of the 2002 Bonds to become due and payable on their scheduled redemption date.

**The Rebate Fund**

A Rebate Fund has been created by the Indenture (the "Rebate Fund") and will be maintained as a separate fund free and clear of the lien of the Indenture. The Issuer, the Trustee and the Company have agreed to comply with all rebate requirements of the Code and, in particular, the Company has agreed that if necessary, it will deposit in the Rebate Fund any such amount as is required under the Code. However, the Issuer, the Trustee and the Company may disregard the Rebate Fund provisions to the extent that they receive an opinion of Bond Counsel that such failure to comply will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

**Discharge of Indenture**

When all the Bonds and all fees and charges accrued and to accrue of the Trustee and the Paying Agent have been paid or provided for, and when proper notice has been given to the Bondholders or the Trustee that the proper amounts have been so paid or provided for, and if the Issuer is not in default in any other respect under the Indenture, the Indenture will become null and void. The Bonds will be deemed to have been paid and discharged when there have been irrevocably deposited with the Trustee moneys sufficient to pay the principal or redemption price of and accrued interest on such Bonds to the due date (whether such date be by reason of maturity or upon redemption) or, in lieu thereof, Governmental Obligations have been deposited which mature in such amounts and at such times as will provide the funds necessary to so pay such Bonds, and when all reasonable and necessary fees and expenses of the Trustee, the Tender Agent, the Authenticating Agent, the Bond Registrar and the Paying Agent have been paid or provided for.

**Surrender of First Mortgage Bonds**

Upon payment of any principal or redemption price of and interest on any of the Bonds which reduces the principal amount of Bonds outstanding, or upon provision for the payment thereof having been made in accordance with the Indenture (see "Discharge of Indenture" above), First Mortgage Bonds in a principal amount equal to the principal amount of the Bonds so paid, or for the payment of which

such provision has been made, shall be surrendered by the Trustee to the First Mortgage Trustee. The First Mortgage Bonds so surrendered shall be deemed fully paid and the obligations of the Company thereunder terminated.

#### **Defaults and Remedies**

Each of the following events constitutes an “Event of Default” under the Indenture:

- (i) failure to make due and punctual payment of any installment of interest on any Bond within a period of five Business Days from the due date;
- (ii) failure to make due and punctual payment of the principal of, or premium, if any, on any Bond on the due date, whether at the stated maturity thereof, or upon proceedings for redemption, or upon the maturity thereof by declaration or if payment of the purchase price of any Bond required to be purchased pursuant to the Indenture is not made when such payment has become due and payable, provided that no Event of Default has occurred in respect of failure to receive such purchase price for any Bond if the Company has made the payment at the opening of business on the next Business Day as described in the last paragraph under “Summary of the Bonds — Mandatory Purchase of Bonds — Remarketing and Purchase of Bonds” above;
- (iii) failure by the Issuer to perform or observe any other of the covenants, agreements or conditions in the Indenture or in the Bonds which failure continues for a period of 30 days after written notice by the Trustee or by the registered owners holding not less than 25% in aggregate principal amount of all Bonds outstanding, provided, however, that if such failure is capable of being cured, but cannot be cured in such 30-day period, it will not constitute an Event of Default under the Indenture if corrective action in respect of such failure is instituted within such 30-day period and is being diligently pursued;
- (iv) the occurrence of an “Event of Default” under the Loan Agreement (see “Summary of the Loan Agreement — Events of Default”); or
- (v) all first mortgage bonds outstanding under the First Mortgage Indenture, if not already due, shall have become immediately due and payable, whether by declaration or otherwise, and such acceleration shall not have been rescinded by the First Mortgage Trustee.

Upon the occurrence of an Event of Default under the Indenture, the Trustee may, and upon the written request of the registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding and upon receipt of indemnity reasonably satisfactory to it, must: (i) enforce each and every right granted to the Trustee as a holder of the First Mortgage Bonds (see “Summary of the First Mortgage Bonds and the First Mortgage Indenture”), (ii) declare the principal of all Bonds and interest accrued thereon to be immediately due and payable and (iii) declare all payments under the Loan Agreement to be immediately due and payable and enforce each and every other right granted to the Issuer under the Loan Agreement for the benefit of the Bondholders. Interest on the Bonds will cease to accrue on the date of issuance of a declaration of acceleration of payment of the principal and interest on the Bonds.

In exercising such rights, the Trustee will take any action that, in the judgment of the Trustee, would best serve the interests of the registered owners, taking into account the security and remedies afforded to holders of first mortgage bonds under the First Mortgage Indenture. Upon the occurrence of an Event of Default under the Indenture, the Trustee may also proceed to pursue any available remedy by

suit at law or in equity to enforce the payment of the principal or redemption price of and interest on the Bonds then outstanding.

If an Event of Default under the Indenture shall occur and be continuing and the maturity date of the Bonds has been accelerated (to the extent the Bonds are not already due and payable) as a consequence of such event of default, the Trustee may, and upon the written request of the registered owners holding not less than 25% in principal amount of all Bonds then outstanding and upon receipt of indemnity satisfactory to it shall, exercise such rights as it shall possess under the First Mortgage Indenture as a holder of the First Mortgage Bonds and shall also issue a Redemption Demand for such First Mortgage Bonds to the First Mortgage Trustee.

If the Trustee recovers any moneys following an Event of Default, unless the principal of the Bonds has been declared due and payable, all such moneys will be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and the payment of any sums due and payable to the United States pursuant to Section 148(f) of the Code, (ii) to the payment of all interest then due on the Bonds, and (iii) to the payment of unpaid principal and premium, if any, of the Bonds. If the principal of the Bonds has become due or has been accelerated, such moneys will be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and (ii) to the payment of principal of and interest then due and unpaid on the Bonds.

No Bondholder may institute any suit or proceeding in equity or at law for the enforcement of the Indenture unless an Event of Default has occurred of which the Trustee has been notified or is deemed to have notice, and registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding have made written request to the Trustee to proceed to exercise the powers granted under the Indenture or to institute such action in their own name and the Trustee fails or refuses to exercise its powers within a reasonable time after receipt of indemnity satisfactory to it.

Any judgment against the Issuer pursuant to the exercise of rights under the Indenture will be enforceable only against specific assigned payments, funds and accounts under the Indenture in the hands of the Trustee. No deficiency judgment will be authorized against the general credit of the Issuer.

#### **Waiver of Events of Default**

Except as provided below, the Trustee may in its discretion waive any Event of Default under the Indenture and will do so upon the written request of the registered owners holding a majority in principal amount of all Bonds then outstanding. If, after the principal of all Bonds then outstanding have been declared to be due and payable as a result of a default under the Indenture and prior to any judgment or decree for the appointment of a receiver or for the payment of the moneys due has been obtained or entered, (i) the Company causes to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of and premium, if any, on any and all Bonds which would become due otherwise than by reason of such declaration (with interest thereon as provided in the Indenture) and the expenses of the Trustee in connection with such default and (ii) all Events of Default under the Indenture (other than nonpayment of the principal of Bonds due by said declaration) have been remedied, then such Event of Default will be deemed waived and such declaration and its consequences rescinded and annulled by the Trustee. Such waiver, rescission and annulment will be binding upon all Bondholders. No such waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Upon any waiver or rescission as described above or any discontinuance or abandonment of proceedings under the Indenture, the Trustee shall immediately rescind in writing any Redemption

Demand of First Mortgage Bonds previously given to the First Mortgage Trustee. The rescission under the First Mortgage Indenture of a declaration that all first mortgage bonds outstanding under the First Mortgage Indenture are immediately due and payable shall also constitute a waiver of an Event of Default described in paragraph (v) under the subheading "Defaults and Remedies" above and a waiver and rescission of its consequences, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Notwithstanding the foregoing, nothing in the Indenture will affect the right of a registered owner to enforce the payment of principal or redemption price of and interest on the Bonds after the maturity thereof.

#### **Voting of First Mortgage Bonds Held by Trustee**

The Indenture provides that the Trustee, as the holder of the First Mortgage Bonds, will be required to attend such meeting or meetings of bondholders under the First Mortgage Indenture or, at its option, deliver its proxy in connection therewith, as relate to matters with respect to which it, as such holder, is entitled to vote or consent. The Trustee, either at any such meeting or meetings or otherwise when the consent of the holders of the First Mortgage Bonds is sought without a meeting, will be required to vote all First Mortgage Bonds then held by it, or consent with respect thereto, proportionately with the vote or consent of the holders of all other securities of the Company then outstanding under the First Mortgage Indenture eligible to vote or consent, as evidenced by, and as to be delivered to the Trustee, a certificate signed by the temporary chairman, the temporary secretary, the permanent chairman, the permanent secretary, or an inspector of votes at any meeting or meetings of security holders under the First Mortgage Indenture, or by the First Mortgage Trustee in the case of consents of such security holders which are sought without a meeting, which states what the signer thereof reasonably believes are the proportionate votes or consents of the holders of all securities (other than the First Mortgage Bonds) outstanding under the First Mortgage Indenture and counted for the purposes of determining whether such security holders have approved or consented to the matter put before them; provided, however, that the Trustee shall not so vote in favor of, or so consent to, any amendment or modification of the First Mortgage Indenture, which, if it were an amendment or modification of the Indenture, would require the consent of the Bondholders as described in the third paragraph under the heading "Summary of the Indenture – Supplemental Indenture," without the prior consent and approval of Bondholders which would be so required; provided further that as a condition to the Trustee voting or giving such consent, the Trustee shall have received a certificate of a Company representative or an opinion of counsel, at its election, stating that such voting or consent is authorized or permitted by the Indenture.

#### **Supplemental Indentures**

The Issuer and the Trustee may enter into indentures supplemental to the Indenture as shall not be inconsistent with the terms and provisions of the Indenture, without the consent of or notice to the Bondholders, in order (i) to cure any ambiguity or formal defect or omission in the Indenture, (ii) to grant to or confer upon the Trustee, as may lawfully be granted, additional rights, remedies, powers or authorities for the benefit of the Bondholders, (iii) to subject to the Indenture additional revenues, properties or collateral, (iv) to permit qualification of the Indenture under any federal statute or state blue sky law, (v) to add additional covenants and agreements of the Issuer for the protection of the Bondholders or to surrender or limit any rights, powers or authorities reserved to or conferred upon the Issuer, (vi) to make any other modification or change to the Indenture which, in the sole judgment of the Trustee, does not adversely affect the Trustee or any Bondholder, (vii) to make other amendments not otherwise permitted by (i), (ii), (iii), (iv) or (v) of this paragraph to provisions relating to federal income tax matters under the Code or other relevant provisions if, in the opinion of Bond Counsel, those amendments would not adversely affect the exclusion of the interest on the Bonds from gross income for

federal income tax purposes, (viii) to make any modification or change to the Indenture necessary to provide liquidity or credit support for the Bonds, including any modifications necessary to upgrade or maintain the then applicable ratings on the Bonds or (ix) to permit the issuance of the Bonds in other than book-entry-only form or to provide changes to or for the book-entry system.

Notwithstanding the foregoing, the Company, with the consent of the Trustee, may at any time further secure the Bonds by means of a letter of credit, other credit facility or other guarantee or collateral.

Exclusive of supplemental indentures for the purposes set forth in the preceding two paragraphs, the consent of registered owners holding a majority in aggregate principal amount of all Bonds then outstanding is required to approve any supplemental indenture, except no such supplemental indenture may permit, without the consent of all of the registered owners of the Bonds then outstanding, (i) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture or a reduction in the principal amount of any Bond or the rate of interest or time of redemption or redemption premium thereon, (ii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iii) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture or (iv) the deprivation of any registered owners of the lien of the Indenture.

If at any time the Issuer requests the Trustee to enter into any supplemental indenture requiring the consent of the registered owners of the Bonds, the Trustee, upon being satisfactorily indemnified with respect to expenses, must notify all such registered owners. Such notice must set forth the nature of the proposed supplemental indenture and must state that copies thereof are on file at the designated office of the Trustee for inspection. If, within sixty days (or such longer period as prescribed by the Issuer or the Company) following the giving of such notice, the registered owners holding the requisite amount of the Bonds outstanding have consented to the execution thereof, no Bondholder will have any right to object or question the execution thereof.

No supplemental indenture will become effective unless the Company consents to the execution and delivery of such supplemental indenture. The Company will be deemed to have consented to the execution and delivery of any supplemental indenture if the Trustee does not receive a notice of protest or objection signed by the Company on or before 4:30 p.m., local time in the city in which the designated office of the Trustee is located, on the fifteenth day after the mailing to the Company of a notice of the proposed changes and a copy of the proposed supplemental indenture.

#### **Enforceability of Remedies**

The remedies available to the Trustee, the Issuer and the owners upon an Event of Default under the Loan Agreement, the Indenture or the First Mortgage Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Loan Agreement, the Indenture and the First Mortgage Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by principles of equity, bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors generally.

#### **Tax Treatment**

In the opinion of Bond Counsel, under existing law, including current statutes, regulations, administrative rulings and official interpretations, subject to the qualifications and exceptions set forth below, interest on the Bonds (i) will be excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from

gross income with respect to any Bond during any period in which it is held by a “substantial user” of the Project or a “related person” as such terms are used in Section 147(a) of the Code and (ii) will not be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. It is Bond Counsel’s further opinion that, subject to the assumptions stated in the preceding sentence, (i) interest on the Bonds will be excluded from gross income of the owners thereof for Kentucky income tax purposes and (ii) the Bonds will be exempt from all ad valorem taxes in Kentucky.

The opinion of Bond Counsel assumes and is conditioned on the payment and discharge of all of the 2002 Bonds on or before the 90th day following the date of issuance of the Bonds. The Company has agreed (i) to apply all of the proceeds of the bonds to the payment and discharge of the 2002 Bonds within 90 days following the date of issuance of the Bonds, (ii) to provide additional funds necessary, on or prior to a day within 90 days following the date of issuance of the Bonds, to defease and discharge the 2002 Bonds on such day and (iii) to give irrevocable instructions on the date of issuance of the Bonds to the trustee in respect of the 2002 Bonds directing the redemption of the 2002 Bonds.

