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PUBLIC SERVICE  
COMMISSION

Mr. Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

**Louisville Gas and  
Electric Company**  
State Regulation and Rates  
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May 28, 2010

**Re: Application of Louisville Gas and Electric Company for an Order  
Authorizing the Restructure and Refinancing of Unsecured Debt  
and the Assumption of Obligations and for Amendment of Existing  
Authority – Case No. 2010-00205**

Dear Mr. DeRouen:

Enclosed for filing please find the original and ten copies of the Application of Louisville Gas and Electric Company for an order authorizing the restructure and refinancing of its existing unsecured debt.

Please confirm your receipt of this filing by placing the stamp of your office with the date received on the enclosed additional copy of this filing.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

Lonnie E. Bellar

cc: Dennis Howard II, AG  
Michael L. Kurtz, KIUC

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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MAY 28 2010

PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE )  
GAS AND ELECTRIC COMPANY FOR )  
AN ORDER AUTHORIZING THE )  
RESTRUCTURE AND REFINANCING OF )  
UNSECURED DEBT AND THE )  
ASSUMPTION OF OBLIGATIONS AND )  
FOR AMENDMENT OF EXISTING )  
AUTHORITY )

Case No. 2010-00205

APPLICATION FOR AUTHORITY TO RESTRUCTURE  
AND REFINANCE UNSECURED DEBT

Louisville Gas and Electric Company ("LG&E" or the "Company") hereby requests, pursuant to KRS 278.300, authority to restructure and refinance its existing unsecured debt. Specifically, LG&E requests authority to refinance eight (8) unsecured promissory notes currently held by Fidelia Corporation ("Fidelia"), an affiliate within the E.ON AG ("E.ON") holding company system, with external secured debt, to secure thirteen (13) existing series of unsecured tax-exempt pollution control obligations, and to replace its current, multi-year revolving credit facilities. This Application is being filed concurrently with Case No. 2010-00204 (*In the Matter of: The Joint Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities*).

As discussed in Section II below, the change of control contemplated in Case No. 2010-00204, if approved by the Commission, presents LG&E with a favorable opportunity to refinance the Fidelia debt, at lower net cost and without payment of any prepayment penalty. Accordingly, LG&E requests that the Order in this case be issued concurrently with the Order in Case No. 2010-00204, and no later than September 24, 2010. LG&E acknowledges that the

Commission will therefore have good cause to delay the Order in this case beyond the sixty (60) days contemplated in KRS 278.300(2).

In support of this Application, LG&E states as follows:

**I. APPLICANT'S INFORMATION**

1. The Company's full name is Louisville Gas and Electric Company. The post office address of the Company is 220 West Main Street, Louisville, Kentucky 40202. LG&E is a Kentucky corporation, a utility as defined by KRS 278.010(3)(a) and (b), and, as of March 31, 2010, provides retail electric service to approximately 397,000 customers in nine counties in Kentucky, and retail gas service to approximately 322,000 customers in seventeen counties in Kentucky. A description of LG&E's properties is set out in Exhibit 1 to this Application. A certified copy of the Company's Articles of Incorporation was filed with the Commission in Case No. 2010-00204 and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).

**II. THE PROPOSED RESTRUCTURING OF LG&E'S DEBT**

2. Pursuant to the Commission's Order dated January 31, 2007 in Case No. 2006-00445, LG&E was able to obtain the release of the lien of the Company's Trust Indenture dated November 1, 1949, as Amended (the "1949 Indenture"), and LG&E subsequently terminated the 1949 Indenture.<sup>1</sup> Following this, LG&E's outstanding and newly issued debt has not been secured by any lien on LG&E's properties.

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<sup>1</sup> In Case No. 2006-00445 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*) LG&E sought, and by Order dated January 31, 2007 the Commission granted, authority to redeem three series of outstanding preferred stock and to refinance two series of outstanding secured tax-exempt pollution control debt with new, unsecured tax-exempt pollution control debt. These were the last transactions necessary for LG&E to obtain the release of the security that collateralized its then outstanding first mortgage and tax-exempt pollution control bonds. LG&E's reasons for undertaking these actions were twofold. First, debt secured under the 1949 Indenture was subject to extensive filing and reporting requirements, and LG&E sustained ongoing administrative costs attributable to the preparation of reports and external legal, accounting and printing costs associated with the reporting requirements of the Securities

3. In recent years, the Company obtained long-term, taxable financing from Fidelity. Upon approval of the transactions contemplated in Case No. 2010-00204, E.ON obviously would not be in a position to continue making loans to a non-affiliate. Rather, LG&E anticipates issuing First Mortgage Bonds, the lowest cost form of public debt, directly to the market. The Company seeks authority to refinance its current, long-term taxable financings with Fidelity, represented by eight (8) promissory notes (\$485,000,000 total principal amount) with secured First Mortgage Bonds.

4. Issuance of First Mortgage Bonds directly to the market as a means of financing is consistent with the Commission's long-standing policy that operating utilities have direct access to capital markets.<sup>2</sup> Over the years, LG&E has repeatedly demonstrated the ability to effectively raise capital at reasonable rates through the issuance of First Mortgage Bonds using the 1949 Indenture. The transactions contemplated in Case No. 2010-00204 also provide the Company with a favorable opportunity to refinance the current Fidelity debt, with lower cost secured debt with longer tenors. The existing loan agreements with Fidelity include a pre-payment provision that in most instances would require the Company to make an additional payment to Fidelity above the principal amount and accrued interest, if the Company chose to refinance with lower cost debt. These clauses are commonly referred to as "make whole" provisions and are typical with fixed rate commercial loans. A "make whole" provision is included in financings to protect the lender from the reinvestment risk caused by a Borrower seeking to terminate a financing before its maturity and refinance at a lower rate. Pursuant to the terms of the existing Fidelity loans, the amount of the "make whole" is calculated as the present value difference between the

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Exchange Act of 1934 and the Sarbanes-Oxley Act of 2002. Secondly, the 1949 Indenture was antiquated, and imposed many arcane and burdensome requirements upon the Company.

<sup>2</sup> See generally, Case No. 10296, (*The Application of Kentucky Utilities Company to Enter Into an Agreement and Plan of Exchange and to Carry Out Certain Transactions in Connection Therewith*), Order of October 6, 1988 at page 11.



interest payments the Lender would have received under the existing loan agreement and the interest they can earn in the current market for the remaining term of the existing loan discounted at the current interest rate for a loan with a tenor equal to the remaining term. Since current interest rates are generally lower than the rates were when the Fidelity loans were made there would normally be a “make whole” due to Fidelity.<sup>3</sup> As of March 31, 2010, the “make whole” amount that would be payable from LG&E is estimated to be approximately \$27 million. However, the existing loan agreements with Fidelity contain provisions allowing Fidelity to require repayment, with no penalty or “make whole” payment if LG&E leaves the E.ON Group (i.e., the companies consolidated in E.ON AG’s balance sheet). Thus, the transactions contemplated in Case No. 2010-00204 would allow LG&E to refinance with lower cost secured debt without having to make “make whole” payments to Fidelity.

5. In addition, LG&E’s existing, multi-year revolving credit facilities will no longer be available once LG&E ceases to be part of the E.ON Group. LG&E therefore requests authority to enter into new, replacement credit facilities totaling \$400 million providing for short-term borrowing from time to time.

6. While interest rates and maturity dates cannot be known for debt to be issued in the future, a representative net present value analysis is attached as Exhibit 4 using projected forward treasury rates at December 31, 2010 and current market spreads above treasuries and costs associated with the contemplated new credit facilities. The analysis shows net savings from issuing First Mortgage Bonds after covering all debt issuance expenses and the additional costs that will result from once again being subject to the requirements of being an SEC registrant and the additional costs associated with the new credit facilities. Although the cost of

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<sup>3</sup> Note that the rates established when the Fidelity loans were entered into were the best rates available at that time and those rates were determined under the Best Rate Method approved by the Commission in Case No. 2003-00058.

SEC compliance is reflected in the analysis, the Company will evaluate whether issuing registered securities is cost-beneficial as it moves closer to issuance. The use of First Mortgage Bonds should position the Company to realize the lowest interest rates available in the market.

### **III. SPECIFIC APPROVALS REQUESTED**

7. For the reasons described in the balance of this application, LG&E seeks Commission authority:

a) To replace a total of eight (8) existing unsecured promissory notes (\$485,000,000 total principal amount) between itself and Fidelia with external debt secured by a lien on LG&E's properties, as described in Section IV below.

b) To issue up to \$50,000,000 of previously authorized new unsecured debt to Fidelia, later replacing it with up to \$50,000,000 of secured debt, or to issue up to \$50,000,000 of new secured debt in lieu of the \$50,000,000 of already authorized, but unissued, Fidelia debt, provided that the total of debt outstanding under this section together shall not exceed \$50,000,000, as more specifically described in Section V below.

c) Confirming LG&E's existing authority to secure ten (10) series of pollution control debt with the company's First Mortgage Bonds or, alternatively, to modify LG&E's authority with respect to these ten series of pollution control debt to allow for such security, as more specifically described in Section VI below.

d) To secure three (3) series of pollution control debt with First Mortgage Bonds, which series were issued since 2006, as more specifically described in Section VII below.

e) To expressly allow for the use of First Mortgage Bonds to secure any refunding debt obligations that may be incurred pursuant to the authority granted in Case No. 2008-00131, as more specifically described in Section VIII below.

f) To enter into new, multi-year revolving credit facilities to replace LG&E’s current revolving credit facilities to allow for short-term borrowing from time to time, as more specifically described in Section IX below.

g) To secure the proposed debt issuances via a lien created under a mortgage indenture (the “New Indenture”) which would include modernized administrative terms and conditions and avoid some of the administrative problems of the previous 1949 Indenture, as more specifically described in Section X below.

**IV. REFINANCING THE FIDELIA DEBT**

8. E.ON U.S. LLC (“E.ON US”) is an indirect subsidiary of E.ON. LG&E is a wholly owned subsidiary of E.ON US. E.ON U.S. Holding GmbH, is also a subsidiary of E.ON. Fidelity, a finance company subsidiary organized in Delaware, is a subsidiary of E.ON U.S. Holding GmbH. Fidelity lends money to companies in the E.ON holding company system, and has, from time to time and with the approval of the Commission, made long term loans to the Company. Below is a list of each note to Fidelity that LG&E proposes to refund with external taxable debt, secured by a first mortgage lien on the Company’s properties.

<u>Payee</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
Fidelity	04/30/03	04/30/13	4.55%	\$100,000,000
Fidelity	08/15/03	08/15/13	5.31%	\$100,000,000
Fidelity	01/15/04	01/16/12	4.33%	\$ 25,000,000
Fidelity	04/13/07	04/13/37	5.98%	\$ 70,000,000
Fidelity	04/13/07	04/13/31	5.93%	\$ 68,000,000
Fidelity	11/26/07	11/28/22	5.72%	\$ 47,000,000
Fidelity	07/25/08	07/25/18	6.21%	\$ 25,000,000
Fidelity	11/21/08	11/23/15	6.48%	\$ 50,000,000
			<b>TOTAL</b>	<b>\$485,000,000</b>

Additional information required by 807 KAR 5:001(11)(e) with respect to each note is shown in Exhibit 3, attached hereto. All of the loan proceeds from the existing debt listed above were made available to the Company.

9. As noted in Paragraph 4 above, LG&E's loans from Fidelia will become due and payable upon Fidelia's demand if LG&E leaves the E.ON Group. Therefore the transactions discussed in Case No. 2010-00204 would allow LG&E to refinance those loans without having to pay the "make whole" payment. PPL Corporation will cause LG&E to refinance the loans from Fidelia, with proceeds of replacement notes issued to PPL Corporation or to a subsidiary of PPL Corporation on substantially the same terms and conditions as the existing Fidelia notes including the same maturity dates and same interest rates.<sup>4</sup> The only differences would be the elimination of the "make whole" provisions and the deletion of the restriction that prepayment be made on interest payment dates.

10. To refund the PPL notes, LG&E proposes to issue and sell from time to time long-term debt in the form of First Mortgage Bonds in one or more transactions, provided that the aggregate principal or stated amount so issued and sold shall not exceed the sum of (i) \$485,000,000 representing the existing Fidelia debt, and (ii) the \$50,000,000 of additional Fidelia debt discussed in Section V.<sup>5</sup> In other words, the Company is not requesting borrowing authority in an amount beyond what the Commission has already approved.

11. Alternatively, if timing and market conditions are favorable, the parties could agree to allow the Fidelia notes to be refinanced using proceeds from the issuance of the First

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<sup>4</sup> At the time LG&E anticipates issuing the replacement notes to PPL, the January 15, 2004 note, and possibly the April 30, 2003 note if the change of control is delayed, will have a remaining term of less than two years. However, these replacement notes will still constitute long term debt, subject to the Commission's jurisdiction under 278.300. This is because the original term of each obligation was for more than two years.

<sup>5</sup> The \$50,000,000 of additional Fidelia debt was authorized by the Commission in Case No. 2009-00450 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of January 14, 2010. Some or all of the \$50,000,000 authorized but not yet outstanding debt to Fidelia may be incurred before the First Mortgage Bonds are issued. In that case, the amount of such new Fidelia debt would be added to the \$485,000,000 being refunded, with a corresponding reduction in the amount issued in lieu of authorized but unissued debt to Fidelia. Thus, the total amount of \$535,000,000 (\$485,000,000 plus \$50,000,000) would not be exceeded.

Mortgage Bonds without the make whole. This could occur prior to consummation of the change of control.

12. The First Mortgage Bonds may be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation. To the extent that any such First Mortgage Bonds are issued pursuant to an exemption from registration under the Securities Act of 1933, the Company may, but need not, grant the purchasers' registration rights pursuant to which the Company would agree to subsequently register such First Mortgage Bonds or exchange such First Mortgage Bonds for registered First Mortgage Bonds. In the event of such registration or exchange, the principal amount of such First Mortgage Bonds would be counted only once against the \$535,000,000 limit (\$485,000,000 refunding to replace Fidelity debt plus \$50,000,000 in lieu of previously authorized Fidelity debt).

13. The Company would enter into a mortgage indenture ("the New Indenture") which would authorize it to issue, from time to time, bonds of one or more series, with each series having such date, maturity date(s), interest rate(s), and other terms as may be established by a supplemental indenture executed by the Company in connection with such series. All bonds issued under the New Indenture would be equally and ratably secured by a first mortgage lien on substantially all of the Company's permanently fixed properties in Kentucky. A draft of the New Indenture, in substantially the final form, is attached as Exhibit 5 to this application.

14. The First Mortgage Bonds of each series would be issued and secured by the New Indenture as to be further supplemented and amended by a supplemental indenture creating the bonds of such series. Such supplemental indenture would set forth the terms and provisions of such series, including without limitation, the maturity date(s), interest rate(s), redemption provisions and other applicable terms. The First Mortgage Bonds of each series may be sold in

one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation. The price, maturity date(s), interest rate(s), and the redemption provisions, and other terms and provisions of each series of First Mortgage Bonds would be determined on the basis of negotiations among LG&E and the purchaser of such First Mortgage Bonds. The amount of compensation to be paid to underwriters or purchasers for their services would not exceed one percent (1%) of the principal amount of the First Mortgage Bonds of the series to be sold. Based upon past experience with similar financings, LG&E estimates that issuance costs, excluding underwriting fees, would be approximately \$1.35 million.

15. In connection with the issuance of First Mortgage Bonds, LG&E may enter into one or more interest rate hedging agreements (including an interest rate cap, swap, collar, or similar agreement, collectively, the “Hedging Facility”) with a bank or financial institution (the “Counterparty”). The Hedging Facility would be an interest rate agreement designed to allow LG&E to lock in attractive interest rates prior to the actual issuance of the bonds and to actively manage and to lower its overall borrowing costs. The Hedging Facility will set forth the specific terms upon which LG&E will agree to pay the Counterparty payments and/or fees and the other terms and conditions of any rights or obligations thereunder.

16. The terms of each Hedging Facility will be negotiated by LG&E with the respective Counterparty and would be the most favorable terms that can be negotiated by the Company.

**V. RECENTLY AUTHORIZED \$50,000,000 NEW DEBT**

17. The Commission recently authorized LG&E to obtain long-term debt from Fidelity in an amount not to exceed \$50,000,000.<sup>6</sup> Because it has a continuing need to use the debt

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<sup>6</sup> Case No. 2009-00450 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of January 14, 2010.

authority the Commission has already approved, LG&E may issue some or all of this debt under its existing authority. LG&E therefore further requests authority (a) to issue up to \$50,000,000 in new unsecured debt to Fidelia, later replacing it with up to \$50,000,000 of secured debt, or (b) to issue up to \$50,000,000 of new secured debt in lieu of the \$50,000,000 of already authorized, but unissued, Fidelia debt, provided that the total of debt outstanding under (a) and (b) together shall not exceed \$50,000,000.