The opinion of Bond Counsel as to the excludability of interest from gross income for federal income tax purposes will be based upon and will assume the accuracy of certain representations of facts and circumstances, including with respect to the Project, which are within the knowledge of the Company and compliance by the Company with certain covenants and undertakings set forth in the proceedings authorizing the Bonds which are intended to assure that the Bonds are and will remain obligations the interest on which is not includable in gross income of the recipients thereof under the law in effect on the date of such opinion. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the Company and the Issuer. On the date of the opinion and subsequent to the original delivery of the Bonds, such representations of facts and circumstances must be accurate and such covenants and undertakings must continue to be complied with in order that interest on the Bonds be and remain excludable from gross income of the recipients thereof for federal income tax purposes under existing law. Bond Counsel will express no opinion (i) regarding the exclusion of interest on any Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate conversion, permitted by the documents other than with the approval of Bond Counsel is taken which adversely affects the tax treatment of the Bonds or (ii) as to the treatment for purposes of federal income taxation of interest on the Bonds upon a Determination of Taxability.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the Issuer to the federal government, require future or continued compliance after issuance of the Bonds in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with certain of these requirements by the Company or the Issuer with respect to the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes and to be subject to federal income taxation retroactively to the date of their issuance. The Company and the Issuer will each covenant to take all actions required of each to assure that the interest on the Bonds will be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

The opinion of Bond Counsel as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Bonds will be subject to the following exceptions and qualifications:

- (i) Provisions of the Code applicable to corporations (as defined for federal income tax purposes) which impose an alternative minimum tax on a portion of the excess of adjusted

current earnings over other alternative minimum taxable income may subject a portion of the interest on the Bonds earned by certain corporations to such corporate alternative minimum tax. Such corporate alternative minimum tax does not apply to any S corporation, regulated investment company, real estate investment trust or REMIC.

(ii) The Code also provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(iii) The Code also provides that passive investment income, including interest on the Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, Bond Counsel will express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Bonds.

Owners of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences. For instance, the Code provides that property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income tax credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of Section 32 of the Code, which exceeds \$2,200. Interest on the Bonds will be taken into account in the calculation of disqualified income. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters and any other tax consequences of holding the Bonds.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend one or more of the federal tax matters referred to above or could adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

A draft of the opinion of Bond Counsel relating to the Bonds in substantially the form in which it is expected to be delivered on the date of issuance of the Bonds is attached as Appendix B to this Official Statement.



### **Legal Matters**

Certain legal matters incident to the authorization, issuance and sale by the Issuer of the Bonds are subject to the approving opinion of Bond Counsel. Bond Counsel has in the past, and may in the future, act as counsel to the Company with respect to certain matters. Certain legal matters will be passed upon for the Issuer by its County Attorney. Certain legal matters will be passed upon for the Company by Jones Day, Chicago, Illinois, and Gerald A. Reynolds, General Counsel, Chief Compliance Officer and Corporate Secretary for the Company. Certain legal matters will be passed upon for the Underwriters by their counsel, McGuireWoods LLP, Chicago, Illinois.

### **Underwriting**

Merrill Lynch, Pierce, Fenner & Smith Incorporated and PNC Capital Markets LLC (the "Underwriters") have agreed, subject to the terms of the bond purchase agreement between the Issuer and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the Underwriters, to purchase the Bonds from the Issuer at the public offering price set forth on the cover page of this Official Statement. The Underwriters are committed to purchase all the Bonds if any Bonds are purchased. In connection with the underwriting of the Bonds, the Underwriters will be paid by the Company a fee in the amount of \$312,000, which excludes reimbursement for certain reasonable out-of-pocket expenses.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering price set forth on the cover page of this Official Statement. After the Bonds are released for sale to the public, the public offering price and other selling terms may from time to time be varied by the Underwriters.

In connection with the offering of the Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market prices of such Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Pursuant to an Inducement Letter, the Company has agreed to indemnify the Underwriters and the Issuer against certain civil liabilities, including liabilities under the federal securities laws, or contribute to payments that the Underwriters or the Issuer may be required to make in respect thereof.

In the ordinary course of its business, the Underwriters and certain of their affiliates have in the past and may in the future engage in investment and commercial banking transactions with the Company, including the provision of certain advisory services to the Company.

### **Continuing Disclosure**

Because the Bonds will be special and limited obligations of the Issuer, the Issuer is not an "obligated person" for purposes of Rule 15c2-12 (the "Rule") promulgated by the SEC under the Exchange Act, and does not have any continuing obligations thereunder. Accordingly, the Issuer will not provide any continuing disclosure information with respect to the Bonds or the Issuer.

In order to enable the Underwriters to comply with the requirements of the Rule, the Company will covenant in a continuing disclosure undertaking agreement to be delivered to the Trustee for the benefit of the holders of the Bonds (the "Continuing Disclosure Agreement") to provide certain continuing disclosure for the benefit of the holders of the Bonds. Under its Continuing Disclosure Agreement, the Company will covenant to take the following actions:

(i) The Company will provide to the Municipal Securities Rulemaking Board (“MSRB”) (in electronic format) (a) annual financial information of the type set forth in Appendix A to this Official Statement (including any information incorporated by reference in Appendix A) and (b) audited financial statements prepared in accordance with generally accepted accounting principles, in each case not later than 120 days after the end of the Company’s fiscal year.

(ii) The Company will file in a timely manner not in excess of 10 business days after the occurrence of the event with the MSRB notice of the occurrence of any of the following events (if applicable) with respect to the Bonds: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) any unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancement facilities reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (g) modifications to rights of the holders of the Bonds, if material; (h) the giving of notice of optional or unscheduled redemption of any Bonds, if material, and tender offers; (i) defeasance of the Bonds or any portion thereof; (j) release, substitution, or sale of property securing repayment of the Bonds, if material; (k) rating changes; (l) bankruptcy, insolvency, receivership or similar event of the Company; (m) the consummation of a merger, consolidation or acquisition involving the Company, or the sale of all or substantially all of the assets of the Company, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (n) appointment of a successor or additional trustee or a change of name of a trustee, if material.

(iii) The Company will file in a timely manner with the MSRB notice of a failure by the Company to file any of the information referred to in paragraph (i) above by the due date.

The Company may amend its Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Company that does not change the duties of the Trustee thereunder) or waive any provision thereof, but only with a change in circumstances that arises from a change in legal requirements, change in law, or change in the nature or status of the Company with respect to the Bonds or the type of business conducted by the Company; provided that the undertaking, as amended or following such waiver, would have complied with the requirements of the Rule on the date of issuance of the Bonds, after taking into account any amendments to the Rule as well as any change in circumstances, and the amendment or waiver does not materially impair the interests of the holders of the Bonds to which such undertaking relates, in the opinion of the Trustee or counsel expert in federal securities laws acceptable to both the Company and the Trustee, or is approved by the Beneficial Owners of a majority in aggregate principal amount of the outstanding Bonds. The Company acknowledges that its undertakings pursuant to the Rule described under this heading are intended to be for the benefit of the holders of the Bonds and shall be enforceable by the holders of those Bonds or by the Trustee on behalf of such holders. Any breach by the Company of these undertakings pursuant to the Rule will not constitute an event of default under the Indenture, the Loan Agreement or the Bonds.

The Company is a party to continuing disclosure agreements with respect to 6 series of pollution control bonds. The MSRB’s Electronic Municipal Market Access website reflects that within the past five years the Company did not timely file certain information in connection with a December 2014 downgrade of credit ratings for four series of Company pollution control bonds resulting from the downgrade of the bank providing the letters of credit supporting such bonds. Moody’s Investors Service,

Inc. downgraded the long-term rating of the four Company pollution control bonds on December 2, 2014. The Company was not aware of the downgrade until February 10, 2015 and filed the required disclosures on February 11, 2015. The Company has had, and continues to have, procedures in place in order to make material event notices and financial statement filings on an ongoing basis.

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This Official Statement has been duly approved, executed and delivered by the County Judge/Executive of the Issuer, on behalf of the Issuer. However, the Issuer has not and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except for information furnished by the Issuer under the heading "The Issuer."

COUNTY OF CARROLL, KENTUCKY

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

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**Appendix A**

**Kentucky Utilities Company**

Kentucky Utilities Company ("KU"), incorporated in Kentucky in 1912 and in Virginia in 1991, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy in Kentucky, Virginia and Tennessee. As of December 31, 2015, KU provided electricity to approximately 518,000 customers in 77 counties in central, southeastern and western Kentucky, approximately 28,000 customers in five counties in southwestern Virginia and fewer than 10 customers in Tennessee. KU's service area covers approximately 4,800 non-contiguous square miles. KU's coal-fired electric generating stations produce most of KU's electricity. The remainder is generated by natural gas fueled combined cycle combustion turbines, a hydroelectric power plant and natural gas and oil fueled combustion turbines. In Virginia, KU operates under the name Old Dominion Power Company. KU also sells wholesale electric energy to 11 municipalities.

KU is a wholly-owned subsidiary of LG&E and KU Energy LLC and an indirect wholly-owned subsidiary of PPL Corporation. KU's affiliate, Louisville Gas and Electric Company ("LG&E"), is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy and natural gas in Kentucky. KU's obligations under the Loan Agreement are solely its own, and not those of any of its affiliates. None of LG&E, PPL Corporation or KU's other affiliates will be obligated to make any payment on the Loan Agreement or the Bonds.

The information above concerning KU is only a summary and does not purport to be comprehensive. Additional information regarding KU, including audited financial statements, is available in the documents listed under the heading "Documents Incorporated by Reference," which documents are incorporated by reference herein.

**Selected Financial Data**  
(Dollars in millions)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Operating revenues	\$ 860	\$ 881	\$ 1,728	\$ 1,737	\$ 1,635
Operating income	\$ 257	\$ 225	\$ 455	\$ 433	\$ 433
Net income	\$ 129	\$ 117	\$ 234	\$ 220	\$ 228
Total assets <sup>(1)</sup>	\$ 8,070	\$ 7,853	\$ 8,011	\$ 7,701	\$ 7,147
Long-term debt obligations (including amounts due within one year) <sup>(1)</sup>	\$2,327	\$ 2,080	\$ 2,326	\$ 2,079	\$ 2,078
Ratio of earnings to fixed charges <sup>(2)</sup>	5.3	5.7	5.3	5.4	5.9

Capitalization:

	June 30, 2016	% of Capitalization
Long-term debt and notes payable	\$ 2,356	41%
Common equity	3,322	59%
Total capitalization	\$ 5,678	100%

<sup>(1)</sup> Effective December 31, 2015, KU retrospectively adopted accounting guidance to simplify the presentation of debt issuance costs. The guidance requires certain debt issuance costs to be presented on the balance sheet as a direct deduction from the carrying amount of the associated debt liability. As a result, all periods reported in the December 31, 2015 Form 10-K reflected the retrospective adoption of this guidance. Amounts reported in the table above for June 30, 2015 and December 31, 2013, also reflect retrospective reclassifications from other noncurrent assets to long-term debt of \$11 million and \$13 million, respectively.

Additionally, effective October 1, 2015, KU retrospectively adopted accounting guidance to simplify the presentation of deferred taxes which requires that deferred tax assets and deferred tax liabilities be classified as noncurrent on the balance sheet. As a result, all periods reported in the December 31, 2015 Form 10-K reflected the retrospective adoption of this guidance. Amounts reported in the table above for June 30, 2015 and December 31, 2013, also reflect retrospective reclassifications from other current assets to noncurrent deferred tax liabilities of \$20 million and \$3 million, respectively.

<sup>(2)</sup> For purposes of this ratio, "Earnings" consist of earnings (as defined below) from continuing operations plus fixed charges. Fixed charges consist of all interest on indebtedness, amortization of debt discount and expense and the portion of rental expense that represents an imputed interest component. Earnings from continuing operations consist of income before taxes and the mark-to-market impact of derivative instruments.

The selected financial data presented above for the three fiscal years ended December 31, 2015, and as of December 31 for each of those years, have been derived from the Company's audited financial

statements. The selected financial data presented above for the six months ended June 30, 2016 and 2015 have been derived from the Company's unaudited financial statements for the six months ended June 30, 2016 and 2015. The Company's audited financial statements for the three fiscal years ended December 31, 2015, and as of December 31 for each of those years, are included in the Company's Form 10-K for the year ended December 31, 2015 incorporated by reference herein. The Company's unaudited financial statements for the six months ended June 30, 2016 are included in the Company's Form 10-Q for the quarter ended June 30, 2016 incorporated by reference herein. "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-K for the year ended December 31, 2015 and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-Q for the quarter ended June 30, 2016, as well as the Combined Notes to Financial Statements as of December 31, 2015, 2014 and 2013 and the Combined Notes to Condensed Financial Statements (Unaudited) as of June 30, 2016 and December 31, 2015 and for the six-month periods ended June 30, 2016 and 2015, should be read in conjunction with the above information. Ernst & Young LLP audited the Company's financial statements for the three fiscal years ended December 31, 2015.

#### **Risk Factors**

Investing in the Bonds involves risk. Please see the risk factors in KU's Annual Report on Form 10-K for the year ended December 31, 2015, which is incorporated by reference in this Appendix A. Before making an investment decision, you should carefully consider these risks as well as the other information contained or incorporated by reference in this Appendix A. Risks and uncertainties not presently known to KU or that KU currently deems immaterial may also impair its business operations, its financial results and the value of the Bonds.

#### **Available Information**

KU is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and, accordingly, files reports and other information with the Securities and Exchange Commission (the "SEC"). Such reports and other information on file can be inspected and copied at the public reference facilities of the SEC, currently at 100 F Street, N.E., Room 1580, Washington, DC 20549; or from the SEC's Web Site (<http://www.sec.gov>). Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

#### **Documents Incorporated by Reference**

The following documents, as filed by KU with the SEC, are incorporated herein by reference:

1. Form 10-K Annual Report of KU for the year ended December 31, 2015;
2. Form 10-Q Quarterly Reports of KU for the quarters ended March 31, 2016 and June 30, 2016; and
3. Form 8-K Current Reports of KU filed with the SEC on January 12, 2016, February 3, 2016 and June 17, 2016.

All documents filed by KU with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference in this Appendix and to be made a part hereof from their respective dates of filing. Any statement contained in a document incorporated or deemed to be incorporated by reference in this Official Statement shall be deemed to be



modified or superseded for purposes of this Official Statement to the extent that a statement contained in this Official Statement or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Official Statement modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

**KU hereby undertakes to provide without charge to each person (including any beneficial owner) to whom a copy of this Official Statement has been delivered, on the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than certain exhibits to such documents. Requests for such copies should be directed to Treasurer, Kentucky Utilities Company, One Quality Street, Lexington, Kentucky 40507, telephone: (859) 255-2100.**

Appendix B

(Form of Opinion of Bond Counsel)

August \_\_, 2016

**Re: \$96,000,000 County of Carroll, Kentucky, Pollution Control Revenue Refunding Bonds, 2016 Series A (Kentucky Utilities Company Project)**

We hereby certify that we have examined certified copies of the proceedings of record of the County of Carroll, Kentucky (the “County”), acting by and through its Fiscal Court as its duly authorized governing body, preliminary to and in connection with the issuance by the County of its Pollution Control Revenue Refunding Bonds, 2016 Series A (Kentucky Utilities Company Project), dated their date of issuance, in the aggregate principal amount of \$96,000,000 (the “2016 Series A Bonds”). The 2016 Series A Bonds are issued under the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the “Act”), for the purpose of providing funds which will be used, with other funds provided by Kentucky Utilities Company (the “Company”) for the current refunding of \$96,000,000 aggregate principal amount of the County’s Pollution Control Revenue Bonds, 2002 Series C (Kentucky Utilities Company Project), dated October 3, 2002 (the “Refunded 2002 Series C Bonds”), which were issued for the purpose of currently refunding a portion of the costs of construction of air and water pollution control facilities and solid waste disposal facilities serving certain electric generating units of the Company located in Carroll County, Kentucky (the “Project”), as provided by the Act.