**VI. SECURING TEN SERIES OF TAX EXEMPT POLLUTION CONTROL BONDS**

18. LG&E has a total of thirteen (13) series of tax-exempt unsecured pollution control debt outstanding or authorized, totaling \$574,304,000 in principal amount. The existing tax-exempt bonds contain provisions that require the Company to ensure that they have equal rights and privileges to the Company's most senior debt obligations. Consequently, LG&E's obligations with regards to its pollution control debt would also have to be secured by a lien on LG&E's properties evidenced by First Mortgage Bonds if the Fidelia loans are refinanced with secured debt.

19. Ten series of pollution control debt were originally secured by the Company's First Mortgage Bonds. These series are: the Jefferson County 2000 Series A Bonds,<sup>7</sup> the Jefferson County 2001 Series A Bonds,<sup>8</sup> the Trimble County 2000 Series A Bonds,<sup>9</sup> the Jefferson County 2001 Series A Bonds, the Jefferson County 2001 Series B Bonds, the Trimble

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<sup>7</sup> Authorized by the Commission by Orders dated March 31, 2000 and May 18, 2000 in Case No. 2000-051 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*).

<sup>8</sup> Authorized by the Commission by Order dated August 28, 2001 in Case No. 2001-205 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*).

<sup>9</sup> Authorized by the Commission by Order dated July 18, 2000 in Case No. 2000-275 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*).

County 2001 Series A Bonds, and the Trimble County 2001 Series B Bonds,<sup>10</sup> the Trimble County 2002 Series A Bonds,<sup>11</sup> the Louisville Metro 2003 Series A Bonds,<sup>12</sup> and the Louisville Metro 2005 Series A Bonds.<sup>13</sup> The Company believes that it has ongoing authority to again secure this debt with mortgage bonds evidencing a lien on the Company's property. LG&E therefore requests that the Commission confirm its existing authority to secure these Pollution Control Bonds with the Company's First Mortgage Bonds. However, if the Commission disagrees with LG&E's position, LG&E respectfully requests that the Commission treat this Application as a request for modification of its authority with respect to these ten (10) series of pollution control debt as well. As noted previously, because of provisions requiring that LG&E's pollution control debt obligations have equal rights and privileges to the Company's most senior debt, LG&E could not issue debt secured by a lien on its properties that would be senior to its obligations under its pollution control debt. Those pollution control debt obligations would therefore have to be similarly secured by a lien on LG&E's properties. However, First Mortgage Bonds used to secure LG&E's obligations with respect to its pollution control debt would not be sold to the public and those First Mortgage Bonds would not constitute new debt, but rather security for existing obligations of the Company previously authorized by the Commission.

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<sup>10</sup> All authorized by the Commission by Order dated December 7, 2001 in Case No. 2001-316 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*).

<sup>11</sup> Authorized by the Commission by Order dated August 12, 2002 in Case No. 2002-00230 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*).

<sup>12</sup> Authorized by the Commission by Order dated September 16, 2003 in Case No. 2003-00299 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*).

<sup>13</sup> Authorized by the Commission by Order dated March 17, 2005 in Case No. 2005-00046 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*).



20. The Company's First Mortgage Bonds would be used to secure and collateralize the pollution control bonds which have been issued by the various Counties (the "Pollution Control Bonds"), and sold to the public, with the proceeds from such sale previously loaned to LG&E pursuant to loan agreements.

21. The First Mortgage Bonds that are used to secure LG&E's obligations with respect to the Pollution Control Bonds would be issued in like amount and identical term to the Pollution Control Bonds, and would secure LG&E's payment obligations under the Pollution Control Bonds.

22. Such First Mortgage Bonds would be delivered to one or more corporate trustees and/or bond insurers under one or more indentures of trust between the county that issued the Pollution Control Bonds and such trustee (each a "Trustee"). The First Mortgage Bonds would then be held by the Trustees and/or bond insurers to secure the Pollution Control Bonds and LG&E's payment obligations with respect to the loan agreements related to the Pollution Control Bonds. As with those First Mortgage Bonds that are sold to generate funds for the Company (non-tax-exempt debt) these First Mortgage Bonds would also be issued pursuant to one or more supplemental indentures to the New Indenture. Existing documentation with respect to such Pollution Control Bonds may also need to be amended to reflect the existence of the First Mortgage Bonds used for this purpose. In addition, it is possible that First Mortgage Bonds could be issued to secure the Pollution Control Bonds prior to the consummation of the change of control contemplated in Case No. 2010-00204.

**VII. SECURING THREE SERIES OF RECENT  
POLLUTION CONTROL DEBT**

23. While LG&E's ten older series of pollution control debt were originally issued as secured under the 1949 Indenture, the most recent three issuances were not authorized to be

secured by First Mortgage Bonds. LG&E requests express authority to secure these three series of pollution control debt, issued more recently, with First Mortgage Bonds.

24. The \$31,000,000 in principal amount of Louisville Metro Environmental Facilities Revenue Refunding Bonds, 2007 Series A (“Louisville Metro 2007 Series A Bonds”), the \$35,200,000 in principal amount of Louisville Metro Environmental Facilities Revenue Refunding Bonds, 2007 Series B (“Louisville Metro 2007 Series B Bonds”), and the \$60,000,000 in principal amount of County of Trimble, Kentucky Environment Facilities Revenue Refunding Bonds, 2007 Series A (“Trimble County 2007 Series A Bonds”) were all issued under authority granted by the Commission in the previously cited Case No. 2006-00445, Order of January 31, 2007, and were not secured under the 1949 Indenture. LG&E’s application contemplated that First Mortgage Bonds would not be used and the Commission’s Order in Case No. 2006-00445 did not authorize the use of First Mortgage Bonds as security. Therefore, the Company is requesting that its authority with respect to each of these three series be amended to expressly allow use of mortgage bonds evidencing a lien on the Company’s properties to secure the Company’s obligations with respect to these series of pollution control debt. As with the Pollution Control Bonds discussed in Section VI, it is possible that these series of Pollution Control Bonds could be secured with First Mortgage Bonds prior to the change of control.

#### **VIII. AUCTION MODE POLLUTION CONTROL DEBT MITIGATION**

25. In Case No. 2008-00131 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), by Order dated June 17, 2008, the Commission granted LG&E authority to take certain actions to mitigate the impact of market conditions on its auction mode pollution control bonds. LG&E requests that its authority be amended to expressly allow for the use of First

Mortgage Bonds to secure any refunding debt obligations that may be incurred pursuant to the authority granted in Case No. 2008-00131.

**IX. REPLACEMENT OF REVOLVING CREDIT FACILITIES**

26. In Case No. 2007-00232 LG&E sought and by Orders dated August 2, 2007 and August 8, 2007 the Commission granted LG&E authority to enter into one or more multi-year revolving credit facilities (“Credit Facilities”) under which LG&E could incur short-term debt from time to time. The Commission found that this arrangement would alleviate the time and costs of annually negotiating and renewing short-term debt arrangements.<sup>14</sup>

27. LG&E subsequently entered into such Credit Facilities (the “Existing Facilities”) which will expire in 2012. However, under the terms of the Existing Facilities, the change of control will be a default. Thus, if the change of control which is the subject of Case No. 2010-00204 is approved and consummated, LG&E will need to enter into new credit facilities (“New Credit Facilities”) to replace the current arrangements.

28. Accordingly, LG&E requests authority to enter into one or more New Credit Facilities between LG&E and one or more banks or other financial institutions or a syndicate of financial institutions (each such financial institution hereinafter a “Bank”) under which a Bank would make available to LG&E a revolving line of credit. The aggregate maximum amount of credit available under all New Credit Facilities would not exceed \$400,000,000. Each individual draw of funds under a New Credit Facility would be short-term debt, with a term not to exceed 364 days. However, a New Credit Facility itself would be for a term not to exceed five (5) years. LG&E expects that the actual term of the New Credit Facilities would be through December 31, 2014. The Company believes that market conditions currently allow for entrance into multi-year

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<sup>14</sup> *(In the Matter of: The Application of Louisville Gas and Electric Company for An Order Authorizing the Issuance of Securities and the Assumption of Obligations)*. Order of August 2, 2007 at page 1.

New Credit Facilities, hence it is advantageous for the Company to enter into the proposed long-term credit commitment(s)<sup>15</sup>, even though the individual debt under such arrangement(s) will be short-term.

29. A New Credit Facility would be on the most favorable terms that can be negotiated by LG&E. The Company would negotiate terms for fees, such as commitment fees, as well as interest rates for funds borrowed under the New Credit Facility. Negotiations concerning interest rates could include interest rate options which would set interest rates at some spread in relation to such indices as the Bank's prime rate or the London Inter-Bank Offered Rate ("LIBOR"), as well as provisions for converting from one interest rate to another. Based upon market conditions today and an unsecured credit rating of BBB+/Baa1, the Company believes that current interest rates under a New Credit Facility would not exceed 2.50%, or approximately 200 basis points above current LIBOR. However, interest rates would be expected to vary over the term of the credit commitment.

30. In addition to interest on funds that may actually be borrowed, the Company may be required to pay an initial fee to establish the New Credit Facility, as well as an ongoing facility fee, to maintain the credit commitment. Based upon current conditions, LG&E does not believe the initial fee would exceed 100 basis points or 1.00% of the Bank's commitment, and the facility fee would not exceed 25 basis points or .25% annually.

31. The New Credit Facilities could be used to provide liquidity or credit support for variable rate long-term debt enhancing the marketability of such debt. In this role, the New Credit Facilities would ensure that LG&E has readily available funds with which to make payments with respect to variable rate bonds that could be tendered for purchase and not remarketed. Following

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<sup>15</sup> LG&E would not be under any obligation to make draws under any Credit Facility, rather "credit commitment" refers to the Bank's obligation to make funds available to LG&E if LG&E so requests.

the recent credit market turmoil, and the decline in the availability and usefulness of bond insurance for credit and liquidity support, other forms of support have become much more important, and it is anticipated that the New Credit Facilities would serve this function. In such role, funds available under the New Credit Facilities would not necessarily be drawn. The New Credit Facilities would also be structured allow the issuance of letters of credit to support tax-exempt bonds as described in Case No. 2008-00131. Please refer to the discussion in Section VIII.

32. In addition, it is possible that loan proceeds under the New Credit Facilities could be used to provide short-term financing for the Company's general financing needs--for example, general costs of operation or costs of the Company's various construction programs such as costs associated with construction of new assets, until permanent or long-term financing can be arranged. However, borrowing under the New Credit Facilities would be used to meet short-term financing needs as they arise and LG&E does not assign specific financing to any particular capital project or use, and does not project finance projects. Thus, these uses are general reasons that LG&E might have need for short-term financing, rather than projects to which such financing would be assigned.

#### **X. ADDITIONAL INFORMATION**

33. To secure the proposed debt issuances, a lien would be created under the "New Indenture" which would include modernized procedures, and avoid some of the administrative problems that existed with the 1949 Indenture. For example, the New Indenture contains a significantly less burdensome process for releasing property from the lien. This will allow the Company to dispose of property in the normal course of business in a much more efficient manner. A draft of the New Indenture in substantially the final form is attached as Exhibit 5.

34. With the restructure of its secured debt to unsecured debt, LG&E ceased filing Forms 10-K, 10-Q and 8-K with the Securities and Exchange Commission. LG&E has instead

been filing reports of material changes with the Commission pursuant to the Commission's January 31, 2007 Order in Case No. 2006-00445. LG&E is requesting that, to the extent that it again must file disclosures with the SEC, that those filings replace the disclosures it has been filing pursuant to the Commission's Order in Case No. 2006-00445.

35. LG&E has not entered into any contracts for the disposition of any of the securities which it proposes to issue.

36. LG&E shall, as soon as it is available, file with the Commission a certified copy of LG&E's Board of Directors' resolution authorizing the transactions discussed herein.

37. LG&E shall, as soon as it is finalized, file a copy of the final New Indenture with the Commission.

38. LG&E shall, as soon as reasonably practicable after the issuance of the First Mortgage Bonds referred to herein, file with the Commission a statement setting forth the date or dates of issuance, the price paid therefore, the interest rate(s), and all fees and expenses including underwriting discounts or commissions or other compensation, involved in the issuance and distribution.

39. Exhibit 2 to this Application contains the Financial Exhibit required by 807 KAR 5:001; Section 11(2)(a) as described by 807 KAR 5:001, Section 6. It also contains information required by 807 KAR 5:001, Section 11(2)(b).

40. Other requirements of the Commission's regulations regarding this Application, 807 KAR 5:001, Section 11, including (1)(b) regarding the amount and kind of Notes, etc. and (1)(c) regarding the use to be made of the proceeds, have been supplied in the extensive discussion above in Sections IV through X of this Application.

**WHEREFORE**, Louisville Gas and Electric Company respectfully requests that the Commission make and enter its Order as follows:

1. Authorizing LG&E to execute, deliver and perform its obligations under the New Indenture, which would include current administrative terms and conditions as more specifically described in Section X of this Application, and any supplemental indentures thereto, whereby it may grant a lien on its properties for the purpose of securing its obligations under First Mortgage Bonds, and to issue and sell such First Mortgage Bonds as discussed in this Application and used for the purpose of either refunding all of LG&E's notes to Fidelity Corporation or PPL Corporation, as applicable, or issuing and selling First Mortgage Bonds in lieu of debt previously authorized but not yet incurred to Fidelity Corporation, or issuing First Mortgage Bonds for the purpose of securing and collateralizing LG&E's existing pollution control debt obligations, and to enter into necessary amendments to existing documentation that may be necessary to reflect such security and collateralization.

2. Amending the authority granted in Case No. 2009-00450, to provide that LG&E is authorized to issue up to \$50,000,000 in new unsecured debt to Fidelity, later replacing it with up to \$50,000,000 of secured debt, or to issue up to \$50,000,000 of new secured debt in lieu of the \$50,000,000 of already authorized, but unissued, Fidelity debt, provided that the total of debt outstanding under this authority together shall not exceed \$50,000,000, as more specifically described in Section V above.

3. Authorizing LG&E to issue notes to PPL Corporation, or to a subsidiary of PPL Corporation, with the same principal amounts, terms, conditions and interest rates as the Fidelity notes, except that such new notes would not have "make whole" provisions and could be prepaid at any time at par plus accrued interest on any day rather than just on interest payment dates.

4. Confirming LG&E's existing authority to secure and collateralize LG&E's obligations with respect to ten (10) existing series of pollution control debt, the Jefferson County 2000 Series A Bonds, the Jefferson County 2001 Series A Bonds, the Trimble County 2000 Series A Bonds, the Jefferson County 2001 Series A Bonds, the Jefferson County 2001 Series B Bonds, the Trimble County 2001 Series A Bonds, the Trimble County 2001 Series B Bonds, the Trimble County 2002 Series A Bonds, the Louisville Metro 2003 Series A Bonds, and the Louisville Metro 2005 Series A Bonds with the Company's First Mortgage Bonds or, alternatively, to modify LG&E's authority with respect to these ten series of pollution control debt, as more specifically described in Section VI above.

5. Authorizing LG&E to secure three (3) series of pollution control debt, the Louisville Metro 2007 Series A Bonds, the Louisville Metro 2007 Series B Bonds, and the Trimble County 2007 Series A Bonds, with First Mortgage Bonds as more specifically described in Section VII above.

6. Authorizing LG&E to use First Mortgage Bonds to secure and collateralize LG&E's obligations with respect to any refunding debt obligations that may be incurred pursuant to the authority granted in Case No. 2008-00131, as more specifically described in Section VIII above.

7. Authorizing LG&E to execute, deliver and perform its obligations under such hedging agreements and such other agreements and documents as set forth in this Application, and to perform the transactions contemplated by all such agreements.

8. Authorizing LG&E to enter into one or more multi-year revolving New Credit Facilities with one or more financial institutions in an aggregate amount not to exceed \$400 million as more specifically described in Section IX above.



9. Conditioning the authority such that the proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the Application.

10. Conditioning the authority such that LG&E shall agree only to such terms and prices that are consistent with the parameters set out in this Application.

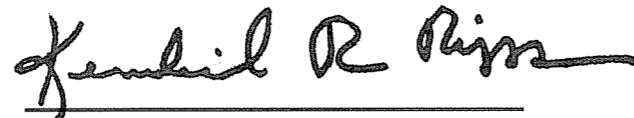
11. Conditioning the authority such that LG&E shall, within 30 days from the date of issuance, file with the Commission a statement setting forth the date or dates of issuances of securities authorized herein, the price paid, the interest rate or rates, and all fees and expenses, including underwriting discounts or commissions, or other compensation, involved in the issuance and the distribution thereof.

12. Conditioning the authority such that to the extent that LG&E again becomes subject to SEC reporting requirements and commences to file disclosures with the SEC, it shall file those disclosures with the Commission, rather than the reports of material changes called for in the Commission's January 31, 2007 Order in Case No. 2006-00445. LG&E shall further be relieved of the reporting obligations set out in said January 31, 2007 Order.

13. LG&E requests that the Commission authorize the transactions contemplated herein concurrently with the Commission's Order in Case No. 2010-00204 and no later than September 24, 2010. LG&E acknowledges that the Commission will therefore have good cause to delay the Order in this case beyond the sixty (60) days contemplated in KRS 278.300(2).