The 2016 Series A Bonds mature on September 1, 2042 and bear interest initially at the Long Term Rate, as defined in the Indenture, hereinafter described, subject to change as provided in such Indenture. The 2016 Series A Bonds will be subject to optional and mandatory redemption prior to maturity at the times, in the manner, and upon the terms set forth in the 2016 Series A Bonds. From such examination of the proceedings of the Fiscal Court of the County referred to above and from an examination of the Act, we are of the opinion that the County is duly authorized and empowered to issue the 2016 Series A Bonds under the laws of the Commonwealth of Kentucky now in force.

We have examined an executed counterpart of a certain Loan Agreement, dated as of August 1, 2016 (the “Loan Agreement”), by and between the County and the Company and a certified copy of the proceedings of record of the Fiscal Court of the County preliminary to and in connection with the execution and delivery of the Loan Agreement, pursuant to which the County has agreed to issue the 2016 Series A Bonds and to lend the proceeds thereof to the Company to provide funds to pay and discharge, with other funds provided by the Company, the Refunded 2002 Series C Bonds. The Company has agreed to make loan payments to the Trustee at times and in amounts fully adequate to pay maturing principal of, interest on, and redemption premium, if any, on the 2016 Series A Bonds as same become due and payable. From such examination, we are of the opinion that such proceedings of the Fiscal Court of the County show lawful authority for the execution and delivery of the Loan Agreement; that the Loan Agreement has been duly authorized, executed, and delivered by the County; and that the Loan Agreement is a legal, valid, and binding obligation of the County, enforceable in accordance with its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, or other similar laws affecting creditors’ rights generally, including equitable provisions where equitable remedies are sought.

We have also examined an executed counterpart of a certain Indenture of Trust, dated as of August 1, 2016 (the “**Indenture**”), by and between the County and U.S. Bank National Association, as trustee (the “**Trustee**”), securing the 2016 Series A Bonds and setting forth the covenants and undertakings of the County in connection with the 2016 Series A Bonds and a certified copy of the proceedings of record of the Fiscal Court of the County preliminary to and in connection with the execution and delivery of the Indenture. Pursuant to the Indenture, certain of the County’s rights under the Loan Agreement, including the right to receive payments thereunder, and all moneys and securities held by the Trustee in accordance with the Indenture (except moneys and securities in the Rebate Fund created thereby) have been assigned to the Trustee, as security for the holders of the 2016 Series A Bonds. From such examination, we are of the opinion that such proceedings of the Fiscal Court of the County show lawful authority for the execution and delivery of the Indenture; that the Indenture has been duly authorized, executed, and delivered by the County; and that the Indenture is a legal, valid, and binding obligation upon the parties thereto according to its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, or other similar laws affecting creditors’ rights generally, including equitable provisions where equitable remedies are sought.

In our opinion the 2016 Series A Bonds have been validly authorized, executed, and issued in accordance with the laws of the Commonwealth of Kentucky now in full force and effect, and constitute legal, valid, and binding special and limited obligations of the County entitled to the benefit of the security provided by the Indenture and enforceable in accordance with their terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, or other similar laws affecting creditors’ rights generally, including equitable provisions where equitable remedies are sought. The 2016 Series A Bonds are payable by the County solely and only from payments and other amounts derived from the Loan Agreement and as provided in the Indenture.

In our opinion, under existing laws, including current statutes, regulations, administrative rulings, and official interpretations by the Internal Revenue Service, subject to the exceptions and qualifications contained in the succeeding paragraphs, (i) interest on the 2016 Series A Bonds is excluded from the gross income of the recipients thereof for federal income tax purposes, except that no opinion is expressed regarding such exclusion from gross income with respect to any 2016 Series A Bond during any period in which it is held by a “substantial user” of the Project or a “related person,” as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “**Code**”); and (ii) interest on the 2016 Series A Bonds is not a separate item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. In arriving at this opinion, we have relied upon representations, factual statements, and certifications of the Company with respect to certain material facts which are solely within the Company’s knowledge in reaching our conclusion, among other things, that all of the proceeds of the Refunded 2002 Series C Bonds were used to refinance air and water pollution control facilities and solid waste disposal facilities qualified for financing under Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended, and Section 1313(a) of the Tax Reform Act of 1986. Further, in arriving at the opinion set forth in this paragraph as to the exclusion from gross income of interest on the 2016 Series A Bonds, we have assumed and this opinion is conditioned on, the accuracy of and continuing compliance by the Company and the County with representations and covenants set forth in the Loan Agreement and the Indenture which are intended to assure compliance with certain tax-exempt interest provisions of the Code. Such representations and covenants must be accurate and must be complied with after the issuance of the 2016 Series A Bonds in order that interest on the 2016 Series A Bonds be excluded from gross income for federal income tax purposes. Failure to comply with certain of such representations and covenants in respect of the 2016 Series A Bonds after the issuance of the 2016 Series A Bonds could cause the interest thereon to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2016 Series A Bonds. We express no opinion (i) regarding the exclusion of interest on any 2016 Series A Bond from gross income for federal income tax purposes on or after the date on which any change, including any interest rate

conversion, permitted by the documents (other than with approval of this firm) is taken which adversely affects the tax treatment of the 2016 Series A Bonds; or (ii) as to the treatment for purposes of federal income taxation of interest on the 2016 Series A Bonds upon a Determination of Taxability. We are further of the opinion that interest on the 2016 Series A Bonds is excluded from gross income of the recipients thereof for Kentucky income tax purposes and that the 2016 Series A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof.

Our opinion as to the exclusion of interest on the 2016 Series A Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the 2016 Series A Bonds is further subject to the following exceptions and qualifications:

(a) Provisions of the Code applicable to corporations (as defined for federal income tax purposes) which impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income may subject a portion of the interest on the 2016 Series A Bonds earned by certain corporations to such corporate alternative minimum tax. Such corporate alternative minimum tax does not apply to any S corporation, regulated investment company, real estate investment trust, or REMIC.

(b) The Code provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the 2016 Series A Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(c) The Code also provides that passive investment income, including interest on the 2016 Series A Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts is passive investment income.

Except as stated above, we express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the 2016 Series A Bonds.

Holders of the 2016 Series A Bonds should be aware that the ownership of the 2016 Series A Bonds may result in collateral federal income tax consequences. For instance, the Code provides that, for taxable years beginning after December 31, 1986, property and casualty insurance companies will be required to reduce their loss reserve deductions by 15% of the tax-exempt interest received on certain obligations, such as the 2016 Series A Bonds, acquired after August 7, 1986. (For purposes of the immediately preceding sentence, a portion of dividends paid to an affiliated insurance company may be treated as tax-exempt interest.) The Code further provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions allocable to carrying certain tax-exempt obligations, such as the 2016 Series A Bonds, acquired after August 7, 1986. The Code also provides that, with respect to taxpayers other than such financial institutions, such taxpayers will be unable to deduct any portion of the interest expenses incurred or continued to purchase or carry the 2016 Series A Bonds. The Code also provides, with respect to individuals, that interest on tax-exempt obligations, including the 2016 Series A Bonds, is included in modified adjusted gross income for purposes of determining the taxability of social security and railroad retirement benefits. Furthermore, the earned income credit is not allowed for individuals with an aggregate amount of disqualified income within the meaning of Section 32 of the Code, which exceeds \$2,200. Interest on the 2016 Series A Bonds will be taken into account in the calculation of disqualified income.

We have received opinions of Gerald A. Reynolds, General Counsel, Chief Compliance Officer, and Corporate Secretary of the Company and Jones Day, Chicago, Illinois, counsel to the Company, of even date herewith. In rendering this opinion, we have relied upon said opinions with respect to the

matters therein. We have also received an opinion of even date herewith of Hon. Nicholas Marsh, County Attorney of Carroll County, Kentucky, and relied upon said opinion with respect to the matters therein. The opinions are in forms satisfactory to us as to both scope and content.

We express no opinion as to the title to, the description of, or the existence or priority of any liens, charges, or encumbrances on the Project.

In rendering the foregoing opinions, we are passing upon only those matters specifically set forth in such opinions and are not passing upon the investment quality of the 2016 Series A Bonds or the accuracy or completeness of any statements made in connection with any offer or sale thereof. The opinions herein are expressed as of the date hereof and we assume no obligation to supplement or update such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We are members of the Bar of the Commonwealth of Kentucky and do not purport to be experts on the laws of any jurisdiction other than the Commonwealth of Kentucky and the United States of America, and we express no opinion as to the laws of any jurisdiction other than those specified.

Respectfully submitted,

STOLL KEENON OGDEN PLLC

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**NEW ISSUE**

**BOOK-ENTRY-ONLY**

*Subject to the conditions and exceptions set forth under the heading "Tax Treatment," Bond Counsel is of the opinion that, under current law, interest on the Bonds offered hereby will be excludable from the gross income of the recipients thereof for federal income tax purposes, except that no opinion will be expressed regarding such exclusion from gross income with respect to any Bond during any period in which it is held by a "substantial user" or a "related person" of the Project as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will be an item of tax preference in determining alternative minimum taxable income for individuals and corporations under the Code. The alternative minimum tax has been repealed with respect to corporations for taxable years beginning after December 31, 2017. Such interest may be subject to certain federal income taxes imposed on certain corporations, including imposition of the branch profits tax on a portion of such interest. Bond Counsel is further of the opinion that interest on the Bonds will be excludable from the gross income of the recipients thereof for Kentucky income tax purposes and that, under current law, the principal of the Bonds will be exempt from ad valorem taxes in Kentucky. Issuance of the Bonds is subject to receipt of a favorable tax opinion of Bond Counsel as of the date of delivery of the Bonds. See "Tax Treatment" herein.*

**\$17,875,000**  
**County of Carroll, Kentucky**  
**Environmental Facilities Revenue**  
**Refunding Bonds**  
**2018 Series A**  
**(Kentucky Utilities Company Project)**

**Dated:** Date of original delivery  
**Interest Payment Dates:** June 1 and December 1

**Due:** February 1, 2026  
**Interest Rate:** 3.375%

The County of Carroll, Kentucky, Environmental Facilities Revenue Refunding Bonds, 2018 Series A (Kentucky Utilities Company Project) (the "Bonds") will be special and limited obligations of the County of Carroll, Kentucky (the "Issuer"), payable by the Issuer solely from and secured by payments to be received by the Issuer pursuant to a Loan Agreement with Kentucky Utilities Company (the "Company"), except as payable from proceeds of such Bonds or investment earnings thereon. The Bonds will not constitute general obligations of the Issuer or a charge against the general credit or taxing powers thereof or of the Commonwealth of Kentucky or any other political subdivision of Kentucky.

Principal of, and interest on, the Bonds are further secured by the delivery to U.S. Bank National Association, as Trustee, of First Mortgage Bonds of

**KENTUCKY UTILITIES COMPANY**

The Bonds will bear interest at the Long Term Rate of 3.375% per annum from the date of issuance to maturity, subject to earlier conversion or redemption as described herein. Interest on the Bonds will be payable on each June 1 and December 1, commencing December 1, 2018. The interest rate period, interest rate and interest rate mode will be subject to change under certain conditions, as described in this Official Statement. The Bonds will be subject to optional redemption on and after December 1, 2023, and will be subject to extraordinary optional redemption and mandatory redemption following a determination of taxability prior to maturity, as described in this Official Statement.

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**PRICE: 100%**

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The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Purchases of beneficial ownership interests in the Bonds will be made in book-entry only form in denominations of \$5,000 and multiples thereof. Purchasers will not receive certificates representing their beneficial interests in the Bonds. See the information contained under the heading "Summary of the Bonds — Book-Entry-Only System" in this Official Statement. The principal or redemption price of and interest on the Bonds will be paid by U.S. Bank National Association, as Trustee, to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests is the responsibility of DTC's Direct and Indirect Participants, as more fully described herein.

*The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Stoll Keenon Ogden PLLC, Louisville, Kentucky, as Bond Counsel and upon satisfaction of certain conditions. Certain legal matters will be passed upon for the Company by its counsel, Jones Day, Chicago, Illinois and John R. Crockett III, General Counsel, Chief Compliance Officer and Corporate Secretary of the Company, for the Issuer by its County Attorney, and for the Underwriter by its counsel, McGuireWoods LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about September 5, 2018.*

**US Bancorp**

Dated: August 28, 2018

The Bonds are exempt from registration under the Securities Act of 1933, as amended.

No dealer, broker, salesman or other person has been authorized by the Issuer, the Company or the Underwriter to give any information or to make any representation with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the completeness of such information. The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

**In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of such Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.**

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**OFFICIAL STATEMENT**

**\$17,875,000**  
**County of Carroll, Kentucky**  
**Environmental Facilities Revenue**  
**Refunding Bonds**  
**2018 Series A**  
**(Kentucky Utilities Company Project)**

**Introductory Statement**

This Official Statement, including the cover page and Appendices, is provided to furnish information in connection with the offer and sale by the County of Carroll, Kentucky (the "Issuer") of its Environmental Facilities Revenue Refunding Bonds, 2018 Series A (Kentucky Utilities Company Project), in the aggregate principal amount of \$17,875,000 (the "Bonds") to be issued pursuant to an Indenture of Trust dated as of August 1, 2018 (the "Indenture") between the Issuer and U.S. Bank National Association (the "Trustee"), as Trustee, Paying Agent and Bond Registrar.

Pursuant to a Loan Agreement by and between Kentucky Utilities Company (the "Company") and the Issuer, dated as of August 1, 2018 (the "Loan Agreement"), proceeds from the sale of the Bonds, other than accrued interest, if any, paid by the initial purchasers thereof, will be loaned by the Issuer to the Company.

The proceeds of the Bonds (other than any accrued interest) will be applied in full, together with other moneys made available by the Company, to pay and discharge all of the \$17,875,000 outstanding principal amount of County of Carroll, Kentucky, Environmental Facilities Revenue Bonds, 2007 Series A (Kentucky Utilities Company Project) (the "2007 Bonds"), previously issued by the Issuer to finance certain solid waste disposal facilities (the "Project") owned by the Company. For information regarding the solid waste disposal facilities, see "The Project."

It is a condition to the Underwriter's obligation to purchase the Bonds that the Company irrevocably instruct the trustee in respect of the 2007 Bonds, on or prior to the date of issuance of the Bonds, to call the 2007 Bonds for redemption.

The Company will repay the loan under the Loan Agreement by making payments to the Trustee in sufficient amounts to pay the principal or redemption price of and interest on the Bonds and will further agree under the Loan Agreement to make payments of the purchase price of the Bonds tendered for purchase to the extent funds are not otherwise available under the Indenture. See "Summary of the Loan Agreement — General." Pursuant to the Indenture, the Issuer's rights under the Loan Agreement (other than with respect to certain rights to indemnification, reimbursement, notice and payment of expenses) will be assigned to the Trustee as security for the Bonds.

For the purpose of further securing the Bonds, the Company will issue and deliver to the Trustee a series of the Company's First Mortgage Bonds, Collateral Series 2018CCA (the "First Mortgage Bonds"). The principal amount, maturity date and interest rate (or method of determining interest rates) of such First Mortgage Bonds will correspond to the principal amount, maturity date and interest rate (or method of determining interest rates) of the Bonds. The First Mortgage Bonds will only be payable, and interest thereon will only accrue, as described herein. See "Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds" and "Summary of the First Mortgage Bonds and the First

Mortgage Indenture.” The First Mortgage Bonds will not provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase in accordance with the Indenture.

The First Mortgage Bonds will be issued under, and will be secured by, the Company’s Indenture, dated as of October 1, 2010, as previously supplemented and as to be supplemented by a supplemental indenture to be dated as of August 1, 2018 relating to the Bonds (the “First Mortgage Supplemental Indenture,” and the Indenture, as so supplemented, the “First Mortgage Indenture”), between the Company and The Bank of New York Mellon, as trustee (the “First Mortgage Trustee”).

The Company is a wholly-owned subsidiary of LG&E and KU Energy LLC and an indirect wholly-owned subsidiary of PPL Corporation. The Company’s obligations under the Loan Agreement are solely its own, and not those of any of its affiliates. None of PPL Corporation or the Company’s other affiliates will be obligated to make any payments due under the Loan Agreement or First Mortgage Bonds or any other payments of principal, interest, redemption price or purchase price of the Bonds.

**The Bonds will be special and limited obligations of the Issuer, and the Issuer’s obligation to pay the principal or redemption price of and interest on, and purchase price of, the Bonds will be limited solely to the revenues and other amounts received by the Trustee under the Indenture pursuant to the Loan Agreement, including amounts payable on the First Mortgage Bonds. The Bonds will not constitute an indebtedness, general obligation or pledge of the faith and credit or taxing power of the Issuer, the Commonwealth of Kentucky or any political subdivision thereof.**

Brief descriptions of the Company, the Issuer, the Bonds, the Loan Agreement, the Indenture, the First Mortgage Bonds and the First Mortgage Indenture are included in this Official Statement. Such descriptions and information do not purport to be complete, comprehensive or definitive and are not to be construed as a representation or a guaranty of completeness. All references in this Official Statement to the documents are qualified in their entirety by reference to such documents, and references in this Official Statement to the Bonds are qualified in their entirety by reference to the definitive form of the Bonds included in the Indenture. Copies of the Loan Agreement and the Indenture will be available for inspection at the principal corporate trust office of the Trustee and, until the issuance of the Bonds, may be obtained from the Underwriter. The First Mortgage Indenture (including the form of the First Mortgage Bonds) is available for inspection at the office of the Company in Lexington, Kentucky, and at the corporate trust office of the First Mortgage Trustee, in Pittsburgh, Pennsylvania. Certain information relating to The Depository Trust Company (“DTC”) and the book-entry-only system has been furnished by DTC. Appendix A to this Official Statement and all information contained under the headings “The Project” and “Use of Proceeds” has been furnished by the Company. The Issuer and Bond Counsel assume no responsibility for the accuracy or completeness of such Appendix A or such information. The Underwriter has reviewed the information in Appendix A to this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the completeness of such Appendix A or such information. Appendix B to this Official Statement contains the proposed form of opinion of Bond Counsel to be delivered in connection with the issuance and delivery of the Bonds.

***This Official Statement only describes the terms and provisions applicable to the Bonds while accruing interest at the Long Term Rate.***

**The Issuer**

The Issuer is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky. The Issuer is authorized by Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (collectively, the "Act") to (a) issue the Bonds to pay and discharge the 2007 Bonds, (b) lend the proceeds from the sale of the Bonds to the Company for such purpose and (c) enter into and perform its obligations under the Loan Agreement and the Indenture. The Issuer, through its legislative body, the Fiscal Court, has adopted one or more ordinances authorizing the issuance of the Bonds and the execution and delivery of the related documents.

THE BONDS WILL BE SPECIAL AND LIMITED OBLIGATIONS PAYABLE SOLELY AND ONLY FROM CERTAIN SOURCES, INCLUDING AMOUNTS TO BE RECEIVED BY OR ON BEHALF OF THE ISSUER UNDER THE LOAN AGREEMENT, INCLUDING AMOUNTS PAYABLE ON THE FIRST MORTGAGE BONDS. THE BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS, GENERAL OBLIGATION OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF, AND WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS.

**The Project**

The Project being refinanced with the Bonds has been completed and is the property of the Company, subject to the lien of the First Mortgage Indenture. The Project consists of certain solid waste disposal facilities at the Company's Ghent Generating Station located in Carroll County, Kentucky (the "Generating Station"), for the collection, storage, treatment and final disposal of solid wastes.

**Use of Proceeds**

The proceeds from the sale of the Bonds (other than any accrued interest) will be used, together with funds to be provided by the Company, to pay and discharge at a redemption price of 100% of the principal amount thereof, plus accrued interest, all of the outstanding 2007 Bonds, on the date of the issuance of the Bonds. The 2007 Bonds currently bear interest at a rate of 5.75% per annum and mature on February 1, 2026.

### Summary of the Bonds

#### General

The Bonds will be issued in the aggregate principal amount set forth on the cover page of this Official Statement. The Bonds will mature as to principal on February 1, 2026. The Bonds are also subject to redemption prior to maturity as described in this Official Statement.

The Bonds will bear interest at the Long Term Rate of 3.375% per annum commencing September 5, 2018. Interest on the Bonds will be paid on each June 1 and December 1, commencing December 1, 2018. The Bonds will continue to bear interest at such Long Term Rate until a Conversion to another Interest Rate Mode or until the maturity or redemption of the Bonds. The permitted Interest Rate Modes for the Bonds are (i) the Flexible Rate, (ii) the Daily Rate, (iii) the Weekly Rate, (iv) the Semi Annual Rate, (v) the Annual Rate, (vi) the Long Term Rate and (vii) the SIFMA-Based Term Rate.

*This Official Statement only describes the terms and provisions applicable to the Bonds while accruing interest at such Long Term Rate.*

Interest on the Bonds will be computed on the basis of a 360-day year, consisting of twelve 30-day months. Interest payable on each June 1 and December 1 will be payable to the registered owner of the Bond as of the May 15 and November 15 preceding such June 1 and December 1.

The Bonds initially will be issued solely in book-entry-only form through DTC (or its nominee, Cede & Co.). So long as the Bonds are held in the book-entry-only system, DTC or its nominee will be the registered owner or holder of the Bonds for all purposes of the Indenture, the Bonds and this Official Statement. See “— Book-Entry-Only System” below. Individual purchases of book-entry interests in the Bonds will be made in book-entry-only form in denominations of \$5,000 and multiples thereof.

So long as the Bonds are held in book-entry-only form, the principal or redemption price of and interest on, and purchase price of, the Bonds will be payable by the Trustee, as paying agent (the “Paying Agent”), through the facilities of DTC (or a successor depository).

Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the designated office of the Trustee, as bond registrar (the “Bond Registrar”), accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar duly executed by the registered owner or the owner’s duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond (i) during the fifteen days before any mailing of a notice of redemption of Bonds, (ii) after such Bond has been called for redemption or (iii) which has been purchased (see “Mandatory Purchase of Bonds — Payment of Purchase Price” below). Registration of transfers and exchanges will be made without charge to the registered owners of Bonds, except that the Bond Registrar may require any registered owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

#### Certain Definitions

As used herein, each of the following terms will have the meaning indicated.

“*Beneficial Owner*” means the person in whose name a Bond is recorded as such by the respective systems of DTC and each Participant (as defined herein) or the registered holder of such Bond if such Bond is not then registered in the name of Cede & Co.

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

“*Conversion*” means any conversion from time to time in accordance with the terms of the Indenture of the Bonds from one Interest Rate Mode to another Interest Rate Mode or the establishment of a new Long Term Rate Period. The Bonds will be subject to Conversion on or after December 1, 2023.

“*Interest Rate Mode*” means the Flexible Rate, the Daily Rate, the Weekly Rate, the Semi-Annual Rate, the Annual Rate, the Long Term Rate and the SIFMA-Based Term Rate.

“*Long Term Rate Period*” means the period beginning on, and including, the date of issuance of the Bonds and ending on, and including, the day immediately preceding the earliest of the change to a different Long Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

“*Remarketing Agent*” means any remarketing agent selected from time to time by the Company to act, if necessary, as the Remarketing Agent with respect to the Bonds. Any Remarketing Agent will be appointed in accordance with the terms of the Indenture and a remarketing agreement to be entered into between such Remarketing Agent and the Company (the “*Remarketing Agreement*”). The Remarketing Agent may, without notice to the Company, assign its rights and obligations as Remarketing Agent to a broker-dealer affiliate in accordance with the terms of the Indenture and the Remarketing Agreement.

“*Tender Agent*” means, so long as the Bonds are held in DTC’s book-entry-only system, the Trustee, who will act as Tender Agent under the Indenture. Any successor Tender Agent appointed pursuant to the Indenture will also be a Paying Agent.

### **Redemptions**

***Optional Redemption.*** The Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, on any date on or after December 1, 2023 at a redemption price of 100% of the principal amount thereof plus interest accrued, if any, to the redemption date.

***Extraordinary Optional Redemption in Whole.*** The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events occur within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

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

(ii) there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the



Project or such other property of the Company unsatisfactory to the Company for its intended use;

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

(iv) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such Generating Station for a period of six months.

As a result of a Company Letter Agreement between the Issuer and the Company, to be dated as of September 5, 2018, the Company will agree that it will not, prior to the earliest of the change to a different Long Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity of the Bonds, exercise the rights under the Loan Agreement it would otherwise have to redeem the Bonds under the following circumstances:

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

(ii) if changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station have occurred, which, in the judgment of the Company, render the continued operation of the Generating Station or any generating unit at the Generating Station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in solid waste disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable.

***Extraordinary Optional Redemption in Whole or in Part.*** The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project, subject to compliance with the terms of the First Mortgage Indenture and receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See "Summary of the Loan Agreement — Maintenance; Damage, Destruction and Condemnation."

***Mandatory Redemption; Determination of Taxability.*** The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a "Determination of Taxability." As used herein, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has

been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user of the Project within the meaning of Section 147 of the Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability will be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (a) gives the Company and the Trustee prompt notice of the commencement thereof, and (b) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (a) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (b) the Company will exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

**General Redemption Terms.** Notice of redemption will be given by mailing a redemption notice conforming to the provisions and requirements of the Indenture by first class mail to the registered owners of the Bonds to be redeemed not less than 20 days prior to the redemption date.

Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the

redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. If the provisions for discharging the Indenture set forth below under the heading "Summary of the Indenture — Discharge of Indenture" have not been complied with, any redemption notice may state that it is conditional on there being sufficient moneys to pay the full redemption price for the Bonds to be redeemed and that if sufficient funds have not been received by the Trustee by the opening of business on the redemption date, such notice shall be of no effect. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

#### **Conversion of Interest Rate Modes**

The Interest Rate Mode for the Bonds is subject to Conversion from time to time on or after December 1, 2023 at the option of the Company in accordance with the terms of the Indenture, upon notice from the Bond Registrar to the registered owners of the Bonds. Upon Conversion, the Bonds will be subject to mandatory purchase as described below. With any notice of Conversion, the Company must also deliver to the Bond Registrar an opinion of Bond Counsel stating that such Conversion is authorized or permitted by the Act and is authorized by the Indenture and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

#### **Mandatory Purchase of Bonds**

**General.** The Bonds will be subject to mandatory purchase on Conversion at a purchase price equal to the principal amount thereof plus accrued and unpaid interest. Notice to owners of such mandatory purchase will be given by the Bond Registrar by first class mail at least 20 days prior to the purchase date. The notice of mandatory purchase will state those matters required to be set forth therein under the Indenture.

**Remarketing and Purchase of Bonds.** The Indenture provides that, subject to the terms of a Remarketing Agreement with the Company, unless otherwise instructed by the Company, the Remarketing Agent will use its commercially reasonable best efforts to remarket Bonds purchased. Each such sale will be at a price equal to the principal amount thereof, plus interest accrued to the date of sale. The Remarketing Agent, the Trustee, the Paying Agent, the Bond Registrar or the Tender Agent each may purchase any Bonds offered for sale for its own account.

The purchase price of Bonds tendered for purchase will be paid by the Tender Agent from moneys derived from the remarketing of such Bonds by the Remarketing Agent and, if such remarketing proceeds are insufficient, from moneys made available by the Company.

The Company is obligated to purchase any Bonds tendered for purchase to the extent such Bonds have not been remarketed. Any such purchases by the Company will not result in the extinguishment of the purchased Bonds. The Company currently maintains lines of credit or other liquidity facilities in amounts determined by it to be sufficient to meet its current needs and expects to continue to maintain such lines of credit or other liquidity facilities from time to time to the extent determined by it to be necessary to meet its then-current needs. The Trustee, any Paying Agent, the Tender Agent and the owners of the Bonds have no right to draw under any line of credit or other liquidity facility maintained by the Company. There is no provision in the Indenture or the Loan Agreement requiring the Company to maintain such financing arrangements which may be discontinued at any time without notice. The First Mortgage Bonds are not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase pursuant to the Indenture.

Any deficiency in purchase price payments resulting from the Remarketing Agent's failure to deliver remarketing proceeds of all Bonds with respect to which the Remarketing Agent notified the Tender Agent were remarketed will not result in an Event of Default under the Indenture until the opening of business on the next succeeding Business Day unless the Company fails to provide sufficient funds to pay such purchase price by the opening of business on such next succeeding Business Day. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase of Bonds will be consummated, but failure to consummate such purchase will not be deemed to be an Event of Default under the Indenture if sufficient funds have been provided in a timely manner by the Company to the Tender Agent for such purpose.