Dated: May 27, 2010

Respectfully submitted,



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John Wade Hendricks  
W. Duncan Crosby III  
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500 West Jefferson Street  
Louisville, Kentucky 40202-2828  
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Allyson K. Sturgeon  
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E.ON U.S. LLC  
220 West Main Street  
Louisville, KY 40202  
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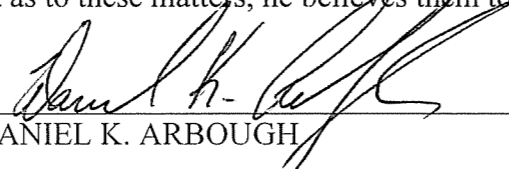
Counsel for Louisville Gas and Electric Company

**VERIFICATION**

**COMMONWEALTH OF KENTUCKY**

**COUNTY OF JEFFERSON**

Daniel K. Arbough being first duly sworn, deposes and says that he is Treasurer for Louisville Gas and Electric Company, that he has read the foregoing Application and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.

  
\_\_\_\_\_  
DANIEL K. ARBOUGH

Subscribed and sworn before me this 27th day of May, 2010.

My Commission Expires: *August 31, 2011*

  
\_\_\_\_\_  
NOTARY PUBLIC, STATE AT LARGE

## INDEX OF EXHIBITS

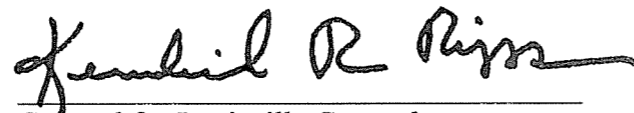
- |           |                                  |
|-----------|----------------------------------|
| Exhibit 1 | Description of LG&E's properties |
| Exhibit 2 | Financial Exhibit                |
| Exhibit 3 | Fidelia Debt                     |
| Exhibit 4 | Net present value analysis       |
| Exhibit 5 | "Draft" New Indenture            |

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the above and foregoing Application was served upon the following persons by first class United States mail, postage prepaid, on the 28<sup>th</sup> day of May 2010.

Dennis G. Howard II  
Assistant Attorney General  
Office of the Kentucky Attorney General  
Office of Rate Intervention  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601-8204

Michael L. Kurtz  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
Suite 1510  
Cincinnati, OH 45202



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Counsel for Louisville Gas and  
Electric Company



LOUISVILLE GAS AND ELECTRIC COMPANY  
(807 KAR 5:001, Section 11, Item 1 (a))

A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING A  
STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY  
AND THE COST THEREOF TO APPLICANT

March 31, 2010

The applicant's generating, transmission and distribution systems described herein are calculated annually. As of December 31, 2009, the applicant owned and operated eight coal fired steam electric generating units having a total capacity of 2,418 MW; fourteen combustion turbine generating units having a total capacity of 665 MW; and one hydroelectric generating station, the operation of which is affected by the water level and flow of the Ohio River, having a total capacity of 52 MW.

The applicant's owned electric transmission system included 44 substations (31 of which are shared with the distribution system) with a total capacity of approximately 6,760 MVA and 904 miles of lines. The electric distribution system included 94 substations (31 of which are shared with the transmission system) with a total capacity of approximately 5,179 MVA, 3,923 miles of overhead lines and 2,347 miles of underground conduit.

The applicant operated underground gas storage facilities with a current working gas capacity of 15 million Mcf used for seasonal and peak-day augmentation of winter pipe line supply.

The applicant's gas transmission system included 255 miles of transmission mains, and the gas distribution system includes 4,249 miles of distribution mains.

Other properties include an office building, service centers, warehouses, garages and other structures and equipment, the use of which is common to both the electric and gas departments.

The net original cost of the property and cost thereof to the applicant at March 31, 2010, was:

	<u>Electric</u>	<u>Gas</u>	<u>Common</u>	<u>Total</u>
Original Cost	\$ 3,647,293,182	\$ 671,037,688	\$ 235,481,987	\$ 4,553,812,857
Less Reserve for				
Depreciation	1,459,840,248	168,149,106	94,207,319	1,722,196,673 *
Net Original Cost	2,187,452,934	502,888,582	141,274,668	2,831,616,184
Allocation of Common				
To Electric and Gas	103,130,508	38,144,160	(141,274,668)	-
Total	<u>\$ 2,290,583,442</u>	<u>\$ 541,032,742</u>	<u>\$ -</u>	<u>\$ 2,831,616,184</u>

\*

Excludes \$262,151,972 related to cost of removal reserves that is not included in the reserve in the Financial Statements and Additional Information, but instead is included as a regulatory liability.





LOUISVILLE GAS AND ELECTRIC COMPANY

FINANCIAL EXHIBIT  
(807 KAR 5:001 SEC. 6)

March 31, 2010

- (1) Amount and kinds of stock authorized.

75,000,000 shares of Common Stock, without par value.

- (2) Amount and kinds of stock issued and outstanding.

Common Stock:

21,294,223 shares issued and outstanding, without par value, recorded at \$424,334,535.

- (3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets or otherwise.

None

- (4) Brief description of each mortgage on property of applicant, giving date of execution, name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of indebtedness actually secured, together with any sinking fund provisions.

None

- (5) Amount of bonds authorized, and amount issued, giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with an amount of interest paid thereon during the last 12-month period.

Unsecured

Louisville Gas and Electric Company

Date of Issue	Date of Maturity	Rate of Interest	Principal Amount		Interest Expense Year Ended March 31, 2010
			Authorized	Outstanding at March 31, 2010	
Pollution Control Bonds					
05/19/00	05/01/27	5.375%	\$ 25,000,000	\$ 25,000,000	\$ 1,343,750
08/09/00	08/01/30	Variable	83,335,000	83,335,000	312,934
09/11/01	09/01/27	Variable	10,104,000	10,104,000	36,199
03/06/02	09/01/26	Variable	22,500,000	22,500,000	189,358
03/06/02	09/01/26	Variable	27,500,000	27,500,000	239,476
03/22/02	11/01/27	Variable	35,000,000	35,000,000	318,260
03/22/02	11/01/27	Variable	35,000,000	35,000,000	318,260
10/23/02	10/01/32	Variable	41,665,000	41,665,000	236,094
11/20/03	10/01/33	Variable	128,000,000	128,000,000 *	-
04/13/05	02/01/35	5.750%	40,000,000	40,000,000	2,300,000
04/26/07	06/01/33	5.625%	31,000,000	31,000,000	1,743,750
04/26/07	06/01/33	Variable	35,200,000	35,200,000 *	-
04/26/07	06/01/33	4.600%	60,000,000	60,000,000	2,760,000
Interest Rate Swaps					** <u>6,951,897</u>
					<u>\$ 16,749,978</u>

\* LG&E issued notices to bondholders of its intention to convert these bonds from the auction rate mode to a weekly interest rate mode, as permitted under the loan documents. In connection with the conversions, LG&E purchased the bonds from the remarketing agent. The bonds are expected to be remarketed to the public at a later time.

\*\* The interest for the Interest Rate Swaps includes OCI amortization of \$64,909.

- (6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest, in whose favor, together with amount of interest paid thereon during the last 12-month period.

Payee	Date of Issue	Date of Maturity	Rate of Interest	Amount	Interest Expense Year Ended March 31, 2010
Fidelia Corp.	01/15/04	01/16/12	4.33%	\$ 25,000,000	\$ 1,082,500
Fidelia Corp.	04/30/03	04/30/13	4.55%	100,000,000	4,550,000
Fidelia Corp.	08/15/03	08/15/13	5.31%	100,000,000	5,310,000
Fidelia Corp.	11/21/08	11/23/15	6.48%	50,000,000	3,240,000
Fidelia Corp.	07/25/08	07/25/18	6.21%	25,000,000	1,552,500
Fidelia Corp.	11/26/07	11/28/22	5.72%	47,000,000	2,688,400
Fidelia Corp.	04/13/07	04/13/31	5.93%	68,000,000	4,032,400
Fidelia Corp.	04/13/07	04/13/37	5.98%	70,000,000	4,186,000
					<u>\$ 26,641,800</u>

- (7) Other indebtedness, giving same by classes and describing security, if any, with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

None, other than current and accrued liabilities.

- (8) Rate and amount of dividends paid during the five previous fiscal years, and the amount of capital stock on which dividends were paid each year. (1)

Dividends on Common Stock, without par value

2005	\$ 39,000,000
2006	95,000,000
2007	65,000,000
2008	40,000,000
2009	80,000,000

(1) As of May 1998, the 21,294,223 shares are all owned by E.ON U.S. LLC (formerly LG&E Energy LLC) and all dividends declared by LG&E's Board of Directors are paid to E.ON U.S. LLC. During the 1<sup>st</sup> quarter of 2010, LG&E declared and paid a dividend on common stock of \$30,000,000.

Dividends on 5% Cumulative Preferred Stock, \$25 par value

For each of the quarters in the years 2005 – 2006, the Company declared and paid dividends of \$.3125 per share on the 860,287 shares of 5% Cumulative Preferred Stock, \$25 par value, outstanding for a total of \$268,841 each quarter. The annual amount of dividends for each fiscal year 2005 - 2006 was \$1,075,365. All shares were redeemed on April 16, 2007. The amount of dividends declared and paid through April 16, 2007 was \$316,636.

Dividends on \$5.875 Cumulative Preferred Stock, without par value

For each of the quarters in the years 2005 – 2006, the Company declared and paid dividends of \$1.46875 per share on the \$5.875 series preferred stock outstanding. The preferred stock had a sinking fund requirement sufficient to retire a minimum of 12,500 shares on July 15 of each year commencing with July 15, 2003, and the remaining 187,500 shares on July 15, 2008 at \$100 per share. The Company redeemed 12,500 shares in accordance with these provisions annually on July 15, 2003 through July 15, 2006. The 200,000 remaining shares were redeemed April 16, 2007.

Annual dividends and interest on preferred stock, without par value for the previous five fiscal years were:

2005	\$1,285,156
2006	1,211,719
2007	345,972
2008	0
2009	0

Dividends on Auction Rate Cumulative Preferred Stock, without par value

<u>Declared Date</u>	<u>Payment Date</u>	<u>Rate Per Share</u>	<u>Amount</u>
March 2005	04/15/05	0.75000	\$375,000
June 2005	07/15/05	0.97500	487,500
September 2005	10/17/05	0.97500	487,500
December 2005	01/17/06	1.10000	550,000
			<u>\$1,900,000</u>
March 2006	04/15/06	1.20000	\$600,000
June 2006	07/15/06	1.33750	668,750
September 2006	10/15/06	1.44750	723,750
December 2006	01/15/07	1.27500	637,500
			<u>\$2,630,000</u>
March 2007	04/13/07	1.25000	\$625,000
			<u>\$625,000</u>

Dividend is based on 500,000 shares for all periods. All shares were redeemed on April 16, 2007.

(9) Detailed Income Statement, Balance Sheet and Statement of Retained Earnings

Monthly Financial and Operating Reports are filed each month with the Kentucky Public Service Commission. Attached are detailed Statements of Income, Balance Sheets and Retained Earnings for the Company for the period ending March 31, 2010.

**Louisville Gas and Electric Company  
Balance Sheet as of March 31, 2010**

Assets		Liabilities and Proprietary Capital
Utility Plant		Proprietary Capital
Utility Plant at Original Cost.....	4,553,812,856.77	Common Stock.....
Less Reserves for Depreciation and Amortization.....	<u>1,982,617,156.88</u>	Less: Common Stock Expense.....
		Paid-In Capital.....
		Other Comprehensive Income.....
		Retained Earnings.....
Total.....	<u>2,571,195,699.89</u>	
		Total Proprietary Capital.....
Investments		Pollution Control Bonds - Net of Reacquired Bonds..
Ohio Valley Electric Corporation.....	594,286.00	L.T. Notes Payable to Associated Companies.....
Nonutility Property-Less Reserve.....	11,879.20	
Special Funds.....	<u>14,727,362.80</u>	Total Long-Term Debt.....
Other.....	-	Total Capitalization.....
Total.....	<u>15,333,528.00</u>	
		Current and Accrued Liabilities
Current and Accrued Assets		ST Notes Payable to Associated Companies.....
Cash.....	4,581,700.41	Accounts Payable.....
Special Deposits.....	755,272.54	Accounts Payable to Associated Companies.....
Temporary Cash Investments.....	119.71	Customer Deposits.....
Accounts Receivable-Less Reserve.....	133,999,184.50	Taxes Accrued.....
Accounts Receivable from Associated Companies.....	15,709,235.55	Interest Accrued.....
Materials and Supplies-At Average Cost		ST Obligations Under Capital Leases.....
Fuel.....	68,540,274.67	Miscellaneous Current and Accrued Liabilities.....
Plant Materials and Operating Supplies.....	29,661,158.50	Total.....
Stores Expense.....	4,581,464.86	
Gas Stored Underground.....	19,702,551.38	Deferred Credits and Other
Allowance Inventory.....	3,979.99	Accumulated Deferred Income Taxes.....
Prepayments.....	7,494,347.38	Investment Tax Credit.....
Miscellaneous Current and Accrued Assets.....	7,403,197.91	Regulatory Liabilities.....
Total.....	<u>292,432,487.40</u>	Customer Advances for Construction.....
		Asset Retirement Obligations.....
Deferred Debits and Other		Other Deferred Credits.....
Unamortized Debt Expense.....	3,807,606.66	Miscellaneous Long-Term Liabilities.....
Unamortized Loss on Bonds.....	22,843,399.48	Accum Provision for Postretirement Benefits.....
Accumulated Deferred Income Taxes.....	51,562,119.86	Total.....
Deferred Regulatory Assets.....	318,835,262.63	
Other Deferred Debits.....	<u>2,115,572.23</u>	Total Liabilities and Stockholders' Equity.....
Total.....	<u>399,163,960.86</u>	
		Total Assets.....
		<u>3,278,125,676.15</u>

**Louisville Gas and Electric Company**  
**Statement of Income**  
**March 31, 2010**

	Year Ended 3/31/2010
Electric Operating Revenues.....	917,142,590.47
Gas Operating Revenues.....	<u>302,437,164.96</u>
 Total Operating Revenues.....	 <u>1,219,579,755.43</u>
 Fuel for Electric Generation.....	 320,720,703.47
Power Purchased.....	55,960,477.51
Gas Supply Expenses.....	180,253,390.95
Other Operation Expenses.....	215,624,179.22
Maintenance.....	64,336,407.25
Depreciation.....	129,526,604.53
Amortization Expense.....	8,619,888.98
Regulatory Credits.....	(2,210,996.39)
Taxes	
Federal Income.....	41,716,064.45
State Income.....	6,519,813.69
Deferred Federal Income - Net.....	9,667,912.71
Deferred State Income - Net.....	2,326,694.06
Property and Other.....	22,872,695.96
Investment Tax Credit.....	2,737,009.49
Amortization of Investment Tax Credit.....	(2,905,352.28)
Loss (Gain) from Disposition of Allowances.....	(34,460.14)
Accretion Expense.....	<u>1,975,666.52</u>
 Total Operating Expenses.....	 <u>1,057,706,699.98</u>
 Net Operating Income.....	 161,873,055.45
Other Income Less Deductions.....	<u>8,590,876.96</u>
 Income Before Interest Charges.....	 <u>170,463,932.41</u>
 Interest on Long-Term Debt.....	 43,472,914.10
Amortization of Debt Expense - Net.....	1,443,244.44
Other Interest Expenses.....	<u>2,561,699.27</u>
 Total Interest Charges.....	 <u>47,477,857.81</u>
 Net Income.....	 <u><u>122,986,074.60</u></u>

**Louisville Gas and Electric Company**  
**Analysis of Retained Earnings**  
**March 31, 2010**

	<u>Year Ended 3/31/10</u>
Balance at Beginning of Period.....	709,742,492.69
Add:	
Net Income for Period.....	122,986,074.60
Deduct:	
Common Dividends	
Common Stock Without Par Value.....	<u>75,000,000.00</u>
Balance at End of Period.....	<u><u>757,728,567.29</u></u>





EXHIBIT 3

PROMISSORY NOTES TO FIDELIA

Please note that LG&E does not “project finance,” and utilizes all sources of funds, including internally generated funds, capital, and debt for its various projects. Thus, the uses cited are general reasons for LG&E’s need for funds at the time the debt was incurred rather than specific uses to which specific debt was assigned.

A. By Orders dated April 14, 2003 and April 30, 2003 in Case No. 2003-00058 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), the Commission authorized LG&E to obtain long-term debt financing from Fidelity in an amount not to exceed \$300,000,000. Among the causes for LG&E’s need for additional long-term financing were the maturing, on August 15, 2003, of LG&E’s 6% First Mortgage Bonds in the principal amount of \$42,600,000. In addition, financing in an amount not to exceed \$42,000,000 was needed for combustion turbines at the Trimble County generating station, for which a Certificate of Public Convenience and Necessity was granted in Case No. 2002-00381 (*In the Matter of: The Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Acquisition of Four Combustion Turbines and a Site Compatibility Certificate for the Facility*). Additional financing was needed for the costs of LG&E’s pollution control program, in an amount not to exceed \$140,000,000, as approved by the Commission in Case No. 2000-386 (*In the Matter of: The Application of Louisville Gas and Electric Company for Approval of an Amended Compliance Plan for Purposes of Recovering the Cost of New and Additional Pollution Control Facilities and to Amend its Environmental Cost Recovery Surcharge Tariff*) by Order dated April 18, 2001.