***Payment of Purchase Price.*** Payment of the purchase price of any Bond will be payable on the purchase date upon delivery of such Bond to the Tender Agent on such date; provided that such Bond must be delivered to the Tender Agent at or prior to 11:00 a.m. (New York City time). When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Tender Agent. If the purchase date is not a Business Day, the purchase price will be payable on the next succeeding Business Day.

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

If the registered owner of any Bond (or portion thereof) that is subject to purchase pursuant to the Indenture fails to deliver such Bond with an appropriate instrument of transfer to the Tender Agent for purchase on such purchase date, and if the Tender Agent is in receipt of the purchase price therefor, such Bond (or portion thereof) nevertheless will be deemed purchased on such purchase date. Any owner who so fails to deliver such Bond for purchase on (or before) the purchase date will have no further rights thereunder, except the right to receive the purchase price thereof from those moneys deposited with the Tender Agent in the Purchase Fund pursuant to the Indenture upon presentation and surrender of such Bond to the Tender Agent properly endorsed for transfer in blank with all signatures guaranteed.

#### **Security**

Payment of the principal or redemption price of and interest on the Bonds will be secured by an assignment by the Issuer to the Trustee of the Issuer's interest in and to the Loan Agreement and all payments to be made pursuant thereto (other than certain indemnification and expense payments). Pursuant to the Loan Agreement, the Company will agree to pay, among other things, amounts sufficient to pay the aggregate principal amount or redemption price of the Bonds, together with interest thereon as and when the same become due. The Company further will agree to make payments of the purchase price of the Bonds tendered for purchase to the extent that funds are not otherwise available therefor under the provisions of the Indenture.

The payment of the principal or redemption price of and interest on the Bonds will be further secured by the First Mortgage Bonds. The principal amount of the First Mortgage Bonds will equal the principal amount of the Bonds. If the Bonds become immediately due and payable as a result of a default in payment of the principal or redemption price of or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of default under the Loan Agreement and upon receipt by the First Mortgage Trustee of a written demand from the Trustee for redemption of the First Mortgage Bonds ("Redemption Demand"), or if all first mortgage bonds outstanding under the First Mortgage

Indenture shall have become immediately due and payable, such First Mortgage Bonds will begin to bear interest at the same interest rate or rates borne by the Bonds and the principal of such First Mortgage Bonds, together with interest accrued thereon from the last date or dates to which interest on the Bonds has been paid in full, will be payable in accordance with the Supplemental Indenture. See “Summary of the First Mortgage Bonds and the First Mortgage Indenture.”

The First Mortgage Bonds are not intended to provide a direct source of liquidity to pay the purchase price of Bonds tendered for purchase in accordance with the Indenture. The Company is not required under the Loan Agreement or Indenture to provide any letter of credit or liquidity support for the Bonds. The First Mortgage Bonds are secured by a lien on certain property owned by the Company. In certain circumstances, the Company is permitted to reduce the aggregate principal amount of its First Mortgage Bonds held by the Trustee, but in no event to an amount lower than the aggregate outstanding principal amount of the Bonds.

#### **Book-Entry-Only System**

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

Initially, DTC will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry-only form to be held under DTC's book-entry-only system, registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond in the aggregate principal amount of the Bonds will be deposited with DTC.

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, however, are expected to receive written confirmations providing details of

the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry only system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

The requirement for physical delivery of Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer, the Company, the Tender Agent and the Trustee, or the Issuer, at the request of the Company, may decide to discontinue use of the system of book-entry-only

transfers through DTC (or a successor securities depository for the Bonds). Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be delivered as described in the Indenture (see “— Revision of Book-Entry-Only System; Replacement Bonds” below). The Beneficial Owner, upon registration of certificates held in the Beneficial Owner’s name, will become the registered owner of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners. Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Issuer’s obligations under the Indenture and the Company’s obligations under the Loan Agreement and the First Mortgage Bonds, to the extent of the payments so made. Beneficial Owners will not be, and will not be considered by the Issuer or the Trustee to be, and will not have any rights as, owners of Bonds under the Indenture.

The Trustee and the Issuer, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption or of proposed document amendments requiring consent of registered owners and any other notices required by the document (including notices of Conversion and mandatory purchase) to be sent to registered owners only to DTC (or any successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption, the document amendment, the Conversion, the mandatory purchase or any other action premised on that notice.

The Issuer, the Company, the Trustee and the Underwriter cannot and do not give any assurances that DTC will distribute payments on the Bonds made to DTC or its nominee as the registered owner or any redemption or other notices, to the Participants, or that the Participants or others will distribute such payments or notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

THE ISSUER, THE COMPANY, THE UNDERWRITER AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A REGISTERED OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OR PURCHASE PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OF ANY NOTICE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

**Revision of Book-Entry-Only System; Replacement Bonds**

In the event that DTC determines not to continue as securities depository or is removed by the Issuer, at the direction of the Company, as securities depository, the Issuer, at the direction of the Company, may appoint a successor securities depository reasonably acceptable to the Trustee. If the Issuer does not or is unable to appoint a successor securities depository, the Issuer will issue and the

Trustee will authenticate and deliver fully registered Bonds, in authorized denominations, to the assignees of DTC or their nominees.

In the event that the book-entry-only system is discontinued, the following provisions will apply. The Bonds may be issued in denominations of \$5,000 and multiples thereof. Bonds may be transferred or exchanged for an equal total amount of Bonds of other authorized denominations upon surrender of such Bonds at the designated office of the Bond Registrar, accompanied by a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or the owner's duly authorized attorney. Except as provided in the Indenture, the Bond Registrar will not be required to register the transfer or exchange of any Bond during the fifteen days before any mailing of a notice of redemption, after such Bond has been called for redemption in whole or in part, or after such Bond has been tendered or deemed tendered for mandatory purchase as described under "Mandatory Purchase of Bonds." Registration of transfers and exchanges will be made without charge to the owners of Bonds, except that the Bond Registrar may require any owner requesting registration of transfer or exchange to pay any required tax or governmental charge.

#### **Summary of the Loan Agreement**

*The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the Loan Agreement. This description is only a summary and does not purport to be complete and definitive. Reference is made to the Loan Agreement for the detailed provisions thereof.*

#### **General**

The term of the Loan Agreement will commence as of its date and end on the earliest to occur of February 1, 2026 or the date on which all of the Bonds have been fully paid or provision has been made for such payment pursuant to the Indenture. See "Summary of the Indenture — Discharge of Indenture."

The Company will agree to repay the loan pursuant to the Loan Agreement by making timely payments to the Trustee in sufficient amounts to pay the principal or redemption price of and interest required to be paid on the Bonds on each date upon which any such payments are due. The Company will also agree to pay (i) the agreed upon fees and expenses of the Trustee, the Bond Registrar, the Tender Agent and the Paying Agent and all other amounts which may be payable to the Trustee, the Bond Registrar, the Paying Agent and the Tender Agent, as may be applicable, under the Indenture, (ii) the expenses in connection with any redemption of the Bonds and (iii) the reasonable expenses of the Issuer.

The Company will covenant and agree with the Issuer that it will cause the purchase of tendered Bonds that are not remarketed in accordance with the Indenture and, to that end, the Company will cause funds to be made available to the Tender Agent at the times and in the manner required to effect such purchases in accordance with the Indenture (see "Summary of the Bonds — Mandatory Purchase of Bonds — Remarketing and Purchase of Bonds").

All payments to be made by the Company to the Issuer pursuant to the Loan Agreement (except the fees and reasonable out-of-pocket expenses of the Issuer, the Trustee, the Paying Agent, the Bond Registrar and the Tender Agent, and amounts related to indemnification) will be assigned by the Issuer to the Trustee, and the Company will pay such amounts directly to the Trustee. The obligations of the Company to make the payments pursuant to the Loan Agreement are absolute and unconditional.



**Maintenance of Tax Exemption**

The Company and the Issuer will agree not to take any action that would result in the interest paid on the Bonds being included in gross income of any Bondholder (other than a holder who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes or that adversely affects the validity of the Bonds.

**Issuance and Delivery of First Mortgage Bonds**

For the purpose of providing security for the Bonds, the Company will execute and deliver to the Trustee the First Mortgage Bonds on the date of issuance of the Bonds. The principal amount of the First Mortgage Bonds executed and delivered to the Trustee will equal the aggregate principal amount of the Bonds. If the Bonds become immediately due and payable as a result of a default in payment of the principal or redemption price of or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of default under the Loan Agreement and upon receipt by the First Mortgage Trustee of a Redemption Demand, or if all first mortgage bonds outstanding under the First Mortgage Indenture shall have become immediately due and payable, such First Mortgage Bonds will then bear interest at the same interest rate or rates borne by the Bonds and the principal of such First Mortgage Bonds, together with interest accrued thereon from the last date to which interest on the Bonds shall have been paid in full, will then be payable. See, however, “Summary of the Indenture — Waiver of Events of Default.”

Upon payment of the principal or redemption price of and interest on any of the Bonds, and the surrender to and cancellation thereof by the Trustee, or upon provision for the payment thereof having been made in accordance with the Indenture, First Mortgage Bonds with corresponding principal amounts equal to the aggregate principal amount of the Bonds so surrendered and canceled or for the payment of which provision has been made, will be surrendered by the Trustee to the First Mortgage Trustee and will be canceled by the First Mortgage Trustee. The First Mortgage Bonds will be registered in the name of the Trustee and will be non transferable, except to effect transfers to any successor trustee under the Indenture.

**Payment of Taxes**

The Company will agree to pay certain taxes and other governmental charges that may be lawfully assessed, levied or charged against or with respect to the Project (see, however, subparagraph (i) under the heading “Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole”). The Company may contest such taxes or other governmental charges unless the security provided by the Indenture would be materially endangered.

**Maintenance; Damage, Destruction and Condemnation**

So long as any Bonds are outstanding, the Company will maintain, preserve and keep the Project or cause the Project to be maintained, preserved and kept in good repair, working order and condition and will make or cause to be made all proper repairs, replacements and renewals necessary to continue to constitute the Project as “pollution control facilities” as defined in Section 103.246(1)(a) of the Act. However, the Company will have no obligation to maintain, preserve, keep, repair, replace or renew any portion of the Project, the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomical to the Company because of certain events, including damage or destruction by a cause not within the Company’s control, condemnation of the Project, change in government standards and regulations, economic or other obsolescence or termination of operation of generating facilities to the Project.

The Company, at its own expense, may remodel the Project or make substitutions, modifications and improvements to the Project as it deems desirable, which remodeling, substitutions, modifications and improvements are deemed, under the terms of the Loan Agreement to be a part of the Project. The Company may not, however, change or alter the basic nature of the Project as “pollution control facilities” as defined in Section 103.246(1)(a) of the Act.

If, prior to the payment of all Bonds outstanding, the Project or any portion thereof is destroyed, damaged or taken by the exercise of the power of eminent domain and the Issuer, the Company or the First Mortgage Trustee receives net proceeds from insurance or a condemnation award in connection therewith, the Company must, subject to the requirements of the First Mortgage Indenture, (i) cause such net proceeds to be used to repair or restore the Project or (ii) take any other action, including the redemption of the Bonds in whole or in part at their principal amount, which, by the opinion of Bond Counsel, will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes. See “Summary of the Bonds — Redemptions — Extraordinary Optional Redemption in Whole or in Part.”

#### **Project Insurance**

The Company will insure the Project in accordance with the provisions of the First Mortgage Indenture.

#### **Assignment, Merger and Release of Obligations of the Company**

The Company may assign the Loan Agreement, pursuant to an opinion of Bond Counsel that such assignment will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, without obtaining the consent of either the Issuer or the Trustee. Such assignment, however, will not relieve the Company from primary liability for any of its obligations under the Loan Agreement and performance and observance of the other covenants and agreements to be performed by the Company. The Company may dispose of all or substantially all of its assets or consolidate with or merge into another entity, provided the acquirer of the Company’s assets or the entity with which it will consolidate with or merge into is a corporation or other business organization organized and existing under the laws of the United States of America or one of the states of the United States of America or the District of Columbia, is qualified and admitted to do business in the Commonwealths of Kentucky and Virginia, assumes in writing all of the obligations and covenants of the Company under the Loan Agreement and delivers a copy of such assumption to the Issuer and the Trustee.

#### **Release and Indemnification Covenant**

The Company will indemnify and hold the Issuer harmless against any expense or liability incurred, including attorneys’ fees, resulting from any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or from any action commenced in connection with the financing thereof.

#### **Events of Default**

Each of the following events constitutes an “Event of Default” under the Loan Agreement:

- (i) failure by the Company to pay the amounts required for payment of the principal of, including purchase price for tendered Bonds and redemption and acceleration prices, and interest accrued, on the Bonds, at the times specified therein taking into account any periods of grace provided in the Indenture and the Bonds for the applicable payment of interest on the Bonds

(see “Summary of the Indenture — Defaults and Remedies”), and such failure shall cause an event of default under the Indenture;

(ii) failure by the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraph (i) above, for a period of 30 days after written notice by the Issuer or Trustee, subject to extension by the Issuer and the Trustee, provided, however, that if such failure is capable of being corrected, but cannot be corrected in such 30-day period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action with respect thereto is instituted within such period and is being diligently pursued;

(iii) certain events of bankruptcy, dissolution, liquidation, reorganization or insolvency of the Company;

(iv) the occurrence of an Event of Default under the Indenture; or

(v) all first mortgage bonds outstanding under the First Mortgage Indenture, if not already due, shall have become immediately due and payable, whether by declaration or otherwise, and such acceleration shall not have been rescinded by the First Mortgage Trustee.

Under the Loan Agreement, certain of the Company’s obligations (other than the Company’s obligations, among others, (i) not to permit any action which would result in interest paid on the Bonds being included in gross income for federal and Kentucky income taxes; (ii) to execute and deliver the First Mortgage Bonds to the Trustee on or before the date of issuance of the Bonds in an amount equal to the principal amount of the Bonds; (iii) to maintain its corporate existence and good standing, and to neither dispose of all or substantially all of its assets or consolidate with or merge into another entity unless certain provisions of the Loan Agreement are satisfied; and (iv) to make loan payments and certain other payments under the provisions of the Loan Agreement) may be suspended if by reason of force majeure (as defined in the Loan Agreement) the Company is unable to carry out such obligations.

#### **Remedies**

Upon the happening and continuance of an Event of Default under the Loan Agreement, the Trustee, on behalf of the Issuer, may, among other things, take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company, under the Loan Agreement, including any remedies available in respect of the First Mortgage Bonds.

In the event of a default in payment of the principal or redemption price of or interest on the Bonds and the acceleration of the maturity date of the Bonds (to the extent not already due and payable) as a consequence of such Event of Default, the Trustee may demand redemption of the First Mortgage Bonds. See “Summary of the First Mortgage Bonds and the First Mortgage Indenture” and “Summary of the Indenture — Defaults and Remedies.” Any amounts collected upon the happening of any such Event of Default must be applied in accordance with the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture) and all other liabilities of the Company accrued under the Indenture and the Loan Agreement have been paid or satisfied, made available to the Company.

#### **Options to Prepay; Obligation to Prepay**

The Company may prepay the loan pursuant to the Loan Agreement, in whole or in part, on certain dates, at the prepayment prices as shown under the headings “Summary of the Bonds — Redemptions — Optional Redemption,” “— Extraordinary Optional Redemption in Whole” and “— Extraordinary Optional Redemption in Whole or in Part.” Upon the occurrence of the event described under the heading “Summary of the Bonds — Redemptions — Mandatory Redemption; Determination of Taxability,” the Company will be obligated to prepay the loan in an aggregate amount sufficient to redeem the required principal amount of the Bonds.

In each instance, the loan prepayment price must be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem the requisite amount of the Bonds at a price equal to 100% of the principal amount plus accrued interest to the redemption date, and to pay all reasonable and necessary fees and expenses of the Trustee, the Paying Agent, the Bond Registrar and the Tender Agent and all other liabilities of the Company under the Loan Agreement accrued to the redemption date.

#### **Amendments and Modifications**

No alteration, amendment, change, supplement or modification of the Loan Agreement is permissible without the written consent of the Trustee. The Issuer and the Trustee may, however, without the consent of or notice to any Bondholders, enter into any alteration, amendment, change, supplement or modification of the Loan Agreement (i) which may be required by the provisions of the Loan Agreement or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with any modification or change necessary to conform the Loan Agreement with changes and modifications in the Indenture or (iv) in connection with any other change which, in the judgment of the Trustee, does not adversely affect the Trustee or the Bondholders. Except for such alterations, amendments, changes, supplements or modifications, the Loan Agreement may be altered, amended, changed, supplemented or modified only with the consent of the Bondholders holding a majority in principal amount of the Bonds then outstanding (see “Summary of the Indenture — Supplemental Indentures” for an explanation of the procedures necessary for Bondholder consent); provided, however, that the approval of the Bondholders holding 100% in principal amount of the Bonds then outstanding is necessary to effectuate an alteration, amendment, change, supplement or modification with respect to the Loan Agreement of the type described in clauses (i) through (iv) of the first sentence of the third paragraph of “Summary of the Indenture — Supplemental Indentures.”

#### **Summary of the First Mortgage Bonds and the First Mortgage Indenture**

*The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the First Mortgage Bonds and the First Mortgage Indenture. This description is only a summary and does not purport to be complete and definitive. Reference is made to the First Mortgage Indenture and to the form of the First Mortgage Bonds for the detailed provisions thereof.*

#### **General**

In connection with the issuance of the Bonds, the First Mortgage Bonds will be issued in a principal amount equal to the principal amount of the Bonds and will constitute a new series of first mortgage bonds under the First Mortgage Indenture (see “Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds”). The statements herein made (being for the most part summaries of certain provisions of the First Mortgage Indenture) are subject to the detailed provisions of the First

Mortgage Indenture, which is incorporated herein by this reference. Words or phrases italicized are defined in the First Mortgage Indenture.

The First Mortgage Bonds will mature on the same date and bear interest at the same rate or rates as the Bonds; however, the principal of and interest on the First Mortgage Bonds will not be payable other than upon the occurrence of an event of default under the Loan Agreement. If the Bonds become immediately due and payable as a result of a default in payment of the principal or redemption price of or interest on the Bonds, or a default in payment of the purchase price of such Bonds, due to an event of default under the Loan Agreement, and if all first mortgage bonds outstanding under the First Mortgage Indenture shall not have become immediately due and payable following an *event of default* under the First Mortgage Indenture, the Company will be obligated to redeem the First Mortgage Bonds upon receipt by the First Mortgage Trustee of a Redemption Demand from the Trustee for redemption, at a redemption price equal to the principal amount thereof plus accrued interest at the rates borne by the Bonds from the last date to which interest on the Bonds has been paid.

The First Mortgage Bonds at all times will be in fully registered form registered in the name of the Trustee, will be non negotiable, and will be non transferable except to any successor trustee under the Indenture. Upon payment and cancellation of Bonds by the Trustee or the Paying Agent (other than any Bond or portion thereof that was canceled by the Trustee or the Paying Agent and for which one or more Bonds were delivered and authenticated pursuant to the Indenture), whether at maturity, by redemption or otherwise, or upon provision for the payment of the Bonds having been made in accordance with the Indenture, an equal principal amount of First Mortgage Bonds will be deemed fully paid and the obligations of the Company thereunder will cease.

#### **Security; Lien of the First Mortgage Indenture**

**General.** Except as described below under this heading and under “— Issuance of Additional First Mortgage Bonds,” and subject to the exceptions described under “— Satisfaction and Discharge,” all first mortgage bonds issued under the First Mortgage Indenture, including the First Mortgage Bonds, will be secured, equally and ratably, by the lien of the First Mortgage Indenture, which constitutes, subject to permitted liens and exclusions as described below, a first mortgage lien on substantially all of the Company’s real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity (other than property duly released from the lien of the First Mortgage Indenture in accordance with the provisions thereof and other than excepted property, as described below). Property that is subject to the lien of the First Mortgage Indenture is referred to below as “Mortgaged Property.”

The Company may obtain the release of property from the lien of the First Mortgage Indenture from time to time, upon the bases provided for such release in the First Mortgage Indenture. See “— Release of Property.”

The Company may enter into supplemental indentures with the First Mortgage Trustee, without the consent of the holders of the first mortgage bonds, in order to subject additional property (including property that would otherwise be excepted from such lien) to the lien of the First Mortgage Indenture. This property would constitute *property additions* and would be available as a basis for the issuance of additional first mortgage bonds. See “— Issuance of Additional First Mortgage Bonds.”

The First Mortgage Indenture provides that after-acquired property (other than *excepted property*) will be subject to the lien of the First Mortgage Indenture. However, in the case of consolidation or merger (whether or not the Company is the surviving company) or transfer of the Mortgaged Property as or substantially as an entirety, the First Mortgage Indenture will not be required to be a lien upon any of

the properties either owned or subsequently acquired by the successor company except properties acquired from the Company in or as a result of such transfer, as well as improvements, extensions and additions (as defined in the First Mortgage Indenture) to such properties and renewals, replacements and substitutions of or for any part or parts thereof. See “— Consolidation, Merger and Conveyance of Assets as an Entirety.”

**Excepted Property.** The lien of the First Mortgage Indenture does not cover, among other things, the following types of property: property located outside of Kentucky and not specifically subjected or required to be subjected to the lien of the First Mortgage Indenture; property not used by the Company in its electric generation, transmission and distribution business; cash and securities not paid, deposited or held under the First Mortgage Indenture or required so to be; contracts, leases and other agreements of all kinds, contract rights, bills, notes and other instruments, revenues, accounts receivable, claims, demands and judgments; governmental and other licenses, permits, franchises, consents and allowances; intellectual property rights and other general intangibles; vehicles, movable equipment, aircraft and vessels; all goods, stock in trade, wares, merchandise and inventory held for the purpose of sale or lease in the ordinary course of business; materials, supplies, inventory and other personal property consumable in the operation of the Company’s business; fuel; tools and equipment; furniture and furnishings; computers and data processing, telecommunications and other facilities used primarily for administrative or clerical purposes or otherwise not used in connection with the operation or maintenance of electric generation, transmission and distribution facilities; coal, ore, gas, oil and other minerals and timber rights; electric energy and capacity, gas, steam, water and other products generated, produced, manufactured, purchased or otherwise acquired; real property and facilities used primarily for the production or gathering of natural gas; property which has been released from the lien of the First Mortgage Indenture; and leasehold interests. Property of the Company not covered by the lien of the First Mortgage Indenture is referred to herein as excepted property. Properties held by any of the Company’s subsidiaries, as well as properties leased from others, would not be subject to the lien of the First Mortgage Indenture.

**Permitted Liens.** The lien of the First Mortgage Indenture is subject to permitted liens described in the First Mortgage Indenture. Such *permitted liens* include liens existing at the execution date of the First Mortgage Indenture, purchase money liens and other liens placed or otherwise existing on property acquired by the Company after the execution date of the First Mortgage Indenture at the time the Company acquires it, tax liens and other governmental charges which are not delinquent or which are being contested in good faith, mechanics’, construction and materialmen’s liens, certain judgment liens, easements, reservations and rights of others (including governmental entities) in, and defects of title to, the Company’s property, certain leases and leasehold interests, liens to secure public obligations, rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by the Company or by others on the Company’s property, rights and interests of persons other than the Company arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of such persons in such property and liens which have been bonded or for which other security arrangements have been made.

The First Mortgage Indenture also provides that the First Mortgage Trustee will have a lien, prior to the lien on behalf of the holders of the first mortgage bonds, including the First Mortgage Bonds, upon the Mortgaged Property as security for the Company’s payment of its reasonable compensation and expenses and for indemnity against certain liabilities. Any such lien would be a *permitted lien* under the First Mortgage Indenture.

#### **Issuance of Additional First Mortgage Bonds**

The maximum principal amount of first mortgage bonds that may be authenticated and delivered under the First Mortgage Indenture is subject to the issuance restrictions described below; provided,

however, that the maximum principal amount of first mortgage bonds outstanding at any one time shall not exceed One Quintillion Dollars (\$1,000,000,000,000,000), which amount may be changed by supplemental indenture. As of June 30, 2018, first mortgage bonds in an aggregate principal amount of \$2,341,852,405 were outstanding under the First Mortgage Indenture, of which \$341,852,405 were issued to secure the Company's payment obligations with respect to its outstanding pollution control and environmental facilities revenue bonds, including the Bonds.

First mortgage bonds of any series may be issued from time to time on the basis of, and in an aggregate principal amount not exceeding:

- 66 2/3% of the *cost* or *fair value* to the Company (whichever is less) of *property additions* (as described below) which do not constitute *funded property* (generally, *property additions* which have been made the basis of the authentication and delivery of first mortgage bonds, the release of Mortgaged Property or the withdrawal of cash, which have been substituted for retired *funded property* or which have been used for other specified purposes) after certain deductions and additions, primarily including adjustments to offset property retirements;
- the aggregate principal amount of *retired securities* (as described below); or
- an amount of cash deposited with the First Mortgage Trustee.

*Property additions* generally include any property which is owned by the Company and is subject to the lien of the First Mortgage Indenture except (with certain exceptions) goodwill, going concern value rights or intangible property, or any property the acquisition or construction of which is properly chargeable to one of the Company's operating expense accounts in accordance with U.S. generally accepted accounting principles.

*Retired securities* means, generally, first mortgage bonds which are no longer outstanding under the First Mortgage Indenture, which have not been retired by the application of *funded cash* and which have not been used as the basis for the authentication and delivery of first mortgage bonds, the release of property or the withdrawal of cash.

At June 30, 2018, approximately \$2.2 billion of *property additions* and \$258.9 million of *retired securities* were available to be used as the basis for the authentication and delivery of first mortgage bonds. The Company intends to issue the First Mortgage Bonds on the basis of *retired securities*.

#### **Release of Property**

Unless an *event of default* has occurred and is continuing, the Company may obtain the release from the lien of the First Mortgage Indenture of any Mortgaged Property, except for cash held by the First Mortgage Trustee, upon delivery to the First Mortgage Trustee of an amount in cash equal to the amount, if any, by which sixty-six and two-thirds percent (66-2/3%) of the cost of the property to be released (or, if less, the *fair value* to the Company of such property at the time it became *funded property*) exceeds the aggregate of:

- an amount equal to 66 2/3% of the aggregate principal amount of obligations secured by *purchase money* liens upon the property to be released and delivered to the First Mortgage Trustee;

- an amount equal to 66 2/3% of the *cost or fair value* to the Company (whichever is less) of certified *property additions* not constituting *funded property* after certain deductions and additions, primarily including adjustments to offset property retirements (except that such adjustments need not be made if such *property additions* were acquired or made within the 90-day period preceding the release);
- the aggregate principal amount of first mortgage bonds the Company would be entitled to issue on the basis of *retired securities* (with such entitlement being waived by operation of such release);
- the aggregate principal amount of first mortgage bonds delivered to the First Mortgage Trustee (with such first mortgage bonds to be canceled by the First Mortgage Trustee);
- any amount of cash and/or an amount equal to 66 2/3% of the aggregate principal amount of obligations secured by *purchase money liens* upon the property released that is delivered to the trustee or other holder of a lien prior to the lien of the First Mortgage Indenture, subject to certain limitations described in the First Mortgage Indenture; and
- any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released.

As used in the First Mortgage Indenture, the term *purchase money lien* means, generally, a lien on the property being released which is retained by the transferor of such property or granted to one or more other persons in connection with the transfer or release thereof, or granted to or held by a trustee or agent for any such persons, and may include liens which cover property in addition to the property being released and/or which secure indebtedness in addition to indebtedness to the transferor of such property.

Unless an *event of default* has occurred and is continuing, property which is not *funded property* may generally be released from the lien of the First Mortgage Indenture without depositing any cash or property with the First Mortgage Trustee as long as (a) the aggregate amount of *cost or fair value* to the Company (whichever is less) of all *property additions* which do not constitute *funded property* (excluding the property to be released) after certain deductions and additions, primarily including adjustments to offset property retirements, is not less than zero or (b) the *cost or fair value* (whichever is less) of property to be released does not exceed the aggregate amount of the *cost or fair value* to the Company (whichever is less) of *property additions* acquired or made within the 90-day period preceding the release.

The First Mortgage Indenture provides simplified procedures for the release of minor properties and property taken by eminent domain, and provides for dispositions of certain obsolete property and grants or surrender of certain rights without any release or consent by the First Mortgage Trustee.

If the Company retains any interest in any property released from the lien of the First Mortgage Indenture, the First Mortgage Indenture will not become a lien on such property or such interest therein or any improvements, extensions or additions to such property or renewals, replacements or substitutions of or for such property or any part or parts thereof.