LG&E also proposed to finance approximately \$83,000,000 of its pension contributions, and to replace short-term debt in order to reduce its exposure to the risk of rising short-term interest rates.

Pursuant to the authority granted in Case No. 2003-00058, the Company issued the following notes:

<u>Payee</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
Fidelia	04/30/03	04/30/13	4.55%	\$100,000,000
Fidelia	08/15/03	08/15/13	5.31%	\$100,000,000

B. By order dated September 22, 2003 in Case No. 2003-00300 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), the Commission authorized LG&E to obtain long-term debt financing from Fidelia in an amount not to exceed \$50,000,000. Among the causes for LG&E's need for additional long-term financing were the costs for terminating LG&E's Accounts Receivable Program, which had been approved by the Commission in Case No. 2000-490 (*In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for an Order Approving the Transfer of Certain Financial Assets*) by Orders dated December 13, 2000 and January 16, 2001.

Pursuant to the authority granted in Case No. 2003-00300, the Company issued the following note:

<u>Payee</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
Fidelia	01/15/04	01/16/12	4.33%	\$25,000,000

C. By Orders dated March 22, 2007 in Case No. 2007-00039 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of*

*Securities and the Assumption of Obligations*) and January 31, 2007 in Case No. 2006-00445 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), the Commission authorized LG&E to obtain long-term debt financing from Fidelity in an amount not to exceed \$185,000,000. Among the causes for LG&E's need for additional long-term financing were pension contributions required under the Pension Protection Act of 2006. LG&E also noted the need for long-term financing for its share of the capital costs of Trimble County Unit 2 construction, which construction was granted the requisite certificates by the Commission by Orders dated November 1, 2005 and November 9, 2005 in Case No. 2004-00507 (*In the Matter of: The Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity and a Site Compatibility Certificate, for the Expansion of the Trimble County Generating Station*). In addition, LG&E required funds to redeem three outstanding series of preferred stock – the Company's 5% Cumulative Preferred, 5.875% Cumulative Preferred and the Auction Series A Preferred.

Pursuant to the authority granted in Case Nos. 2006-00445 and 2007-00039, the Company issued the following notes:

<u>Payee</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
Fidelity	04/13/07	04/13/37	5.98%	\$ 70,000,000
Fidelity	04/13/07	04/13/31	5.93%	\$ 68,000,000
Fidelity	11/26/07	11/28/22	5.72%	\$ 47,000,000

D. By Orders dated February 13, 2008 and February 27, 2008 in Case No. 2007-00550 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*) the Commission

authorized LG&E to obtain long-term debt financing from Fidelity in an amount not to exceed \$25,000,000. In addition to funds needed for general operational expenditures on an ongoing basis, LG&E required long-term financing for its share of the construction costs of Trimble County Unit 2, which was authorized by the Commission in the previously cited Case No. 2004-00507.

Pursuant to the authority granted in Case No. 2007-00550, the Company issued the following note:

<u>Payee</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
Fidelity	07/25/08	07/25/18	6.21%	\$ 25,000,000

E. By Order dated October 21, 2008 in Case No. 2008-00428 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*) the Commission authorized LG&E to obtain long-term debt financing from Fidelity in an amount not to exceed \$100,000,000. In addition to funds needed for general capital expenditures, LG&E required long-term financing for its share of the construction costs of Trimble County Unit 2 during 2009. Additionally, LG&E required long-term financing to replace short-term debt.

Pursuant to the authority granted in Case No. 2008-00428, the Company issued the following note:

<u>Payee</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
Fidelity	11/21/08	11/23/15	6.48%	\$ 50,000,000



First Mortgage Bond Analysis

Louisville Gas & Electric First Mortgage Bond Analysis

Impact on Cash Flow

EXISTING CAPITALIZATION							PROPOSED REFUNDING										PRESENT VALUE ANALYSIS			
Fidelia Loans and Existing Bank Facilities							FMB and New Bank Facilities													
Date	Interest	Credit Facility Fees	L/C Fees	Credit Facility Amortization	Taxes	Total Cash Outlay	Interest	Debt Expense Amortization (1)	Make Whole Premium	Credit Facility Fees	L/C Fees	Adm./Acc. Costs	Annual Issue Exp	Credit Facility Issuance	Issue Expenses	Taxes (2)	Total Cash Outlay	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS
12/31/2010														4,000,000	4,760,625	\$ -	\$8,760,625	\$ (8,760,625)	1.0000	(\$8,760,625)
2011	\$ 26,641,800	\$ 84,000		0	(10,396,336)	\$16,329,464	\$ 23,779,950	\$ 1,344,047	0	\$ 1,000,000		288,675	0			\$ (10,274,529)	\$14,794,096	\$ 1,535,368	0.9709	\$1,490,710
2012	\$ 26,100,550	\$ 42,000		0	(10,169,452)	\$15,973,098	\$ 23,201,575	\$ 1,354,597		\$ 500,000		299,685	316,500			\$ (9,863,428)	\$14,454,332	\$ 1,518,766	0.9426	\$1,431,576
2013	\$ 23,284,300			0	(9,057,593)	\$14,226,707	\$ 20,309,700	\$ 1,354,597				308,451				\$ (8,547,399)	\$12,070,752	\$ 2,155,955	0.9033	\$1,947,538
2014	\$ 15,699,300			0	(6,107,028)	\$9,592,272	\$ 13,369,200	\$ 1,354,597				317,479				\$ (5,851,056)	\$7,835,623	\$ 1,756,649	0.8836	\$1,552,197
2015	\$ 15,699,300			0	(6,107,028)	\$9,592,272	\$ 13,369,200	\$ 365,147				329,279	316,500			\$ (5,470,750)	\$8,544,228	\$ 1,048,044	0.8430	\$883,449
2016	\$ 12,459,300			0	(4,846,668)	\$7,612,632	\$ 10,798,200	\$ 365,147				338,857				\$ (4,474,357)	\$6,662,700	\$ 949,933	0.8306	\$789,015
2017	\$ 12,459,300			0	(4,846,668)	\$7,612,632	\$ 10,798,200	\$ 365,147				348,723				\$ (4,478,195)	\$6,668,728	\$ 943,905	0.8053	\$760,127
2018	\$ 12,459,300			0	(4,846,668)	\$7,612,632	\$ 10,798,200	\$ 375,697				361,384	316,500			\$ (4,487,224)	\$6,988,860	\$ 623,772	0.7688	\$479,577
2019	\$ 10,906,800			0	(4,242,745)	\$6,664,055	\$ 9,512,700	\$ 375,697				371,851				\$ (3,991,235)	\$5,893,315	\$ 770,740	0.7570	\$583,441
2020	\$ 10,906,800			0	(4,242,745)	\$6,664,055	\$ 9,512,700	\$ 375,697				382,632				\$ (3,995,430)	\$5,899,901	\$ 764,153	0.7339	\$560,835
2021	\$ 10,906,800			0	(4,242,745)	\$6,664,055	\$ 9,512,700	\$ 174,216				396,235	316,500			\$ (3,922,346)	\$6,303,090	\$ 360,965	0.7116	\$256,853
2022	\$ 10,906,800			0	(4,242,745)	\$6,664,055	\$ 9,512,700	\$ 174,216				407,673				\$ (3,926,795)	\$5,993,578	\$ 670,477	0.6542	\$438,653
2023	\$ 8,218,400			0	(3,196,958)	\$5,021,442	\$ 7,095,960	\$ 174,216				419,453				\$ (2,991,265)	\$4,524,147	\$ 497,295	0.6689	\$332,633
2024	\$ 8,218,400			0	(3,196,958)	\$5,021,442	\$ 7,095,960	\$ 184,766				434,086	316,500			\$ (3,001,062)	\$4,845,484	\$ 175,958	0.6485	\$114,110
2025	\$ 8,218,400			0	(3,196,958)	\$5,021,442	\$ 7,095,960	\$ 184,766				446,584				\$ (3,005,923)	\$4,536,620	\$ 484,822	0.6288	\$304,834
2026	\$ 8,218,400			0	(3,196,958)	\$5,021,442	\$ 7,095,960	\$ 184,766				459,456				\$ (3,010,931)	\$4,544,486	\$ 476,957	0.6096	\$290,754
2027	\$ 8,218,400			0	(3,196,958)	\$5,021,442	\$ 7,095,960	\$ 195,316				475,215	316,500			\$ (3,021,165)	\$4,866,510	\$ 154,932	0.5910	\$91,570
2028	\$ 8,218,400			0	(3,196,958)	\$5,021,442	\$ 7,095,960	\$ 195,316				488,872				\$ (3,026,477)	\$4,558,354	\$ 463,088	0.5730	\$265,364
2029	\$ 8,218,400			0	(3,196,958)	\$5,021,442	\$ 7,095,960	\$ 195,316				502,938				\$ (3,031,949)	\$4,566,949	\$ 454,494	0.5556	\$252,506
2030	\$ 8,218,400			0	(3,196,958)	\$5,021,442	\$ 7,095,960	\$ 205,866				519,926	316,500			\$ (3,042,661)	\$4,889,725	\$ 131,718	0.5387	\$70,950
2031	\$ 6,202,200			0	(2,412,656)	\$3,789,544	\$ 5,347,680	\$ 73,850				534,849				\$ (2,317,031)	\$3,565,497	\$ 224,047	0.5222	\$117,007
2032	\$ 4,186,000			0	(1,628,354)	\$2,557,646	\$ 3,599,400	\$ 73,850				550,219				\$ (1,842,929)	\$2,506,690	\$ 50,956	0.5063	\$25,801
2033	\$ 4,186,000			0	(1,628,354)	\$2,557,646	\$ 3,599,400	\$ 84,400				568,551	316,500			\$ (1,654,164)	\$2,830,286	\$ (272,640)	0.4909	(\$133,843)
2034	\$ 4,186,000			0	(1,628,354)	\$2,557,646	\$ 3,599,400	\$ 84,400				584,857				\$ (1,660,508)	\$2,523,750	\$ 33,896	0.4760	\$16,133
2035	\$ 4,186,000			0	(1,628,354)	\$2,557,646	\$ 3,599,400	\$ 84,400				601,653				\$ (1,667,041)	\$2,534,012	\$ 23,634	0.4615	\$10,906
2036	\$ 4,186,000			0	(1,628,354)	\$2,557,646	\$ 3,599,400	\$ 94,950				621,452	316,500			\$ (1,678,847)	\$2,858,505	\$ (300,859)	0.4474	(\$134,606)
2037	\$ 2,093,000			0	(814,177)	\$1,278,823	\$ 1,799,700	\$ 94,950				639,271				\$ (985,695)	\$1,453,276	\$ (174,453)	0.4338	(\$75,674)
TOTAL	\$283,402,750	\$0		\$0	(\$110,292,684)	\$173,236,066	\$248,387,085	\$10,089,925	\$0			\$11,998,305	\$2,848,500		\$4,760,625	(\$105,020,398)	\$166,474,118	\$6,761,949		\$3,961,794

(1) Debt Amortization Expense includes issuing costs of new series  
 (2) Tax calculation based on interest expense and the amortization of new issue debt expense

Assumptions

Louisville Gas & Electric First Mortgage Bond Analysis

PROPOSED REFUNDING

4.903%

MISCELLANEOUS

Tax rate	38.900%
Inflation rate	3.00%
Discount rate	3.00%

	Debt Issuance Cost	Annual Amortization	Additional Amortization
10-Year	\$ 2,120,313	\$ 212,031	\$ 10,550
20-Year	\$ 2,640,313	\$ 132,016	(Assumes 20yr Issuance)

Weighted Average Cost of Debt			
Loan #1	\$ 225,000,000	46.392%	2.147%
Loan #2	\$ 260,000,000	53.608%	2.757%
	\$ 485,000,000	100.000%	4.903%



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**TRUST INDENTURE**

From

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
(a Kentucky corporation)

To

[ \_\_\_\_\_ ]  
Trustee

\_\_\_\_\_

DATED [ \_\_\_\_\_ ]

\_\_\_\_\_

**SECURING FIRST MORTGAGE BONDS OF  
LOUISVILLE GAS AND ELECTRIC COMPANY**

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**CROSS-REFERENCE SHEET SHOWING THE LOCATION IN THE TRUST  
INDENTURE OF THE PROVISIONS INSERTED PURSUANT TO SECTIONS 310  
THROUGH 318(a) INCLUSIVE OF THE TRUST INDENTURE ACT OF 1939**

<u>Section of Trust Indenture Act</u>	<u>Section of Indenture</u>	<u>Page</u>
310(a)(1)	[14.09].....	
310(a)(2)	[14.09].....	
310(a)(3)	[14.14(b)] .....	
310(a)(4)	[Not Applicable].....	
310(a)(5)	[14.09].....	
310(b)	[14.08, 14.10(a), 14.10(d), 14.10(e)] .....	
310(c)	[Not Applicable].....	
311(a)	[14.13].....	
311(b)	[14.13].....	
311(c)	[Not Applicable].....	
312(a)	[7.14, 14.17(a)].....	
312(b)	[14.17(b)] .....	
312(c)	[14.17(c)].....	
313(a)	[14.18(a)].....	
313(b)	[14.18(b)] .....	
313(c)	[14.18(c)].....	
313(d)	[14.18(d)] .....	
314(a)	[7.15, 7.18] .....	
314(b)	[7.16] .....	
314(c)(1)	[Article I Definition of Officer's Certificate, 3.01(g), 9.03(b), 9.10(c), 15.01(c), 18.08, 18.09].....	
314(c)(2)	[Article I Definition of Opinion of Counsel, 3.01(c), 4.05(d), 9.03(e), 15.01(c), 18.08, 18.09].....	
314(c)(3)	[Article I Definitions of Accountant, Accountant's Certificate, Independent and Independent Accountant's Certificate, 3.01(d), 4.04, 4.05(c), 4.07(b), 4.07(c), 4.07(d), 9.03(f), 9.10(d), 18.08, 18.09] .....	
314(d)(1)	[Article I Definitions of Engineer, Engineer's Certificate, Independent and Independent Engineer's Certificate, 9.03(c), 9.03(d),].....	

Section of Trust Indenture Act	Section of Indenture	Page
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314(d)(3)	[Article I Definitions of Engineer, Engineer's Certificate, Independent and Independent Engineer's Certificate 4.05(a), 4.05(b), 9.03, 9.10, 14.01(d), 18.08, 18.09].....	
314(e)	[18.08].....	
314(f)	[Not Applicable].....	
315(a)	[14.01(a)].....	
315(b)	[14.02].....	
315(c)	[14.01(b)].....	
315(d)	[14.01(c)].....	
315(e)	[11.15(b)].....	
316(a)(1)	[Article I Definition of Outstanding, 11.05, 11.19, 14.01(c)(3), 16.02].....	
316(a)(2)	[Not Applicable].....	
316(b)	[11.15(a), 11.15(c), 16.02(a)].....	
316(c)	[10.07].....	
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317(b)	[7.13].....	
318(a)	[18.11(a)].....	

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**INDENTURE**, dated as of the [ ] day of [ ], by and between **Louisville Gas and Electric Company**, a corporation duly organized and existing under and by virtue of the laws of the Commonwealth of Kentucky, having its principal office in the City of Louisville in said Commonwealth of Kentucky (the “**Company**”), and [ ], a [corporation] [national banking association] duly organized and existing under and by virtue of the laws of the [ ], having its principal office in [ ] as Trustee (the “**Trustee**”)

**WHEREAS**, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its first mortgage bonds (the “**Bonds**”), to be issued in one or more series as contemplated herein, and to provide security for the payment of the principal of and premium, if any, and interest, if any, on the Bonds; and all acts necessary to make this Indenture a valid agreement of the Company have been performed. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires, capitalized terms used herein shall have the meanings assigned to them in Article I of this Indenture.