#### **Withdrawal of Cash**

Unless an *event of default* has occurred and is continuing, and subject to certain limitations, cash held by the First Mortgage Trustee may, generally, (1) be withdrawn by the Company (a) to the extent of sixty-six and two-thirds percent (66-2/3%) of the *cost or fair value* to the Company (whichever is less) of *property additions* not constituting *funded property*, after certain deductions and additions, primarily



including adjustments to offset retirements (except that such adjustments need not be made if such *property additions* were acquired or made within the 90-day period preceding the withdrawal) or (b) in an amount equal to the aggregate principal amount of first mortgage bonds that the Company would be entitled to issue on the basis of *retired securities* (with the entitlement to such issuance being waived by operation of such withdrawal) or (c) in an amount equal to the aggregate principal amount of any outstanding first mortgage bonds delivered to the First Mortgage Trustee; or (2) upon the Company's request, be applied to (a) the purchase of first mortgage bonds in a manner and at a price approved by the Company or (b) the payment (or provision for payment) at stated maturity of any first mortgage bonds or the redemption (or provision for payment) of any first mortgage bonds which are redeemable; provided, however, that cash deposited with the First Mortgage Trustee as the basis for the authentication and delivery of first mortgage bonds may, in addition, be withdrawn in an amount not exceeding the aggregate principal amount of cash delivered to the First Mortgage Trustee for such purpose.

#### **Events of Default**

An "*event of default*" occurs under the First Mortgage Indenture if

- the Company does not pay any interest on any first mortgage bonds within 30 days of the due date;
- the Company does not pay principal or premium, if any, on any first mortgage bonds on the due date;
- the Company remains in breach of any other covenant (excluding covenants specifically dealt with elsewhere in this section) in respect of any first mortgage bonds for 90 days after the Company receives a written notice of default stating the Company is in breach and requiring remedy of the breach; the notice must be sent by either the First Mortgage Trustee or holders of 25% of the principal amount of outstanding first mortgage bonds; the First Mortgage Trustee or such holders can agree to extend the 90-day period and such an agreement to extend will be automatically deemed to occur if the Company initiates corrective action within such 90-day period and the Company is diligently pursuing such action to correct the default; or
- the Company files for bankruptcy or certain other events in bankruptcy, insolvency, receivership or reorganization occur.

#### **Remedies**

*Acceleration of Maturity.* If an *event of default* occurs and is continuing, then either the First Mortgage Trustee or the holders of not less than 25% in principal amount of the outstanding first mortgage bonds may declare the principal amount of all of the first mortgage bonds to be due and payable immediately.

**Rescission of Acceleration.** After the declaration of acceleration has been made and before the First Mortgage Trustee has obtained a judgment or decree for payment of the money due, such declaration and its consequences will be rescinded and annulled, if

- the Company pays or deposits with the First Mortgage Trustee a sum sufficient to pay:
  - all overdue interest;
  - the principal of and premium, if any, which have become due otherwise than by such declaration of acceleration and interest thereon;
  - interest on overdue interest to the extent lawful; and
  - all amounts due to the First Mortgage Trustee under the First Mortgage Indenture; and
- all *events of default*, other than the nonpayment of the principal which has become due solely by such declaration of acceleration, have been cured or waived as provided in the First Mortgage Indenture.

For more information as to waiver of defaults, see “— Waiver of Default and of Compliance” below.

**Appointment of Receiver and Other Remedies.** Subject to the First Mortgage Indenture, under certain circumstances and to the extent permitted by law, if an *event of default* occurs and is continuing, the First Mortgage Trustee has the power to appoint a receiver of the Mortgaged Property, and is entitled to all other remedies available to mortgagees and secured parties under the Uniform Commercial Code or any other applicable law.

**Control by Holders; Limitations.** Subject to the First Mortgage Indenture, if an *event of default* occurs and is continuing, the holders of a majority in principal amount of the outstanding first mortgage bonds will have the right to

- direct the time, method and place of conducting any proceeding for any remedy available to the First Mortgage Trustee, or
- exercise any trust or power conferred on the First Mortgage Trustee.

The rights of holders to make direction are subject to the following limitations:

- the holders’ directions may not conflict with any law or the First Mortgage Indenture; and
- the holders’ directions may not involve the First Mortgage Trustee in personal liability where the First Mortgage Trustee believes indemnity is not adequate.

The First Mortgage Trustee may also take any other action it deems proper which is not inconsistent with the holders’ direction.

In addition, the First Mortgage Indenture provides that no holder of any first mortgage bond will have any right to institute any proceeding, judicial or otherwise, with respect to the First Mortgage Indenture for the appointment of a receiver or for any other remedy thereunder unless

- that holder has previously given the First Mortgage Trustee written notice of a continuing *event of default*;
- the holders of 25% in aggregate principal amount of the outstanding first mortgage bonds have made written request to the First Mortgage Trustee to institute proceedings in respect of that *event of default* and have offered the First Mortgage Trustee reasonable indemnity against costs, expenses and liabilities incurred in complying with such request; and
- for 60 days after receipt of such notice, request and offer of indemnity, the First Mortgage Trustee has failed to institute any such proceeding and no direction inconsistent with such request has been given to the First Mortgage Trustee during such 60-day period by the holders of a majority in aggregate principal amount of outstanding first mortgage bonds.

Furthermore, no holder of first mortgage bonds will be entitled to institute any such action if and to the extent that such action would disturb or prejudice the rights of other holders of first mortgage bonds.

However, each holder of first mortgage bonds has an absolute and unconditional right to receive payment when due and to bring a suit to enforce that right.

**Notice of Default.** The First Mortgage Trustee is required to give the holders of the first mortgage bonds notice of any default under the First Mortgage Indenture to the extent required by the Trust Indenture Act, unless such default has been cured or waived; except that in the case of an *event of default* of the character specified in the third bullet point under “— Events of Default” (regarding a breach of certain covenants continuing for 90 days after the receipt of a written notice of default), no such notice shall be given to such holders until at least 60 days after the occurrence thereof. The Trust Indenture Act currently permits the First Mortgage Trustee to withhold notices of default (except for certain payment defaults) if the First Mortgage Trustee in good faith determines the withholding of such notice to be in the interests of the holders of the first mortgage bonds.

The Company will furnish the First Mortgage Trustee with an annual statement as to its compliance with the conditions and covenants in the First Mortgage Indenture.

**Waiver of Default and of Compliance.** The holders of a majority in aggregate principal amount of the outstanding first mortgage bonds may waive, on behalf of the holders of all outstanding first mortgage bonds, any past default under the First Mortgage Indenture, except a default in the payment of principal, premium or interest, or with respect to compliance with certain provisions of the First Mortgage Indenture that cannot be amended without the consent of the holder of each outstanding first mortgage bond affected.

Compliance with certain covenants in the First Mortgage Indenture or otherwise provided with respect to first mortgage bonds may be waived by the holders of a majority in aggregate principal amount of the affected first mortgage bonds, considered as one class.

#### **Consolidation, Merger and Conveyance of Assets as an Entirety**

Subject to the provisions described below, the Company has agreed to preserve its corporate existence.

The Company has agreed not to consolidate with or merge with or into any other entity or convey, transfer or lease the Mortgaged Property as or substantially as an entirety to any entity unless

- the entity formed by such consolidation or into which the Company merges, or the entity which acquires or which leases the Mortgaged Property substantially as an entirety, is an entity organized and existing under the laws of the United States of America or any State or Territory thereof or the District of Columbia; and
  - expressly assumes, by supplemental indenture, the due and punctual payment of the principal of, and premium and interest on, all the outstanding first mortgage bonds and the performance of all of the Company's covenants under the First Mortgage Indenture; and
  - such entity confirms the lien of the First Mortgage Indenture on the Mortgaged Property; and
- in the case of a lease, such lease is made expressly subject to termination by (i) the Company or by the First Mortgage Trustee and (ii) the purchaser of the property so leased at any sale thereof, at any time during the continuance of an *event of default*; and
- immediately after giving effect to such transaction, no *event of default*, and no event which after notice or lapse of time or both would become an *event of default*, will have occurred and be continuing.

In the case of the conveyance or other transfer of the Mortgaged Property as or substantially as an entirety to any other person, upon the satisfaction of all the conditions described above the Company would be released and discharged from all obligations under the First Mortgage Indenture and on the first mortgage bonds then outstanding unless the Company elects to waive such release and discharge.

The First Mortgage Indenture does not prevent or restrict:

- any consolidation or merger after the consummation of which the Company would be the surviving or resulting entity; or
- any conveyance or other transfer, or lease, of any part of the Mortgaged Property which does not constitute the entirety or substantially the entirety thereof.

If following a conveyance or other transfer, or lease, of any part of the Mortgaged Property, the fair value of the Mortgaged Property retained by the Company exceeds an amount equal to three-halves (3/2) of the aggregate principal amount of all outstanding first mortgage bonds, then the part of the Mortgaged Property so conveyed, transferred or leased shall be deemed not to constitute the entirety or substantially the entirety of the Mortgaged Property. This *fair value* will be determined within 90 days of the conveyance or transfer by an independent expert that the Company selects and that is approved by the First Mortgage Trustee.

#### **Modification of First Mortgage Indenture**

***Without Holder Consent.*** Without the consent of any holders of first mortgage bonds, the Company and the First Mortgage Trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the succession of another entity to the Company;
- to add one or more covenants or other provisions for the benefit of the holders of all or any series or tranche of first mortgage bonds, or to surrender any right or power conferred upon the Company;
- to correct or amplify the description of any property at any time subject to the lien of the First Mortgage Indenture; or to better assure, convey and confirm unto the First Mortgage Trustee any property subject or required to be subjected to the lien of the First Mortgage Indenture; or to subject to the lien of the First Mortgage Indenture additional property (including property of others), to specify any additional Permitted Liens with respect to such additional property and to modify the provisions in the First Mortgage Indenture for dispositions of certain types of property without release in order to specify any additional items with respect to such additional property;
- to add any additional *events of default*, which may be stated to remain in effect only so long as the first mortgage bonds of any one more particular series remains outstanding;
- to change or eliminate any provision of the First Mortgage Indenture or to add any new provision to the First Mortgage Indenture that does not adversely affect the interests of the holders in any material respect;
- to establish the form or terms of any series or tranche of first mortgage bonds;
- to provide for the issuance of bearer securities;
- to evidence and provide for the acceptance of appointment of a successor First Mortgage Trustee or by a co-trustee or separate trustee;
- to provide for the procedures required to permit the utilization of a noncertificated system of registration for any series or tranche of first mortgage bonds;
- to change any place or places where
  - the Company may pay principal, premium and interest,
  - first mortgage bonds may be surrendered for transfer or exchange, and
  - notices and demands to or upon the Company may be served;
- to amend and restate the First Mortgage Indenture as originally executed, and as amended from time to time, with such additions, deletions and other changes that do not adversely affect the interest of the holders in any material respect;
- to cure any ambiguity, defect or inconsistency or to make any other changes that do not adversely affect the interests of the holders in any material respect; or
- to increase or decrease the maximum principal amount of first mortgage bonds that may be outstanding at any time.

In addition, if the Trust Indenture Act is amended after the date of the First Mortgage Indenture so as to require changes to the First Mortgage Indenture or so as to permit changes to, or the elimination of, provisions which, at the date of the First Mortgage Indenture or at any time thereafter, were required by the Trust Indenture Act to be contained in the First Mortgage Indenture, the First Mortgage Indenture will be deemed to have been amended so as to conform to such amendment or to effect such changes or elimination, and the Company and the First Mortgage Trustee may, without the consent of any holders, enter into one or more supplemental indentures to effect or evidence such amendment.

***With Holder Consent.*** Except as provided above, the consent of the holders of at least a majority in aggregate principal amount of the first mortgage bonds of all outstanding series, considered as one class, is generally required for the purpose of adding to, or changing or eliminating any of the provisions of, the First Mortgage Indenture pursuant to a supplemental indenture. However, if less than all of the series of outstanding first mortgage bonds are directly affected by a proposed supplemental indenture, then such proposal only requires the consent of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds of all directly affected series, considered as one class. Moreover, if the first mortgage bonds of any series have been issued in more than one tranche and if the proposed supplemental indenture directly affects the rights of the holders of first mortgage bonds of one or more, but less than all, of such tranches, then such proposal only requires the consent of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds of all directly affected tranches, considered as one class.

However, no amendment or modification may, without the consent of the holder of each outstanding first mortgage bond directly affected thereby:

- change the stated maturity of the principal or interest on any first mortgage bond (other than pursuant to the terms thereof), or reduce the principal amount, interest or premium payable (or the method of calculating such rates) or change the currency in which any first mortgage bond is payable, or impair the right to bring suit to enforce any payment;
- create any lien (not otherwise permitted by the First Mortgage Indenture) ranking prior to the lien of the First Mortgage Indenture with respect to all or substantially all of the Mortgaged Property, or terminate the lien of the First Mortgage Indenture on all or substantially all of the Mortgaged Property (other than in accordance with the terms of the First Mortgage Indenture), or deprive any holder of the benefits of the security of the lien of the First Mortgage Indenture;
- reduce the percentages of holders whose consent is required for any supplemental indenture or waiver of compliance with any provision of the First Mortgage Indenture or of any default thereunder and its consequences, or reduce the requirements for quorum and voting under the First Mortgage Indenture; or
- modify certain of the provisions of the First Mortgage Indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to first mortgage bonds.

A supplemental indenture which changes, modifies or eliminates any provision of the First Mortgage Indenture expressly included solely for the benefit of holders of first mortgage bonds of one or more particular series or tranches will be deemed not to affect the rights under the First Mortgage Indenture of the holders of first mortgage bonds of any other series or tranche.

### **Satisfaction and Discharge**

Any first mortgage bonds or any portion thereof will be deemed to have been paid and no longer outstanding for purposes of the First Mortgage Indenture and, at the Company's election, the Company's entire indebtedness with respect to those securities will be satisfied and discharged, if there shall have been irrevocably deposited with the First Mortgage Trustee or any Paying Agent (other than the Company), in trust:

- money sufficient, or
- in the case of a deposit made prior to the maturity of such first mortgage bonds, non-redeemable *eligible obligations* (as defined in the First Mortgage Indenture) sufficient, or
- a combination of the items listed in the preceding two bullet points, which in total are sufficient,

to pay when due the principal of, and any premium, and interest due and to become due on such first mortgage bonds or portions of such first mortgage bonds on and prior to their maturity.

The Company's right to cause its entire indebtedness in respect of the first mortgage bonds of any series to be deemed to be satisfied and discharged as described above will be subject to the satisfaction of any conditions specified in the instrument creating such series.

The First Mortgage Indenture will be deemed satisfied and discharged when no first mortgage bonds remain outstanding and when the Company has paid all other sums payable by it under the First Mortgage Indenture.

All moneys the Company pays to the First Mortgage Trustee or any Paying Agent on First Mortgage Bonds that remain unclaimed at the end of two years after payments have become due may be paid to or upon the Company's order. Thereafter, the holder of such First Mortgage Bond may look only to the Company for payment.