**NOW, THEREFORE**, this Indenture Witnesseth that, in consideration of the premises and of the purchase of the Bonds by the holders thereof and of one dollar to it duly paid by the Trustee the receipt of which is hereby acknowledged, and in order to secure the payment, both of the principal and interest, of all Bonds of the Company at any time outstanding hereunder and the performance of and compliance with the covenants and conditions in this Indenture contained herein and therein, the Company hereby grants, bargains, sells, warrants, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms, to [ ], as Trustee, and to its respective successors in said trust forever, all property, real, personal and mixed located in the Commonwealth of Kentucky, now owned or hereafter acquired or to be acquired by the Company, and wheresoever situated in the Commonwealth of Kentucky, (other than Excepted Property, as defined below), subject to the rights reserved by the Company in and by other provisions of this Indenture, including without limitation all lands, rights-of-way, other land rights, flowage and other water rights, water reservoirs, dams, waterways, docks, roads, and other land improvements; steam, hydro, wind, solar, integrated gasification combined cycle, nuclear and other electric generating plants, including buildings and other structures, turbines, generators, boilers, condensing equipment, and all other equipment; substations; electric transmission and distribution systems, including structures, poles, towers, fixtures, conduits, insulators, wires, cables, transformers, services and meters; steam and heating mains and equipment; gas generating and coke plants, including buildings, holders and other structures, boilers and other boiler plant equipment, benches, retorts, coke ovens, water gas sets, condensing and purification equipment, piping and other accessory works equipment; carbon sequestration equipment; facilities for gas storage whether above or below surface; natural gas transmission and distribution systems, including structures, mains, compressor stations, purifier stations, pressure holders, governors, services and meters; office, shop, garage and other general buildings and structures, and fixtures; parts or parcels of such real property and items of other property being more specifically described and mentioned or enumerated in a schedule hereto annexed and marked Schedule A, reference to said schedule for a more specific description and enumeration of the property therein described and enumerated being hereby made with the same force and effect as if the same were incorporated herein at length;

**TOGETHER WITH** all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property or any part thereof with the reversion and reversions, remainder and remainders thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchise and every part and parcel thereof other than Excepted Property or except as hereinafter excepted, excluded or released from the lien hereof.

It is hereby agreed by the Company that (other than Excepted Property) all of the property, of the kind and nature described in the first Granting Clause above, acquired by the Company after the date hereof shall be as fully embraced within the lien hereof as if such property were now owned by the Company and were specifically described herein and conveyed hereby.

Any Excepted Property, and any other property of the Company, real, personal or mixed, not described in the foregoing Granting Clauses, may be subjected to the lien hereof by the Company, from time to time after the date of the execution and delivery of this Indenture, by delivery or by an instrument supplemental to this Indenture subjecting such property to the lien hereof, the Trustee being hereby authorized to receive the same at any time as additional security hereunder; it being understood that any such subjection to the lien hereof of any Excepted Property and/or other property as additional security may be made subject to such reservations, limitations or conditions respecting the use and disposition of such property or the proceeds thereof as shall be set forth in such instrument.

The foregoing provisions hereof in so far as they purport to subject to the lien hereof property hereafter acquired by any successor corporation are subject to the provisions of Article XIII relating to the effect under various conditions of a consolidation or merger into another corporation or sale of substantially all of the property of the Company.

Expressly excepting and excluding, however, from the lien of this Indenture the following property of the Company, whether now owned or hereafter acquired (“**Excepted Property**”):

(a) all cash on hand or in banks or other financial institutions, shares of stock, bonds, notes, evidences of indebtedness and other securities not hereafter paid or delivered to, deposited with or held by the Trustee hereunder or required so to be;

(b) all contracts, leases and other agreements of whatsoever kind and nature, contract rights, bills, notes and other instruments, accounts receivable, claims, credits, demands and judgments, governmental and other permits, allowances, licenses and franchises, patents, patent licenses and other patent rights, patent applications, trade names, trademarks, copyrights, claims, credits, choses in action and other intangibles, including, but not limited to, emission or similar allowances, renewable credits, transmission rights and computer software;

(c) all automobiles, buses, trucks, truck cranes, tractors, trailers and similar vehicles and movable equipment; all rolling stock, rail cars and other railroad equipment, all vessels, boats, barges, piers, docks and other marine equipment, all airplanes, helicopters, aircraft engines

and other flight equipment; and all parts, accessories and supplies used in connection with any of the foregoing;

(d) all goods, stock in trade, wares, materials, supplies and merchandise held for the purpose of sale or lease in the ordinary course of business or for the purpose of consumption in the operation, construction or repair of any of the properties of the Company; all fuel, whether or not any such fuel is in a form consumable in the operation of the Company's business, including separate components of any fuel in the forms in which such components exist at any time before, during or after the period of the use thereof as fuel; all hand and other portable tools and equipment; all furniture and furnishings; and all computers, machinery and telecommunication and other equipment used exclusively for corporate administrative or clerical purposes;

(e) all coal, ore, gas, oil and other minerals and all timber, and all rights and interests in any of the foregoing, whether or not such minerals or timber shall have been mined or extracted or otherwise separated from the land; and all electric energy, gas (natural or artificial), steam, water and other products generated, produced, manufactured, purchased or otherwise acquired by the Company;

(f) all interests in property held by the Company as lessee;

(g) all assets under contract for sale or held for sale on the books of the Company, as of the Date Hereof;

(h) all property, real, personal and mixed, which is:

(i) located outside the Commonwealth of Kentucky;

(ii) not specifically described or referred to in the Granting Clauses of this Indenture; and

(iii) not specifically subjected or required to be subjected to the lien of this Indenture by any provision hereof;

**TO HAVE AND TO HOLD** all said properties, real, personal and mixed, mortgaged, pledged or conveyed by the Company as aforesaid, or intended so to be, unto the Trustee and its successors and assigns forever; subject, however, to Permitted Encumbrances as herein defined;

**IN TRUST NEVERTHELESS**, for the equal pro rata benefit and security of all of the Bonds issued and to be issued hereunder in accordance with the provisions of this Indenture without preference, priority or distinction as to lien of any over the others by reason of priority in time of the issue, negotiation or maturity thereof; subject, however, to the provisions of this Indenture and of any supplemental indenture relating to any sinking fund or similar fund for the benefit of the Bonds of any particular series or of the Bonds or any portion thereof issued under this Indenture; it being intended that the lien and security of all of said Bonds of all series issued or to be issued hereunder shall take effect from the execution and delivery of this Indenture, and that the lien and security of this Indenture shall take effect from the date of execution and delivery thereof as though all of the said Bonds of all series were actually authenticated and delivered upon such date.

**PROVIDED, HOWEVER,** that if the Company, its successors, or assigns, shall pay or cause to be paid unto the holders of said Bonds the principal and interest to become due in respect thereof as provided in Article XV hereof and otherwise comply with Article XV hereof, then this Indenture and the estate and rights hereby granted, shall cease, determine and be void, otherwise to be and remain in full force and effect.

**IT IS HEREBY COVENANTED, DECLARED AND AGREED,** by the Company, that all such Bonds are to be issued, authenticated and delivered, and that all property subject or to become subject hereto is to be held, subject to the further covenants, conditions, uses and trusts hereinafter set forth, and the Company, for itself and its successors and assigns, does hereby covenant and agree to and with the Trustee and its successor or successors in said trust, for the benefit of those who shall hold said Bonds, or any of them, as follows:

## **ARTICLE I**

### **DEFINITIONS**

Certain terms, as used specifically in particular Articles of the Indenture, are defined in those Articles.

For all purposes of the Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(A) The terms defined in this Article have the meanings assigned to them in this Section and include the plural as well as the singular.

(B) If the Indenture is qualified under the Trust Indenture Act, all other terms used herein which are defined in said Act, either directly or by reference therein, have the meanings assigned to them therein.

(C) All accounting terms not otherwise defined herein have the meanings assigned to them, and all computations herein provided for, shall be made in accordance with generally accepted accounting principles, except that the Company may conform to any order, rule or regulation of any regulatory authority having jurisdiction over the Company.

(D) Unless otherwise indicated, all references in this instrument to designated Articles, Sections, subsections, paragraphs and clauses are to the designated Articles, Sections, subsections, paragraphs and clauses of this instrument as originally executed.

(E) The words "herein," "hereof" and "hereunder" and other words of similar import refer to the Indenture as a whole and not to any particular Article, Section, subsection, paragraph or clause unless specifically stated to the contrary.

**"Accountant"** means a Person engaged in the practice of accounting who (except as otherwise expressly provided in the Indenture) may be employed by or affiliated with the Company.

**“Accountant’s Certificate”** means a certificate, conforming to the applicable requirements of Sections 18.08 and 18.09, signed and verified by an Authorized Officer and by an Accountant, who may be such Authorized Officer (in which case only one signature shall be required), or who may otherwise be employed by the Company.

**“Acquired Facility”** means any property which, within six months prior to the date of its acquisition by the Company, has been used or operated by a Person other than the Company in a business similar to that in which such property has been or is to be used or operated by the Company.

**“Affiliate”** of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting power, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

**“Amount of Established Permanent Additions”** means the balance stated in each Engineer’s Certificate delivered pursuant to paragraph (8) of subsection (a) of Section 4.05.

**“Application”** means an application for the authentication and delivery of Bonds, the release of property or the withdrawal of cash under any provision of the Indenture and shall consist of, and shall not be deemed complete until there shall have been delivered to the Trustee, such cash, Bonds, securities and documents as are required by such provision to establish the right of the Company to the action applied for. The date of a particular Application shall be deemed to be the date of completion of all such deliveries to the Trustee and not the date of any particular document so delivered.

**“Authenticating Agent”** when used with respect to any particular series of Bonds, means any Person named as authenticating agent for said series in the provisions of the Indenture relating to said series and any successor authenticating agent.

**“Authorized Officer”** means the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, any Vice President, the Controller, the Treasurer or the Corporate Secretary or any other duly authorized officer, agent, or attorney-in-fact of the Company named in an Officer’s Certificate signed by any of such corporate officers.

**“Board of Directors”** means either the Board of Directors of the Company or any committee of the Company appointed by the Board of Directors of the Company, provided that such committee of the Company has been properly elected or appointed in accordance with law and the by-laws of the Company and has the power requisite to take the action in question.

**“Bond”** means any bond authenticated and delivered under the Indenture.

**“Bondholder”** or **“Holder”** means the Person in whose name such Bond is registered in the Bond Register.



“**Bond Register**” and “**Bond Registrar**” have the respective meanings stated in Section 2.11.

“**Business Day**”, when used with respect to a Place of Payment or any other particular location specified in the Bonds, means any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in such Place of Payment or other location are generally authorized or required by law, regulation or executive order to remain closed, except as may be otherwise specified in any Supplemental Trust Indenture creating a series of Bonds.

“**Commission**” means the Securities and Exchange Commission, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties theretofore assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

“**Company**” means Louisville Gas and Electric Company, a Kentucky corporation, until a Successor Corporation shall have become such pursuant to the Indenture, and thereafter, “Company” shall mean such Successor Corporation.

“**Company Order**” and “**Company Request**” mean a written order or request signed in the name of the Company by an Authorized Officer and delivered to the Trustee.

“**Completed Default**” has the meaning stated in Section 11.01.

“**Completed Depreciable Property**” means, as of any specified time of computation, an amount, determined in accordance with generally accepted accounting principles, equal to the cost, as shown on the books of the Company, of the portion of the properties subject to the Lien Hereof that are currently depreciable.

“**Corporation**” or “**corporation**” means a corporation, association, company, limited liability company, partnership, limited partnership, limited liability partnership, joint stock company or business trust, and references to “corporate” and other derivations of “corporation” herein shall be deemed to include appropriate derivations of such entities.

“**Cost**,” as applied to Permanent Additions and used in any certificate herein provided for, shall be computed as of any particular date to be the amounts paid, expended or incurred by the Company for such Permanent Additions and added to the utility plant or fixed capital accounts of the Company according to the pertinent classification of accounts prescribed by any commission or other governmental authority to whose jurisdiction the Company at the time may be subject (or, in the absence of such a system, in accordance with generally accepted accounting principles), and, in the case of an Acquired Facility, shall be deemed to include the cost of any franchises, contracts, operating agreements, other rights or intangible property acquired simultaneously therewith and related thereto, even though no separate or distinct consideration shall have been paid for or apportioned to such franchises, contracts, operating agreements or other rights or property; provided that:

- (1) there shall be included in the Cost of Permanent Additions the principal amount of any monetary obligations incurred or assumed by the Company which is

directly related to the construction, acquisition or erection thereof or subject to which such Permanent Additions are acquired.

(2) if the Company acquires any Permanent Additions in consideration, in whole or in part, of its own capital stock, the reasonable value of such stock may, at the option of the Company, be included in the Cost of such Permanent Additions. The reasonable value of such stock shall be the value thereof as found or determined by a commission or other governmental authority to whose jurisdiction the Company may be subject or, if no such finding or determination shall have been made, then the reasonable value of such stock shall be ascertained as follows: The Company shall appoint one or more Independent appraisers, approved by the Trustee, to determine the reasonable value of such stock on the date or dates of its delivery, which determination shall be evidenced by a certificate, conforming to the requirements of Sections 18.08 and 18.09, signed by such Person so appointed and filed with the Trustee, stating the reasonable value of such stock in the opinion of such Person. Such certificate shall be conclusive evidence of the reasonable value of such stock for purposes of the Indenture.

(3) if Permanent Additions consist of property owned by a Successor Corporation immediately prior to the time it shall have become such by consolidation, merger or sale, as provided in Section 13.01, the Cost to the Company shall be the ledger value of such property on the books of such Successor Corporation, less applicable reserves for depreciation, retirements and depletion immediately prior to such consolidation, merger or sale.

“**Date Hereof**” means [\_\_\_\_\_].

“**Default**” means any event which has occurred and is continuing which, with the lapse of time or giving of notice, or both, would constitute a Completed Default.

“**Defaulted Interest**” has the meaning stated in Section 2.05.

“**Depreciable Property**” means, as of any specified time of computation, an amount, determined in accordance with generally accepted accounting principles, equal to the cost, as shown on the books of the Company, of (i) the Completed Depreciable Property and (ii) properties subject to the Lien Hereof that are in the process of being constructed and will be depreciable upon completion.

“**Earnings Applicable to Bond Interest**” for any applicable period means an amount computed as follows: From Gross Revenues of the Company, plus losses sustained from the disposition, write down or write off of capital assets, subtract operating expenses, except that there shall not be required to be included in operating expenses (A) expenses for income, profits and other taxes measured by, or dependent on, net income, (B) provisions for reserves for renewals, replacements, depreciation, depletion or retirement of property (or any expenditures therefor), or provisions for amortization of property, (C) expenses or provisions for interest (including the interest component of rent), for the amortization of debt discount, premium, expense or loss on reacquired debt, for any maintenance and replacement, improvement or sinking fund or other device for the retirement of any indebtedness, or for other amortization, (D)

expenses or provisions for any non-recurring charge to income or retained earnings of whatever kind or nature (including without limitation the recognition of expense due to the non-recoverability of investment or expense), whether or not recorded as a non-recurring item in the Company's books of account, or (E) provisions for any refund of revenues previously collected or accrued by the Company subject to possible refund.

“**Engineer**” means a Person who is (1) engaged in the engineering profession, (2) an appraiser or (3) other expert who (except as otherwise expressly provided in the Indenture) may be employed by or affiliated with the Company.

“**Engineer's Certificate**” means a certificate, conforming to the applicable requirements of Sections 18.08 and 18.09, signed and verified by an Authorized Officer and by an Engineer who may be such Authorized Officer (in which case only one signature shall be required), or who may otherwise be employed by the Company.

“**Fair Value,**” when used with respect to any property (including obligations for the payment of money or other securities), means the fair value thereof to the Company in the opinion of the Person making the determination. The Fair Value may be determined by reference to (a) the amount which would be likely to be obtained in an arm's length transaction with respect to such property between an informed and willing buyer and an informed and willing seller, under no compulsion, respectively, to buy or sell, (b) the amount of investment with respect to such property which, together with a reasonable return thereon, would be likely to be recovered through ordinary business operations or otherwise, (c) the Cost, accumulated depreciation and replacement cost with respect to such property and/or (d) any other relevant factors; provided that the Fair Value to the Company of Permanent Additions shall not reflect any reduction relating to the fact that such Permanent Additions may be of less value to a Person which is not the owner or operator of the mortgaged and pledged property or any portion thereof than to a Person which is such owner or operator. Fair Value may be determined, without physical inspection, by the use of accounting and engineering records and other data maintained by the Company or otherwise available to the Person certifying the same. The Fair Value to the Company of any Permanent Additions consisting of an Acquired Facility (i) shall include an amount for any franchises, contracts, operating agreements or other rights acquired simultaneously therewith and related thereto, even though no separate or distinct consideration shall have been paid for or apportioned to such franchises, contracts, operating agreements or other rights, and (ii) shall include as an element of the value of such Permanent Additions a proper amount for the earnings capability of such Permanent Additions.

If the Fair Value of any property, obligation or securities shall be stated both in an Engineer's Certificate and in an Independent Engineer's Certificate, the Fair Value stated in the Independent Engineer's Certificate shall be deemed to be the Fair Value of such property, obligations or securities for all purposes of the Indenture.

“**Government Obligations**” means obligations which are full faith and credit obligations of the United States of America or payment of which has been unconditionally guaranteed by the United States of America.

“**Gross Revenues**” means and includes all operating revenues (which may include revenues subject when collected or accrued to possible refund at a later date), other revenues and other income of the Company determined in accordance with generally accepted accounting principles.

“**Holder**,” when used with respect to any Bond, means a Bondholder.

“**Indenture**” means this instrument as originally executed and delivered and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of particular series of Securities established as contemplated by Section 2.01.

“**Independent**,” when used with respect to any specified Person, means such a Person who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Company or in any other obligor upon the Bonds or in any Affiliate of the Company or such other obligor and (3) is not connected with the Company, or such other obligor or any Affiliate of the Company or such obligor as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions. The term “employee” in this definition of Independent shall not include any Person, otherwise independent, by reason of having been employed for any purpose for which an Independent Person is necessary under the provisions of the Indenture. Whenever it is herein provided that any Independent Person’s opinion or certificate shall be furnished to the Trustee, such Person shall be appointed by a Company Order and approved by the Trustee in the exercise of reasonable care. Such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

“**Independent Accountant’s Certificate**” means a certificate, conforming to the applicable requirements of Sections 18.08 and 18.09, signed by an Independent Accountant or a firm of Independent Accountants who are Independent and are appointed by a Company Order and approved by the Trustee in the exercise of reasonable care.

“**Independent Engineer’s Certificate**” means a certificate, conforming to the applicable requirements of Sections 18.08 and 18.09, signed by an Independent Engineer appointed by a Company Order and approved by the Trustee in the exercise of reasonable care.

“**Interest Payment Date**” means the Stated Maturity of an installment of interest on the Bonds.

“**Land**” means, as of any specified time of computation, an amount, determined in accordance with generally accepted accounting principles, equal to the cost, as shown on the books of the Company, of the portion of the properties subject to the Lien Hereof that consist of any interest in real property and are not currently depreciable.

“**Lien Hereof**” and “**Lien of the Indenture**” mean the lien created by the Indenture (including the after acquired property clauses of the Indenture) and the lien created by any concurrent or subsequent conveyance to the Trustee hereunder (whether made by the Company or any other Person), of any property which is a part of the security held by the Trustee pursuant to the terms, trusts and conditions specified in the Indenture.

“**Maturity**,” when used with respect to any Bond, means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration or call for redemption or otherwise.

“**Net Earnings Certificate**” means an Accountant’s Certificate stating the amount of Earnings Applicable to Bond Interest for a specified period, computed as provided herein, and describing, in reasonable detail, how the same has been calculated and, to that end, specifying the amounts deducted from Gross Revenues on account of the items required to be deducted pursuant to the definition of Earnings Applicable to Bond Interest. When applicable the following rules shall be applied:

(1) for purposes of calculating: (i) the interest requirements applicable to any Bonds, Prior Lien Obligations or Permitted Indebtedness bearing interest at adjustable, floating or variable rates and (ii) the interest requirements applicable to any Bonds, Prior Lien Obligations or Permitted Indebtedness on which interest charges attributable to such Bonds, Prior Lien Obligations or Permitted Indebtedness will not become payable until a date more than one year after the date of such calculation, the interest rate used shall be the average interest rate payable on such Bonds, Prior Lien Obligations or Permitted Indebtedness during the 12-month period immediately preceding the date of such calculation; provided, however, that if such Bonds, Prior Lien Obligations or Permitted Indebtedness were not outstanding for a 12-month period immediately preceding the date of such calculation, the interest rate used shall be the interest rate applicable to such Bonds, Prior Lien Obligations or Permitted Indebtedness as of the date of such calculation; and provided further, that if such Bonds, Prior Lien Obligations or Permitted Indebtedness do not bear interest or will not bear interest until some future date, the interest rate used shall be the average interest rate payable on all Bonds Outstanding, Prior Lien Obligations or Permitted Indebtedness during the 12-month period immediately preceding the date of such calculation.

(2) if any property is owned by the Company at the time of: (i) the authentication and delivery of any Bonds applied for or (ii) the withdrawal of any cash, either or both of which require a Net Earnings Certificate, then, although not owned during the whole, or any part, of the period for which the computation of Earnings Applicable to Bond Interest is made, the net earnings or income of such property during the whole of such period (computed in the same manner as Earnings Applicable to Bond Interest is computed), may at the option of the Company be included in Earnings Applicable to Bond Interest for all purposes of the Indenture; provided that if any such property has been acquired in exchange or substitution for property released from the Lien Hereof or through the use of cash deposited with the Trustee under any of the provisions hereof (other than cash deposited in accordance with the provisions of Article VI as a basis for the issuance of Bonds) then the earnings from the property released or which is represented by such cash shall be excluded from Earnings Applicable to Bond Interest.

“**Officer’s Certificate**” means a certificate, conforming to the applicable requirements of Sections 18.08 and 18.09, signed by an Authorized Officer of the Company, and delivered to the Trustee. Whenever the Indenture requires that an Officer’s Certificate also be signed by an

Engineer or an Accountant or other expert, such Engineer, Accountant or other expert (except as otherwise expressly provided in the Indenture) may be employed by the Company and shall be acceptable to the Trustee.

**“Opinion of Counsel”** means a written opinion of counsel, conforming to the applicable requirements of Sections 18.08 and 18.09, and who (except as otherwise expressly provided in the Indenture) may be counsel for the Company, and shall be acceptable to the Trustee. Any Opinion of Counsel given as to title to property may be based, in whole or in part, upon the documents and opinions described in Section 18.15.

**“Outstanding,”** when used with respect to Bonds, means, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture, except:

(1) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(2) Bonds for which provisions for payment or redemption shall have been made in accordance with Section 5.03 or for whose payment or redemption money, in the necessary amount, has been deposited with the Trustee or any Paying Agent in trust for the Holders of such Bonds, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor, satisfactory to the Trustee, has been made; and

(3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture;

provided that, in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the Company or any other obligor upon the Bonds or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee’s right so to act independently with respect to such Bonds and that the pledgee is not the Company or any other obligor upon the Bonds or any Affiliate of the Company or of such other obligor.

**“Paying Agent”** means any Person meeting the requirements established by Section 14.20 who is authorized by the Company to pay the principal of, premium, if any, or interest on any Bonds on behalf of the Company.

**“Permanent Additions”** means all interests of the Company (fractional or otherwise) in property, real, personal or mixed (including, without limitation, except as hereinafter specifically limited, all lands, buildings, plants, power houses, dams, facilities that process raw materials or waste materials into fuel for the purpose of producing energy, reservoirs, stations, lines, pipes, mains, conduits, cables, machinery, pumps, transmission lines, pipelines, rights-of-way, distribution systems, storage facilities, substations, transformers, service systems, supply

systems, wires, poles, cross-arms, apparatus of all kinds and descriptions, improvements, extensions and additions, including operating public utility properties acquired as an entirety) made, acquired, constructed or erected by the Company, or which shall be in the process of construction or erection insofar as actually constructed or erected and used or to be used in the business of: (1) generating, manufacturing, storing, transporting, transmitting, distributing, supplying or measuring electricity or other forms of energy, including but not limited to natural gas for light, heat, power, refrigeration or other purposes or steam for heating, processing or other energy purposes, or other forms of energy; (2) acquiring, storing, transporting, transmitting, distributing or supplying water for use in the generation of power; or (3) selling, granting, leasing or licensing the right to use water (but not for the purpose of irrigation).

(a) Permanent Additions, as described above, need not consist of a specific or completed development, plant, betterment, addition, extension, improvement or enlargement, but may include construction work in progress and property in the process of purchase insofar as the Company shall have acquired title to such property, and may include the following:

(1) fractional interests in poles or other property used for transmission or distribution;

(2) other interests (fractional or otherwise) in property owned jointly or in common with any other Person or in other property used in connection with or relating to any such property owned jointly or in common, whether there are or are not other agreements or obligations on the part of the Company with respect to any such property; or

(3) engineering, economic, environmental, financial, geological and legal or other studies, surveys and reports, preliminary to or associated with the acquisition or construction of any property included in the calculation of Depreciable Property.

(b) The term Permanent Additions shall not include:

(1) any property not subject to the Lien of the Indenture;

(2) any land or equipment acquired, leased or used by the Company for the purpose of producing gas, oil, coal, or natural gas or oil rights owned or under lease or gas wells or oil wells or equipment therefor,

(3) any shares of stock, bonds, notes, evidences or certificates of indebtedness or other securities;

(4) goodwill, going concern value, contracts, agreements, franchises, licenses or permits, whether acquired as such, separate and distinct from the property operated in connection therewith, or acquired as an incident thereto;

(5) any stock of goods, wares and merchandise acquired for the purpose of consumption in the operation, construction or repair of any of the properties of the Company and not chargeable to capital investment by generally accepted accounting

principles or any merchandise or appliances held by the Company for sale to customers or others;

(6) any property acquired, made or constructed by the Company for keeping or maintaining the property subject to the Lien Hereof in good repair, working order and condition or merely to renew, replace or substitute for Retired Property or any property whose cost has not been charged, or is not properly chargeable, to a utility plant or fixed capital account;

(7) any plant or system or other property in which the Company shall acquire only a leasehold interest or any betterments, extensions or improvements or additions of, upon or to any plant or system or other property in which the Company shall own only a leasehold interest, unless the same shall be movable physical personal property which the Company has the right to remove; or

(8) any property that is subject to an encumbrance of the type described in paragraph (20) of the definition of Permitted Encumbrances.

**“Permitted Encumbrances”** means:

(1) as to the property specifically described in Granting Clauses of the Indenture, the restrictions, exceptions, reservations, conditions, limitations and interests which are set forth or referred to in such descriptions and each of which fits one or more of the descriptions in the following paragraphs of this definition, provided that such exceptions do not, in the aggregate, materially detract from the value of the property affected thereby and do not materially impair the use of such property for the purposes for which it is held by the Company;

(2) liens for taxes, assessments and other governmental charges that are not delinquent;

(3) liens for taxes, assessments and other governmental charges already delinquent which are currently being contested in good faith by appropriate proceedings;

(4) mechanics' and materialmen's liens not filed of record and similar charges, not delinquent, that are incident to current construction and mechanics' and materialmen's liens incident to such construction which are filed of record but which are being contested in good faith and have not proceeded to judgment;

(5) mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' liens and other similar liens arising in the ordinary course of business for charges which are not delinquent, or which are being contested in good faith and have not proceeded to judgment;

(6) liens in respect of attachments, judgments or awards with respect to which the Company shall in good faith currently be prosecuting an appeal or proceedings for review and with respect to which the Company shall have secured a stay of execution pending such appeal or proceedings for review;



(7) easements or reservations in any property of the Company for roads, public utilities or similar purposes, rights-of-way and easements over or in respect of any real property owned by the Company and zoning ordinances, regulations and restrictions, provided that they do not materially impair the use of such property in the operation of the business of the Company;

(8) minor defects, irregularities, deficiencies, exceptions and limitations in title to the mortgaged and pledged property; provided such defects, irregularities, deficiencies, exceptions and limitations in title do not, or following cure by or on behalf of the Company through the exercise of eminent domain, will not in the aggregate materially impair the use by the Company or value of the mortgaged and pledged property, considered as a whole, for the purposes for which it is held by the Company;

(9) rights of Persons who are parties to agreements with the Company relating to property owned or used jointly (in common) by the Company with such Persons, provided (a) that such rights do not materially impair the use of such jointly owned or used property in the normal operation of the Company's business and do not materially affect the security afforded by the Indenture for the Bonds Outstanding and (b) that such rights are not inconsistent with the rights of the Trustee under Article XI (a waiver of a right to partition by all joint owners is binding upon the Trustee and is not inconsistent with the provisions of Article XI);

(10) liens existing at the Date Hereof that secure indebtedness neither created, assumed nor guaranteed by the Company nor on account of which it customarily pays interest, or, at the time of acquisition of property by the Company after the Date Hereof, liens upon lands over which easements or rights-of-way are acquired by the Company, provided: (a) that such liens do not materially impair the use of such easements or rights-of-way for the purposes for which they are held by the Company or (b) that, in the Opinion of Counsel, the Company has power under eminent domain, or similar statutes, to remove such liens;

(11) (a) leases existing at the Date Hereof affecting property owned by the Company on the Date Hereof; (b) leases permitting the lessee to occupy or use any of the mortgaged and pledged property in any manner that does not interfere in any material respect with the use of such property for the purpose for which it is held by the Company and which will not have a material adverse impact on the security afforded by the Indenture; or (c) other leases relating to not more than 5% of the sum of (i) Depreciable Property and (ii) Land;

(12) terminable or short-term leases or permits for occupancy, which leases or permits expressly grant to the Company the right to terminate them at any time on not more than six months' notice and which occupancy does not interfere with the operation of the business of the Company;

(13) liens or privileges vested in any lessor, licensor or permittor for rent to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases,

licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent;

(14) liens or privileges of any employees of the Company for salary or wages earned but not yet payable;

(15) burdens of any law or governmental regulation or permit requiring the Company to maintain certain facilities or perform certain acts as a condition of its occupancy of or interference with any public lands or any river or stream or navigable waters;

(16) irregularities in or deficiencies of title to any right-of-way for pipelines, power lines or appurtenances thereto, or other improvements thereon, and to any real estate used or to be used primarily for right-of-way purposes, provided that, in the Opinion of Counsel, the Company shall have obtained from the apparent owner of the lands or estates therein covered by any such right-of-way a sufficient right, by the terms of the instrument granting such right-of-way, to the use thereof for the construction, operation or maintenance of the lines, appurtenances or improvements for which the same are used or are to be used, or provided that, in the Opinion of Counsel, the Company has power under eminent domain, or similar statutes, to remove such irregularities or deficiencies;

(17) rights reserved to, or vested in, any municipality or governmental or other public authority to control or regulate any property of the Company, or to use such property in any manner, which rights do not materially impair the use of such property for the purposes for which it is held by the Company;

(18) obligations or duties, affecting the property of the Company, to any municipality or governmental or other public authority with respect to any franchise, grant, license or permit;

(19) rights which any municipal or governmental authority may have by virtue of any franchise, license, contract or statute to terminate any franchise, license or other rights or to regulate the property and business of the Company;

(20) any mortgage, lien, charge or encumbrance prior or equal to the Lien of the Indenture, other than a Prepaid Lien, existing at the date any property is acquired by the Company, provided that at the date of acquisition of such property: (a) no Default has occurred and is continuing; (b) the principal amount of indebtedness outstanding under and secured by such mortgage, lien, charge or encumbrance shall not exceed [66-2/3%] of the lesser of the Cost or Fair Value of the property so acquired (determined in the same manner as the Cost or Fair Value to the Company of Permanent Additions); (c) each such mortgage, lien, charge or encumbrance shall apply only to the property originally subject thereto and fixed improvements erected on such real property or affixed to such personal property or equipment used in connection with such real or personal property and the Company shall cause to be closed all mortgages or other liens existing at the time of acquisition of any property hereafter acquired by the Company and will permit no

additional indebtedness to be issued thereunder or secured thereby, except for the replacement of any mutilated, lost or destroyed notes or bonds or to effect exchanges of notes or bonds of different denominations or transfer of such notes or bonds, as may be permitted by the mortgage, lien, charge or encumbrance securing such notes or bonds;

(21) Prepaid Liens;

(22) reservations of minerals and mineral rights existing at the time any real property is acquired by the Company;

(23) the lien of the Trustee; and

(24) any other mortgage, lien, charge or encumbrance prior or equal to the Lien of the Indenture securing indebtedness that does not exceed \_\_\_\_\_.

“**Permitted Indebtedness**” means any outstanding indebtedness which is secured by a mortgage, lien, charge or encumbrance described in paragraph (20) of the definition of Permitted Encumbrances.

“**Person**” means any individual, corporation, joint venture, trust, unincorporated organization, entity or government or any agency or political subdivision thereof.

“**Place of Payment**,” when used with respect to the Bonds of any series, means a city or any political subdivision thereof in which the Company is required, by the Indenture, to maintain an office or agency for the payment of the principal of, premium, if any, or interest on the Bonds of such series.

“**Prepaid Lien**” means any Prior Lien Obligation or Permitted Indebtedness, for which the Company has deposited or caused to be deposited in trust, with the Trustee, or other banking institution specified in the documentation pertaining to such Prior Lien Obligation or Permitted Indebtedness, any combination:

(i) of cash and

(ii) of Government Obligations (which shall not contain provisions permitting the redemption thereof at the option of the issuer), maturing as to principal and interest (without any regard to the reinvestment thereof) in such amounts and at such times as will assure the availability of cash

that is necessary to pay and discharge the entire principal of, premium, if any, and interest on such Prior Lien Obligation or Permitted Indebtedness to the date of maturity thereof or the redemption date, as the case may be; and, if such Prior Lien Obligation or Permitted Indebtedness is to be redeemed, the Company has made arrangements satisfactory to the Trustee for the giving of notice of redemption at the expense of the Company. Upon the filing with the Trustee of an Accountant’s Certificate and an Opinion of Counsel stating that such Prior Lien Obligation or Permitted Indebtedness has been paid or reduced or has been ascertained by judicial determination or otherwise to be in whole or in part invalid, and specifying the amount of such payment, reduction or the extent of such invalidity, as the case may be, any cash and

Government Obligations so deposited shall be repaid to the Company proportionately to the extent of such payment, reduction or invalidity, as the case may be.

**“Prior Lien”** means any mortgage, lien, charge or encumbrance on or pledge of or security interest in any of the property of the Company subject to the Lien of the Indenture prior to or upon a parity with the Lien of the Indenture, other than Permitted Encumbrances.