### **Duties of the First Mortgage Trustee; Resignation and Removal of the First Mortgage Trustee; Deemed Resignation**

The First Mortgage Trustee will have, and will be subject to, all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to these provisions, the First Mortgage Trustee will be under no obligation to exercise any of the powers vested in it by the First Mortgage Indenture at the request of any holder of first mortgage bonds, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The First Mortgage Trustee will not be required to expend or risk its own funds or otherwise incur financial liability in the performance of its duties if the First Mortgage Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The First Mortgage Trustee may resign at any time by giving written notice to the Company.

The First Mortgage Trustee may also be removed by act of the holders of a majority in principal amount of the then outstanding first mortgage bonds.

No resignation or removal of the First Mortgage Trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the First Mortgage Indenture.

Under certain circumstances, the Company may appoint a successor trustee and if the successor accepts, the First Mortgage Trustee will be deemed to have resigned.

#### **Evidence to be Furnished to the First Mortgage Trustee**

Compliance with First Mortgage Indenture provisions is evidenced by written statements of the Company's officers or persons selected or paid by the Company. In certain cases, opinions of counsel and certifications of an engineer, accountant, appraiser or other expert (who in some cases must be independent) must be furnished. In addition, the First Mortgage Indenture requires the Company to give to the First Mortgage Trustee, not less than annually, a brief statement as to the Company's compliance with the conditions and covenants under the First Mortgage Indenture.

#### **Miscellaneous Provisions**

The First Mortgage Indenture provides that certain first mortgage bonds, including those for which payment or redemption money has been deposited or set aside in trust as described under "—Satisfaction and Discharge" above, will not be deemed to be "outstanding" in determining whether the holders of the requisite principal amount of the outstanding first mortgage bonds have given or taken any demand, direction, consent or other action under the First Mortgage Indenture as of any date, or are present at a meeting of holders for quorum purposes.

The Company will be entitled to set any day as a record date for the purpose of determining the holders of outstanding first mortgage bonds of any series entitled to give or take any demand, direction, consent or other action under the First Mortgage Indenture, in the manner and subject to the limitations provided in the First Mortgage Indenture. In certain circumstances, the First Mortgage Trustee also will be entitled to set a record date for action by holders. If such a record date is set for any action to be taken by holders of particular first mortgage bonds, such action may be taken only by persons who are holders of such first mortgage bonds on the record date.

#### **Governing Law**

The First Mortgage Indenture and the first mortgage bonds provide that they are to be governed by and construed in accordance with the laws of the State of New York except where the Trust Indenture Act is applicable or where otherwise required by law. The effectiveness of the lien of the First Mortgage Indenture, and the perfection and priority thereof, will be governed by Kentucky law.

#### **Summary of the Indenture**

*The following, in addition to the provisions contained elsewhere in this Official Statement, is a brief description of certain provisions of the Indenture. This description is only a summary and does not purport to be complete and definitive. Reference is made to the Indenture for the detailed provisions thereof.*

#### **Security**

Pursuant to the Indenture, the Issuer will assign and pledge to the Trustee its interest in and to the Loan Agreement, including payments and other amounts due the Issuer thereunder, together with all



moneys, property and securities from time to time held by the Trustee under the Indenture (with certain exceptions, including moneys held in or earnings on the Rebate Fund and the Purchase Fund).

The Bonds will be further secured by the First Mortgage Bonds to be delivered to the Trustee (see “Summary of the Loan Agreement — Issuance and Delivery of First Mortgage Bonds”). The First Mortgage Bonds will be registered in the name of the Trustee and will be nontransferable, except to effect a transfer to any successor trustee. The Bonds will not be directly secured by the Project (although the Project is subject to the lien of the First Mortgage Indenture).

**No Pecuniary Liability of the Issuer**

No provision, covenant or agreement contained in the Indenture or in the Loan Agreement, nor any breach thereof, will constitute or give rise to any pecuniary liability of the Issuer or any charge upon any of its assets or its general credit or taxing powers. The Issuer has not obligated itself by making the covenants, agreements or provisions contained in the Indenture or in the Loan Agreement, except with respect to the application of the amounts assigned to payment of the principal or redemption price of and interest on the Bonds.

**The Bond Fund**

The payments to be made by the Company pursuant to the Loan Agreement to the Issuer and certain other amounts specified in the Indenture will be deposited into a Bond Fund established pursuant to the Indenture (the “Bond Fund”) and will be maintained in trust by the Trustee. Moneys in the Bond Fund will be used solely and only for the payment of the principal or redemption price of and interest on the Bonds, and for the payment of the reasonable fees and expenses to which the Trustee, Bond Registrar, Tender Agent, Authenticating Agent, any Paying Agent and the Issuer are entitled pursuant to the Indenture or the Loan Agreement. Any moneys held in the Bond Fund will be invested by the Trustee at the specific written direction of the Company in certain Governmental Obligations, investment-grade corporate obligations and other investments permitted under the Indenture.

**The 2007 Bond Fund**

The proceeds from the issuance of the Bonds will be deposited by the Trustee in the County of Carroll, Kentucky, Environmental Facilities Revenue Bond Fund, 2007 Series A (Kentucky Utilities Company Project) created by the Indenture of Trust dated as of March 1, 2007 for the 2007 Bonds in an amount adequate to pay, together with other moneys to be provided by the Company, all principal of and accrued interest on the 2007 Bonds to become due and payable on their scheduled redemption date.

**The Rebate Fund**

A Rebate Fund has been created by the Indenture (the “Rebate Fund”) and will be maintained as a separate fund free and clear of the lien of the Indenture. The Issuer, the Trustee and the Company have agreed to comply with all rebate requirements of the Code and, in particular, the Company has agreed that if necessary, it will deposit in the Rebate Fund any such amount as is required under the Code. However, the Issuer, the Trustee and the Company may disregard the Rebate Fund provisions to the extent that they receive an opinion of Bond Counsel that such failure to comply will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

#### **Discharge of Indenture**

When all the Bonds and all fees and charges accrued and to accrue of the Trustee and the Paying Agent have been paid or provided for, and when proper notice has been given to the Bondholders or the Trustee that the proper amounts have been so paid or provided for, and if the Issuer is not in default in any other respect under the Indenture, the Indenture will become null and void. The Bonds will be deemed to have been paid and discharged when there have been irrevocably deposited with the Trustee moneys sufficient to pay the principal or redemption price of and accrued interest on such Bonds to the due date (whether such date be by reason of maturity or upon redemption) or, in lieu thereof, Governmental Obligations have been deposited which mature in such amounts and at such times as will provide the funds necessary to so pay such Bonds, and when all reasonable and necessary fees and expenses of the Trustee, the Tender Agent, the Authenticating Agent, the Bond Registrar and the Paying Agent have been paid or provided for.

#### **Surrender of First Mortgage Bonds**

Upon payment of any principal or redemption price of and interest on any of the Bonds which reduces the principal amount of Bonds outstanding, or upon provision for the payment thereof having been made in accordance with the Indenture (see "Discharge of Indenture" above), First Mortgage Bonds in a principal amount equal to the principal amount of the Bonds so paid, or for the payment of which such provision has been made, shall be surrendered by the Trustee to the First Mortgage Trustee. The First Mortgage Bonds so surrendered shall be deemed fully paid and the obligations of the Company thereunder terminated.

#### **Defaults and Remedies**

Each of the following events constitutes an "Event of Default" under the Indenture:

- (i) failure to make due and punctual payment of any installment of interest on any Bond within a period of five Business Days from the due date;
- (ii) failure to make due and punctual payment of the principal of, or premium, if any, on any Bond on the due date, whether at the stated maturity thereof, or upon proceedings for redemption, or upon the maturity thereof by declaration or if payment of the purchase price of any Bond required to be purchased pursuant to the Indenture is not made when such payment has become due and payable, provided that no Event of Default has occurred in respect of failure to receive such purchase price for any Bond if the Company has made the payment at the opening of business on the next Business Day as described in the last paragraph under "Summary of the Bonds — Mandatory Purchase of Bonds — Remarketing and Purchase of Bonds" above;
- (iii) failure by the Issuer to perform or observe any other of the covenants, agreements or conditions in the Indenture or in the Bonds which failure continues for a period of 30 days after written notice by the Trustee or by the registered owners holding not less than 25% in aggregate principal amount of all Bonds outstanding, provided, however, that if such failure is capable of being cured, but cannot be cured in such 30-day period, it will not constitute an Event of Default under the Indenture if corrective action in respect of such failure is instituted within such 30-day period and is being diligently pursued;
- (iv) the occurrence of an "Event of Default" under the Loan Agreement (see "Summary of the Loan Agreement — Events of Default"); or

(v) all first mortgage bonds outstanding under the First Mortgage Indenture, if not already due, shall have become immediately due and payable, whether by declaration or otherwise, and such acceleration shall not have been rescinded by the First Mortgage Trustee.

Upon the occurrence of an Event of Default under the Indenture, the Trustee may, and upon the written request of the registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding and upon receipt of indemnity reasonably satisfactory to it, must: (i) enforce each and every right granted to the Trustee as a holder of the First Mortgage Bonds (see "Summary of the First Mortgage Bonds and the First Mortgage Indenture"), (ii) declare the principal of all Bonds and interest accrued thereon to be immediately due and payable and (iii) declare all payments under the Loan Agreement to be immediately due and payable and enforce each and every other right granted to the Issuer under the Loan Agreement for the benefit of the Bondholders. Interest on the Bonds will cease to accrue on the date of issuance of a declaration of acceleration of payment of the principal and interest on the Bonds.

In exercising such rights, the Trustee will take any action that, in the judgment of the Trustee, would best serve the interests of the registered owners, taking into account the security and remedies afforded to holders of first mortgage bonds under the First Mortgage Indenture. Upon the occurrence of an Event of Default under the Indenture, the Trustee may also proceed to pursue any available remedy by suit at law or in equity to enforce the payment of the principal or redemption price of and interest on the Bonds then outstanding.

If an Event of Default under the Indenture shall occur and be continuing and the maturity date of the Bonds has been accelerated (to the extent the Bonds are not already due and payable) as a consequence of such event of default, the Trustee may, and upon the written request of the registered owners holding not less than 25% in principal amount of all Bonds then outstanding and upon receipt of indemnity satisfactory to it shall, exercise such rights as it shall possess under the First Mortgage Indenture as a holder of the First Mortgage Bonds and shall also issue a Redemption Demand for such First Mortgage Bonds to the First Mortgage Trustee.

If the Trustee recovers any moneys following an Event of Default, unless the principal of the Bonds has been declared due and payable, all such moneys will be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and the payment of any sums due and payable to the United States pursuant to Section 148(f) of the Code, (ii) to the payment of all interest then due on the Bonds, and (iii) to the payment of unpaid principal and premium, if any, of the Bonds. If the principal of the Bonds has become due or has been accelerated, such moneys will be applied in the following order: (i) to the payment of the fees, expenses, liabilities and advances incurred or made by the Trustee and the Paying Agent and (ii) to the payment of principal of and interest then due and unpaid on the Bonds.

No Bondholder may institute any suit or proceeding in equity or at law for the enforcement of the Indenture unless an Event of Default has occurred of which the Trustee has been notified or is deemed to have notice, and registered owners holding not less than 25% in aggregate principal amount of Bonds then outstanding have made written request to the Trustee to proceed to exercise the powers granted under the Indenture or to institute such action in their own name and the Trustee fails or refuses to exercise its powers within a reasonable time after receipt of indemnity satisfactory to it.

Any judgment against the Issuer pursuant to the exercise of rights under the Indenture will be enforceable only against specific assigned payments, funds and accounts under the Indenture in the hands of the Trustee. No deficiency judgment will be authorized against the general credit of the Issuer.

#### **Waiver of Events of Default**

Except as provided below, the Trustee may in its discretion waive any Event of Default under the Indenture and will do so upon the written request of the registered owners holding a majority in principal amount of all Bonds then outstanding. If, after the principal of all Bonds then outstanding have been declared to be due and payable as a result of a default under the Indenture and prior to any judgment or decree for the appointment of a receiver or for the payment of the moneys due has been obtained or entered, (i) the Company causes to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of and premium, if any, on any and all Bonds which would become due otherwise than by reason of such declaration (with interest thereon as provided in the Indenture) and the expenses of the Trustee in connection with such default and (ii) all Events of Default under the Indenture (other than nonpayment of the principal of Bonds due by said declaration) have been remedied, then such Event of Default will be deemed waived and such declaration and its consequences rescinded and annulled by the Trustee. Such waiver, rescission and annulment will be binding upon all Bondholders. No such waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Upon any waiver or rescission as described above or any discontinuance or abandonment of proceedings under the Indenture, the Trustee shall immediately rescind in writing any Redemption Demand of First Mortgage Bonds previously given to the First Mortgage Trustee. The rescission under the First Mortgage Indenture of a declaration that all first mortgage bonds outstanding under the First Mortgage Indenture are immediately due and payable shall also constitute a waiver of an Event of Default described in paragraph (v) under the subheading "Defaults and Remedies" above and a waiver and rescission of its consequences, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Notwithstanding the foregoing, nothing in the Indenture will affect the right of a registered owner to enforce the payment of principal or redemption price of and interest on the Bonds after the maturity thereof.

#### **Voting of First Mortgage Bonds Held by Trustee**

The Indenture provides that the Trustee, as the holder of the First Mortgage Bonds, will be required to attend such meeting or meetings of bondholders under the First Mortgage Indenture or, at its option, deliver its proxy in connection therewith, as relate to matters with respect to which it, as such holder, is entitled to vote or consent. The Trustee, either at any such meeting or meetings or otherwise when the consent of the holders of the First Mortgage Bonds is sought without a meeting, will be required to vote all First Mortgage Bonds then held by it, or consent with respect thereto, proportionately with the vote or consent of the holders of all other securities of the Company then outstanding under the First Mortgage Indenture eligible to vote or consent, as evidenced by, and as to be delivered to the Trustee, a certificate signed by the temporary chairman, the temporary secretary, the permanent chairman, the permanent secretary, or an inspector of votes at any meeting or meetings of security holders under the First Mortgage Indenture, or by the First Mortgage Trustee in the case of consents of such security holders which are sought without a meeting, which states what the signer thereof reasonably believes are the proportionate votes or consents of the holders of all securities (other than the First Mortgage Bonds) outstanding under the First Mortgage Indenture and counted for the purposes of determining whether such security holders have approved or consented to the matter put before them; provided, however, that the Trustee shall not so vote in favor of, or so consent to, any amendment or modification of the First Mortgage Indenture, which, if it were an amendment or modification of the Indenture, would require the consent of the Bondholders as described in the third paragraph under the heading "Summary of the Indenture – Supplemental Indenture," without the prior consent and approval of Bondholders which