**“Prior Lien Obligation”** means any indebtedness and any evidence thereof secured by a Prior Lien.

**“Redemption Date,”** when used with respect to any Bond to be redeemed, means the date fixed for such redemption.

**“Regular Record Date”** for the interest payable on any Interest Payment Date on the Bonds of any series means the date specified in the provisions of the Supplemental Trust Indenture creating such series.

**“Release Fund”** means the fund created by Section 9.09.

**“Resolution”** means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

**“Responsible Officer,”** when used with respect to the Trustee, means the chairman or vice-chairman of the board of directors of the Trustee, the chairman or vice-chairman of the executive committee of said board, the president, any vice-president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller, any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

**“Retired Property”** shall mean (a) all Permanent Additions owned by the Company which have been removed, sold, abandoned, destroyed or which for any cause have been permanently withdrawn from service after the Date Hereof and (b) the portion of all Permanent Additions for which reductions have been made in the Cost at which such Permanent Additions have been recorded on the books of the Company, except reductions resulting from the transfer of any portion of the Cost of such Permanent Additions to some other property account of the Company (until the Permanent Additions so transferred shall be retired from such other account) and except reductions, if any, resulting from depreciation or similar charges.

**“Special Record Date”** for the payment of any Defaulted Interest on Bonds means a date fixed by the Trustee pursuant to Section 2.05.

**“Stated Maturity,”** when used with respect to any Bond, means each date specified in such Bond as the fixed date on which the principal of and installments of interest on such Bond are due and payable.

“**Successor Corporation**” has the meaning stated in Section 13.02.

“**Supplemental Trust Indenture**” means an indenture supplemental to the Indenture executed by the Company and delivered to the Trustee.

“**Trust Indenture Act**” means the Trust Indenture Act of 1939 as in force as of the Date Hereof; *provided, however*, that in the event the Trust Indenture Act of 1939 is amended after such date, “Trust Indenture Act” means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

“**Trustee**” means [\_\_\_\_\_], until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter “Trustee” shall mean such successor Trustee.

## ARTICLE II

### FORM AND EXECUTION OF BONDS

**Section 2.01.** The Indenture creates a continuing lien to secure the full and final payment of the principal of, premium, if any, and interest on all Bonds which may be Outstanding. The aggregate principal amount of Bonds which may be issued, authenticated, delivered and Outstanding under the Indenture is not limited, except as provided in Articles III through VI and the provisions of any Supplemental Trust Indenture creating any series of Bonds and except as may be limited by law.

At the option of the Company, Bonds may be issued in one or more series. All Bonds of any one series shall be identical in form and language except for necessary or proper variations between temporary Bonds and definitive Bonds, or Bonds of different denominations and, in the case of Bonds of any series of serial maturity as to the date of maturity, and the prices, terms, and conditions of redemption thereof. Each series shall have such distinctive designation as specified in a Resolution, a Supplemental Trust Indenture establishing such series or in a Company Order pursuant to such Resolution for such series, and each Bond shall bear upon the face thereof the designation so selected for the series to which it belongs. Each series may bear interest at a fixed or variable rate or may bear no interest or may bear interest only from or upon the occurrence of certain events described in the Bonds or the Supplemental Trust Indenture relating to the Bonds of that series.

The Supplemental Trust Indenture creating such series shall specify the descriptive title of such series of Bonds (which title shall contain the words “First Mortgage Bond”), the designation of such series, the rate or rates of interest, if any (or the method by which such rate or rates are determined), to be borne by the Bonds of such series, the date or dates from which such interest will accrue, the coin or currency in which payable (which need not be coin or currency of the United States of America), the Stated Maturities of principal and interest, and a place or places (which need not be in the United States of America), and the means (which may include mail) for the payment of principal of, premium, if any, and interest on such Bonds, the record dates for the payment of interest and any other terms, including any redemption provisions, for the Bonds of such series. Subject to the qualifications contained in Sections 2.02

through 2.14, the text of the Bonds and of the certificate of the Trustee upon all Bonds shall be as described in Section 2.02. The Bonds of any series may contain such other terms, provisions, specifications and descriptive words, and may have such letters, words, numbers or other marks of identification or designation and such legends or endorsements printed, lithographed or engraved thereon, not inconsistent with the provisions hereof, as may be necessary or proper to comply with the rules of any broker's board or exchange or with the order of any governmental body having jurisdiction, or to conform to usage with respect thereto or as may be desired by the Board of Directors.

Before any Bonds of any series shall be authenticated or delivered by the Trustee, a copy of the Resolutions, Supplemental Trust Indenture or Company Order creating the series shall be delivered by the Company to the Trustee. The Company shall also deliver to the Trustee a Supplemental Indenture in recordable form, which contains the particulars of the new series of Bonds as above set forth, and also contains provisions appropriate to give such Bonds the protection and security of the Indenture.

**Section 2.02.** The form of Bonds of each series and the form of the Trustee's certificate of authentication shall be established at the time of creation of such series and shall be set forth in a Supplemental Trust Indenture. The Bonds of any one or more series may be expressed in one or more foreign languages, if also expressed in the English language. The English text shall govern the construction thereof and both or all texts shall constitute only a single obligation. The English text of the Bonds and the Trustee's certificate of authentication shall be in the form set forth in a Supplemental Trust Indenture; provided that the form of each series of Bonds shall specify the descriptive title of such series of Bonds (which title shall contain the words "First Mortgage Bond"), the designation of such series, the rate or rates of interest, if any (or the method by which such rate or rates are determined), to be borne by the Bonds of such series, the date or dates from which such interest will accrue, the coin or currency in which payable (which need not be coin or currency of the United States of America), the Stated Maturities of principal and interest, and a place or places (which need not be in the United States of America), and the means (which may include mail) for the payment of principal of, premium, if any, and interest on such Bonds, record dates for the payment of interest and any redemption provisions. Any series of Bonds also may have such omissions or modifications or contain such other provisions not prohibited by the Indenture as may be set forth in a Supplemental Trust Indenture. Any portion of the text of any Bond may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bond.

The definitive Bonds of each series shall be produced in such manner as shall be determined by the officers executing such Bonds as evidenced by their execution thereof.

**Section 2.03.** Except as otherwise provided in any Supplemental Trust Indenture creating a series of Bonds, the Bonds of any series shall be executed, authenticated and delivered as a Bond registered in the Bond Register without coupons and shall be issued in denominations of \$1,000 and such multiples thereof as the Board of Directors, or a Company Order pursuant to a Resolution, may authorize and shall be dated the date of their authentication.

**Section 2.04.** The Bonds shall be executed on behalf of the Company by an Authorized Officer and need not be attested or have the Company's corporate seal reproduced thereon. The signature of an Authorized Officer on the Bonds may be manual or facsimile.

Bonds bearing the manual or facsimile signatures of individuals who were at time of execution the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Bonds or did not hold such offices at the date of such Bonds.

No Bond shall be secured hereby or shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Bond a certificate of authentication that it is one of the Bonds described herein executed by the Trustee by the manual signature of one of its authorized signatories, and such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if (a) any Bond shall have been authenticated and delivered hereunder to the Company, or any Person acting on its behalf, but shall never have been issued and sold by the Company, (b) the Company shall deliver such Bond to the Bond Registrar for cancellation or shall cancel such Bond and deliver evidence of such cancellation to the Trustee, and (c) the Company, at its election, shall deliver to the Trustee a written statement (which need not comply with Section 18.08 or 18.09) stating that such Bond has never been issued and sold by the Company, then, for all purposes of this Indenture, such Bond shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits hereof.

**Section 2.05.** The principal of and interest on the Bonds shall be payable at the option of the Company at such place or places as set forth in such Bonds.

Interest on any Bond of any series which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Bond is registered at the close of business on the Regular Record Date for such interest. At the option of the Company, interest on any such Bond may be paid by check mailed to the Person entitled to such interest.

Except as otherwise provided in any Supplemental Trust Indenture creating a series of Bonds thereof, interest on the Bonds of each series shall be computed on the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months and on the basis of the actual number of days elapsed within any month in relation to the deemed thirty (30) days of such month.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Bond shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Bonds other than a provision in Bonds of any series or in the Supplemental Trust Indenture creating such series of Bonds which specifically states that such provision shall apply in lieu of this Section) payment of interest or principal and premium, if any, need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, and, if such payment is

made or duly provided for on such Business Day, no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, to such Business Day.

Any interest on any bond of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (“**Defaulted Interest**”) shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid by the Company, at its election, as provided in subsection (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest on the Bonds of any series to the Persons in whose names such Bonds are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment. Such money, when deposited, shall be held in trust for the benefit of the Persons entitled to such Defaulted Interest as provided in this subsection (a) and shall not be deemed part of the mortgaged and pledged property hereunder. The Company also shall notify the Trustee, in writing, of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment. Such date of proposed payment shall enable the Trustee to comply with the next sentence hereof. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be (i) not more than 15 nor less than 10 days prior to the date of the proposed payment and (ii) not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of a Bond of such series at his address, as it appears in the Bond Register not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefore having been mailed as aforesaid, such Defaulted Interest shall be paid to the Holders of the Bonds of such series on such Special Record Date and shall no longer be payable pursuant to the following subsection (b).

(b) The Company may make payment of any Defaulted Interest on the Bonds of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Bonds may be listed (or, if not so listed, in any other lawful manner) and upon such notice as may be or would be required by such exchange, if, after written notice given by the Company to the Trustee of the proposed payment pursuant to this subsection (b), such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section 2.05, each Bond delivered upon transfer of or in exchange for or in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.



**Section 2.06.** At the option of the Company, provision may be made with respect to the Bonds of any series for (a) the payment of the principal thereof, interest thereon or both without deduction for taxes and (b) any taxes which shall be reimbursed by the Company in case of payment by the Bondholder, provided that the obligation to make any such reimbursement shall not be deemed part of the indebtedness secured by the Lien of the Indenture. Such provision may be limited to taxes imposed by any taxing authorities of a specified class and may exclude from its operations, or be limited to, any specified tax or taxes or any portion thereof.

**Section 2.07.** The Company may stipulate and agree that the principal of a series of Bonds may be converted, at the option of the Holders, into the capital stock or other securities, of any class of the Company, or of any Successor Corporation, upon such terms and conditions as the Board of Directors may determine and may cause appropriate insertions to be made in the text of such Bonds for the purpose of stating such agreement with respect to conversion and the terms and conditions thereof.

**Section 2.08.** The Company may, at the time of creation of any series of Bonds, make suitable provision, in such manner as may be determined by the Board of Directors not inconsistent with the provisions hereof, for the payment to the Trustee as or toward a sinking fund or similar fund for the payment, redemption, acquisition or retirement in any manner of the Bonds of such series, or any portion thereof.

**Section 2.09.** The Bonds of any series, at the option of the Company, may contain provisions permitting the exchange or interchange of Bonds for or with Bonds of other denominations; and the exchange of Bonds of one series for Bonds of another series of the same or later maturity. Such privileges of exchange or interchange may be made subject to any conditions, limitations or restrictions which the Company shall cause to be specified in the Bonds so made exchangeable or interchangeable or in the Supplemental Trust Indenture creating the series. The privilege of exchange or interchange may be conferred upon the Holders of Bonds of one or more denominations and withheld from the Holders of Bonds of other denominations of the same series.

Each Bond issued in exchange for or upon transfer of any other Bond shall be a valid obligation of the Company, evidence the same debt, secured by the Lien Hereof and entitled to all benefits and protection hereof to the same extent as the Bond surrendered for such exchange or transfer.

**Section 2.10.** In all cases of exchanges of Bonds contemplated by Section 2.09, the Bonds to be exchanged shall be surrendered at the office or agency of the Company in such place or places as shall be designated for the purpose in such Bonds or in the Indenture or any Supplemental Trust Indenture and the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor the Bonds which the Bondholder making the exchange shall be entitled to receive. All Bonds so surrendered for exchange shall be cancelled by the Trustee. The Company may impose a reasonable service charge to cover its costs incurred in connection with any registration, transfer or exchange, including registrations and transfers of Bonds under the provisions of Section 2.11. The Company may make a charge sufficient to reimburse it for any tax or taxes or other governmental charge required to be paid by the Company by reason of such exchange or transfer. The Company shall not be obligated (a) to exchange any Bond for the

15-day period next preceding the date of the first mailing of a notice of redemption of Bonds of such series under Section 8.02 or (b) to exchange any such Bond so selected for redemption in whole or in part.

**Section 2.11.** (a) The Company shall keep at the office of the Trustee and at such other place as shall be designated by the Company for the purpose in any Bond, books for the registration and transfer of Bonds (the “**Bond Register**”), which, at all reasonable times, shall be open for inspection by the Trustee, and, upon presentation for such purpose at any such other place designated by the Company, the Company will register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it may prescribe, any Bonds entitled to be transferred at such office or agency.

(b) The Trustee is hereby appointed “Bond Registrar” for the purposes of registering and transferring Bonds. Upon the transfer of any Bond, the Company shall issue, in the name of the transferee or transferees, a new Bond of like form and the Trustee shall authenticate and deliver the same to him or them. The Company shall not be required (1) to issue or transfer any Bond during the 15 days next preceding the day of the first mailing of a notice of redemption of Bonds of such series under Section 8.02 or (2) to issue or transfer any such Bond so selected for redemption in whole or in part.

(c) The Company may, at its option, provide for alternative methods or forms for evidencing and recording the ownership of Bonds. As provided in Section 16.01, the Company may amend the Indenture to establish such alternative methods or forms.

**Section 2.12.** Until definitive Bonds are ready for delivery, there may be authenticated, delivered and issued in lieu thereof, temporary printed, lithographed or typewritten Bonds in registered form substantially of the tenor of the Bonds described herein, with appropriate variations, omissions or insertions. Such temporary Bonds may be of such denominations, as the Company may determine. Until exchanged for definitive Bonds, such temporary Bonds shall be entitled to the benefit and Lien of the Indenture. Without unnecessary delay, the Company will execute and furnish definitive Bonds to be exchanged for such temporary Bonds upon surrender thereof to the Trustee or, at the option of the Holder, at the office of any Authenticating Agent appointed in accordance with Section 14.15. Upon such exchange, which the Company shall make without any charge therefor, such temporary Bonds shall be destroyed by the Trustee. Upon the exchange and destruction of said Bonds, a certificate of such destruction shall be delivered to the Company pursuant to Section 18.07. Until such definitive Bonds are ready for delivery, the Holder of temporary Bonds may, if provided by the terms thereof, exchange the same by surrendering such temporary Bonds to the Trustee for a like aggregate principal amount of temporary bonds in such denominations as the Company may determine to issue in exchange.

**Section 2.13.** Upon receipt by the Company and the Trustee of evidence satisfactory to them of the loss, destruction, mutilation or theft of any Outstanding Bond and of indemnity satisfactory to them and upon surrender and cancellation of any mutilated Bond, the Company may execute, and the Trustee may authenticate and deliver, a new Bond of the same series and maturity and of like tenor, to be issued in lieu of such lost, stolen, destroyed or mutilated Bond. Such new Bond in the discretion of the Company or the Trustee may bear the same serial number as the lost, stolen, destroyed or mutilated Bond in lieu of which it is issued (in which case the

new Bond may be marked "Duplicate" or be otherwise distinguished) or may bear a different serial number and such endorsement as may be agreed upon by the Company and by the Trustee, and which at the time may be necessary to conform to the requirements of any stock exchange. The Company and the Trustee may require the payment of a sum sufficient to reimburse them for all expenses in connection with the issue of each new Bond under this Section 2.13.

**Section 2.14.** (a) If the Company, pursuant to Article XIII, shall be consolidated with or merged into any other corporation or shall sell the mortgaged and pledged property as an entirety or substantially as an entirety, and the Successor Corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received a conveyance or transfer as aforesaid, shall have executed with the Trustee and caused to be recorded an indenture pursuant to Article XIII, any of the Bonds issued prior to such consolidated, merger, conveyance or transfer may, at the request of the Successor Corporation, be exchanged for other Bonds of the same series and Maturity executed in the name of the Successor Corporation, with such changes in phraseology and form as may be appropriate but in substance of like tenor as the Bonds surrendered for such exchange, and of like principal amount; and the Trustee, upon the request of the Successor Corporation, shall authenticate Bonds as specified in such request for the purpose of such exchange and shall deliver them upon surrender of the Bonds to be exchanged therefor. In case of any such exchange, the Trustee shall forthwith cancel the surrendered Bonds and, on the written request of the Company, deliver the same to the Company. All Bonds so executed in the name of the Successor Corporation and authenticated and delivered shall in all respects have the same legal rank and security as the Bonds executed in the name of the Company and surrendered upon such exchange with like effect as if the Bonds so delivered in the name of the Successor Corporation had been made, authenticated and issued hereunder on the Date Hereof.

(b) The Company covenants and agrees that, if additional Bonds of any particular series of which Bonds are at the time Outstanding shall be authenticated and delivered in the name of a Successor Corporation, the Company will provide for the exchange of any Bonds of any such series previously issued for Bonds issued in the name of such Successor Corporation, at the option of and without expense to the Holder.

### ARTICLE III

#### PROVISIONS APPLICABLE GENERALLY TO ISSUANCE OF ALL ADDITIONAL BONDS

**Section 3.01.** No Bonds shall be authenticated and delivered by the Trustee under the provisions of Articles IV, V or VI unless the Trustee shall have received prior to or at the time of the authentication and delivery thereof:

(a) a written Application, dated not more than ninety days preceding the date of the authentication and delivery of Bonds then applied for, executed in the name of the Company by an Authorized Officer of the Company stating the aggregate principal amount, the series thereof, the denomination and form of the Bonds requested to be authenticated and delivered, and the Persons to whom or upon whose order such Bonds are to be delivered;

(b) a Resolution authorizing such Application;

(c) an Opinion of Counsel that (i) no consent of any governmental authority is requisite to the legal issue of the Bonds applied for, or that the issue of such Bonds has been duly authorized by any and all governmental authorities, the consent of which is requisite to the legal issue of such Bonds and specifying any officially authenticated certificates or other documents by which such consent is or may be evidenced, (ii) all mortgage, registration and other similar taxes applicable to the Bonds applied for have been paid, or that provision for the payment thereof has been made or that no such payment is required by law, (iii) the amount of indebtedness or bonded indebtedness which may be incurred by the Company is not then limited by law or by any corporate action limiting the total authorized indebtedness or bonded indebtedness of the Company, or that the total amount of outstanding indebtedness or bonded indebtedness of the Company, stated in the accompanying Accountant's Certificate provided for in subsection (d) of this Section 3.01, plus the aggregate principal amount of the Bonds applied for in the accompanying Application, does not exceed the amount of indebtedness or bonded indebtedness of the Company as then limited by law or by such corporate action and (iv) all corporate action necessary to be taken by the Company to permit the legal and valid issue and authentication and delivery of the Bonds which have been applied for has been duly taken;

(d) unless the Opinion of Counsel provided for in the foregoing subsection (c) shall state that the amount of indebtedness or bonded indebtedness which may be incurred by the Company is not then limited by law or by such corporate action, an Accountant's Certificate stating the total amount of indebtedness or bonded indebtedness of the Company, including the aggregate face amount of Bonds Outstanding;

(e) the officially authenticated certificates or other documents, if any, specified in the Opinion of Counsel provided for in the foregoing subsection (c), and evidence satisfactory to the Trustee of the payment or provision for payment of any taxes therein referred to;

(f) the Resolution or Resolutions, Company Order, if any, and the Supplemental Trust Indenture creating the series of which such Bonds are a part, if the Bonds, the authentication and delivery of which are applied for, are not a part of any series then existing;

(g) an Officer's Certificate stating that no Default has occurred and is continuing and that the granting of such Application will not result in a Default.

**Section 3.02.** The Trustee shall authenticate and deliver Bonds only in accordance with the provisions of the Indenture.

#### ARTICLE IV

##### ISSUANCE OF BONDS UPON THE BASIS OF PERMANENT ADDITIONS

**Section 4.01.** Subject to the provisions of Article III, Bonds may be executed by the Company and delivered to the Trustee and shall be authenticated and delivered by the Trustee upon the basis of Permanent Additions. Such additional Bonds shall be authenticated and

delivered only in accordance with and subject to the conditions, provisions and limitations set forth in Sections 4.02 through 4.08.

**Section 4.02.** Any Permanent Additions which shall have been certified to the Trustee at any time, in accordance with Section 4.05 for one of the purposes described in Section 4.05, of a Cost or Fair Value, whichever shall be less, in excess of the amount required by the applicable provisions of the Indenture, shall be available to the extent of such excess, upon submission to the Trustee of any subsequent Application, as a basis for any of the purposes set forth in Section 4.05.

**Section 4.03.** No Bonds shall be authenticated and delivered under the provisions of this Article IV upon the basis of any Permanent Additions until the Cost and Fair Value of such Permanent Additions shall have been certified to the Trustee as provided in Section 4.05. The aggregate principal amount of Bonds that may be authenticated and delivered under the provisions of this Article IV is limited to [66-2/3%] of the Cost or Fair Value, whichever is less, of the Permanent Additions forming the basis of the authentication and delivery thereof, provided that: (a) in each case, there shall be deducted from such Cost or Fair Value, as the case may be, the amounts removed from the fixed capital accounts of the Company as and for the Cost of any Retired Property that had previously served as the basis for the authentication of Bonds during the period from the Date Hereof to a date not more than 90 days preceding the date of authentication and delivery of the Bonds applied for; (b) in the case of Retired Property lost or destroyed by fire, or sold and released from the Lien of the Indenture, which is offset in whole or in part by cash, purchase money obligations deposited with the Trustee or property received in exchange for such Retired Property and made subject to the Lien of the Indenture, the amount deducted on account of such Retired Property shall be only the amount by which the Cost thereof shall exceed the aggregate amount of cash, the Fair Value of the purchase money obligations so deposited and the property received in such exchange; and (c) any such amounts which shall have been once deducted from the Cost or Fair Value of Permanent Additions included in any certificate previously delivered to the Trustee for the authentication and delivery of Bonds, the withdrawal of cash or the release of property under any of the provisions of the Indenture, or for the satisfaction of any sinking fund requirement relating to any series of Bonds, need not be deducted again on any such subsequent Application.

In no event shall the Indenture be construed to require the Company to deduct the Cost of Retired Property that has not at any time been included and may not after such time be included as a Permanent Addition in any Engineer's Certificate delivered to the Trustee under subsection (a) of Section 4.05.

**Section 4.04.** No Bonds shall be authenticated and delivered under this Article IV unless, as shown by a Net Earnings Certificate, the Earnings Applicable to Bond Interest for a period of 12 consecutive calendar months within the 15 calendar months immediately preceding the date of any Application for authentication and delivery of Bonds shall have been, in the aggregate, at least twice the interest requirements for a period of one year upon (a) the Bonds applied for, (b) all Bonds Outstanding on the date of such Application and (c) all Prior Lien Obligations and Permitted Indebtedness maturing more than one year after the date of such calculation.

**Section 4.05.** The Company may deliver to the Trustee the documents described in the following subsections (a), (c) and (d) and, when applicable, subsections (b) or (e), each accompanied by the others, for the purpose of establishing the Cost and Fair Value of Permanent Additions and the Amount of Established Permanent Additions to be used for any of the following purposes:

(i) authentication and delivery of Bonds under the provisions of this Article IV;

(ii) withdrawal of cash under Section 6.02;

(iii) withdrawal under the provisions of Section 9.10 of moneys in the Release Fund or moneys which are required by any provision of the Indenture to be held, applied or disposed of by the Trustee in the same manner as moneys in the Release Fund; or

(iv) application to a sinking fund of the Bonds of any series as and to the extent set forth in the Supplemental Trust Indenture creating such series.

(a) An Engineer's Certificate dated not more than 90 days preceding the delivery thereof to the Trustee:

(1) stating, with respect to the first Engineer's Certificate delivered on or after the Date Hereof, that as of the date of such certificate, the Company has made, acquired, constructed or erected the Permanent Additions therein described;

(2) stating that between dates specified in the certificate, the Company has made, acquired, constructed or erected the Permanent Additions therein described in addition to those listed in paragraph (1) above or any subsequent Engineer's Certificate delivered under this subsection (a);

(3) specifying such Permanent Additions and briefly describing the same in such manner as to show conformity thereof with the definition of Permanent Additions set forth in Article I and stating that no part of the Permanent Additions so described was included in any Engineer's Certificate previously delivered to the Trustee under this subsection (a);

(4) stating that the signers, either personally or through one or more competent assistants, have examined the Permanent Additions so specified; that such properties conform to the definition of Permanent Additions; that they are used or to be used in a business specified in said definition and that they do not include any property excluded from the definition of Permanent Additions;

(5) stating the Cost and the Fair Value to the Company of the property described in the Engineer's Certificate and that the Cost, so stated, was the amount stated in the Accountant's Certificate provided for in subsection (c) of this Section 4.05;

(6) stating whether or not any of the property described in the Engineer's Certificate is an Acquired Facility and specifying each such Acquired Facility

shall be the date specified in the accompanying Engineer's Certificate (exclusive of amounts in respect of which appropriate deduction has been made in an Engineer's Certificate or certificates or an Accountant's Certificate or certificates previously delivered under this Section 4.05, under subsection (d) of Section 4.07 or under another provision of the Indenture containing the statements and calculation required by subsection (d) of Section 4.07); and specifying by classes the amount of Retired Property previously characterized as Permanent Additions which has not been included in a certificate previously delivered to the Trustee; and

(3) that no part of the Permanent Additions described in the accompanying Engineer's Certificate, and no part of the Cost or Fair Value thereof, was included in any Engineer's Certificate previously delivered to the Trustee pursuant to subsection (a) of this Section 4.05.

(d) An Opinion of Counsel, stating, in the opinion of the signer that:

(1) except for all Permanent Additions owned by the Company on or after the Date Hereof, which have been removed, sold, abandoned, destroyed or which for any cause have been permanently withdrawn from service or released from the Lien Hereof, the Company has title to all of the Permanent Additions specified in the accompanying Engineer's Certificate, subject to Permitted Encumbrances, or that, upon the delivery of instruments of conveyance, assignment or transfer specified in the Opinion of Counsel, it will have title to such properties, subject to Permitted Encumbrances;

(2) except for all Permanent Additions owned by the Company on or after the Date Hereof that have been removed, sold, abandoned, destroyed or which for any cause have been permanently withdrawn from service or released from the Lien Hereof, and subject to Permitted Encumbrances, all of the Permanent Additions specified in the accompanying Engineer's Certificate are subject to the Lien of the Indenture and that none of such Permanent Additions is subject to any Prior Lien or, in the alternative, stating what, if any, documents should be delivered, recorded or filed to subject such property to the Lien of the Indenture;

(3) except for all Permanent Additions owned by the Company on or after the Date Hereof that have been removed, sold, abandoned, destroyed or which for any cause have been permanently withdrawn from service or released from the Lien Hereof, the Company has corporate authority to own the Permanent Additions specified in the accompanying Engineer's Certificate, subject to Permitted Encumbrances; and

If any of the Permanent Additions specified in the accompanying Engineer's Certificate include any property which is subject to any Permitted Encumbrances of the character described in paragraphs (10) or (16) of the definition of Permitted Encumbrances, an Opinion of Counsel also shall be provided as required in such paragraphs.

(e) The instruments of conveyance, assignment and transfer, if any, specified in the Opinion of Counsel provided for in subsection (d) of this Section 4.05 in accordance with

paragraph (1) of said subsection (d) or evidence satisfactory to the Trustee of the delivery thereof to the Company and the documents, if any, stated in such Opinion of Counsel in accordance with paragraph (2) of said subdivision (d) or evidence satisfactory to the Trustee of their delivery or recording or filing.

**Section 4.06.** (a) No Permanent Additions specified or described in any Engineer's Certificate provided for in subsection (a) of Section 4.05 shall thereafter be included in any similar Engineer's Certificate subsequently delivered to the Trustee.

(b) In accordance with Section 4.02, no Amount of Established Permanent Additions used or applied for any of the purposes specified in Section 4.05 shall be used or applied again for any of such purposes.

**Section 4.07.** No Application by the Company to the Trustee for the authentication and delivery of Bonds under this Article shall be granted by the Trustee unless the Trustee shall have received:

(a) the documents provided for in Section 4.01.

(b) a Net Earnings Certificate stating the amount of Earnings Applicable to Bond Interest for a specified period of 12 consecutive calendar months within the 15 calendar months immediately preceding the first day of the calendar month in which the accompanying Application for the authentication and delivery of Bonds is made and stating separately: (1) the aggregate principal amount of (i) the Bonds applied for, (ii) all Bonds Outstanding at the date of said Application and (iii) the aggregate principal amount of all Prior Lien Obligations and Permitted Indebtedness maturing more than one year after the date of such calculation; (2) the interest requirements for a period of one year on all such Bonds, Prior Lien Obligations and Permitted Indebtedness maturing more than one year after the date of such calculation; and (3) the aggregate principal amount of Bonds authenticated and delivered since the commencement of the then current calendar year, exclusive of: (i) Bonds in connection with the authentication and delivery for which no Net Earnings Certificate was required and (ii) Bonds in connection with the authentication and delivery for which an Independent Accountant's Certificate has been previously delivered to the Trustee.

(c) an Independent Accountant's Certificate containing the statements required by subsection (b) of this Section 4.07, if (1) the aggregate principal amount of the Bonds stated in the Net Earnings Certificate provided for in subsection (b) of this Section 4.07 to have been authenticated and delivered since the commencement of the current calendar year, plus the principal amount of the Bonds applied for, is equal to or exceeds 10% of the aggregate principal amount of all Bonds Outstanding at the time, as stated in such Net Earnings Certificate, and (2) the 12-month period in respect of which Earnings Applicable to Bond Interest are stated in such Net Earnings Certificate is a period with respect to which an annual report containing audited financial statements is required to be filed by the Company pursuant to Section 7.15.

(d) an Accountant's Certificate containing a statement of the Amount of Established Permanent Additions remaining available for the purposes set forth in Section 4.05 and stating:



(1) the unapplied balance, if any, of the Amount of Established Permanent Additions stated in the next preceding similar Accountant's Certificate, if any, delivered to the Trustee under the provisions of this subsection (d) or under another provision of the Indenture containing the statements and calculation required by this subsection (d);

(2) the Amount of Established Permanent Additions stated in such of the Engineer's Certificates delivered to the Trustee under the provisions of subsection (a) of Section 4.05 that have not been included in any similar Accountant's Certificate previously delivered to the Trustee under this subsection (d) or under another provision of the Indenture containing the statements and calculation required by this subsection (d), which it is desired then to include in the Accountant's Certificate, taking such Engineer's Certificates consecutively according to the dates thereof; and specifying the respective dates of such Engineer's Certificates;

(3) the aggregate of the unapplied balance stated under paragraph (1) above and the Amount of Established Permanent Additions stated under paragraph (2) above;

(4) the amount removed from the utility plant or fixed capital accounts of the Company as and for the Cost of all Retired Property (to the extent provided in Section 4.03) subsequent to the Date Hereof, to a date specified in the certificate which shall be not more than 90 days preceding the authentication and delivery of the Bonds applied for in the accompanying Application, exclusive of amounts in respect of which appropriate deduction has been made in an Engineer's Certificate or in a similar Accountant's Certificate previously delivered to the Trustee under Section 4.05, this Section 4.07, or under another provision of the Indenture containing the statements and calculation required by this subsection (d);

(5) the balance remaining after deducting the amount stated under paragraph (4) above from the aggregate stated under paragraph (3) above, which remaining balance shall be the amount available to be applied for any of the purposes stated in Section 4.05 at the time of the delivery of the Accountant's Certificate to the Trustee.

(6) such portion (determined pursuant to Section 4.08) of the amount stated under paragraph (5) above that is to be applied to the authentication and delivery of Bonds (or, as the case may be, any other purpose permitted by Section 4.05) applied for in the accompanying Application;

(7) the balance remaining after deducting the amount stated under paragraph (6) above from the balance stated under paragraph (5) above, which remaining balance shall be the amount included in the next similar Accountant's Certificate delivered to the Trustee as the unapplied balance of the Amount of Established Permanent Additions to be stated therein in accordance with paragraph (1) of this subsection (d).

(8) that no part of any unapplied balance of the Amount of Established Permanent Additions included under paragraph (1) above, or of any Amount of Established Permanent Additions included under paragraph (2) above, has theretofore been applied for any of the purposes stated in clauses (i) through (iv) in Section 4.05.

**Section 4.08.** In each case of the application of any Amount of Established Permanent Additions for items specified in paragraph (i) or (ii) of Section 4.05, the amount so applied shall be [150%] of the aggregate principal amount of Bonds applied for and authenticated and delivered under this Article IV, or of the cash applied for and withdrawn under Section 6.02, on any particular application. In each case of the application of any Amount of Established Permanent Additions for any items specified in paragraph (iii) of Section 4.05, the amount so applied shall be 100% of the amount of cash applied for and withdrawn on any particular application. In the case of the application of any Amount of Established Permanent Additions for any items specified in paragraph (iv) of Section 4.05, the amount so applied shall be the percentage set forth in the Supplemental Trust Indenture creating the series of Bonds for which the sinking fund is applicable.

## ARTICLE V

### ISSUANCE OF BONDS UPON RETIREMENT OF BONDS

**Section 5.01.** Subject to the provisions of Article III, the Company may issue and the Trustee shall authenticate and deliver Bonds, in addition to those provided for in any other Section hereof, in an aggregate principal amount not exceeding the aggregate principal amount of any previously issued Bonds which shall have been retired, if the Trustee shall have received an Officer's Certificate stating the aggregate principal amount of Bonds in respect of whose retirement the Bonds applied for in the accompanying Application are to be authenticated and delivered and that such retired Bonds do not include Bonds retired or used as subsequently specified in this Section 5.01; provided that no Bond shall be issued in respect of any such retired Bond (a) which shall have been retired (1) through the use of cash deposited with the Trustee pursuant to the provisions of Article VI, (2) through the use of cash constituting any part of the Release Fund or which pursuant to the Indenture is to be held or disposed of or applied in the same manner as moneys in the Release Fund, or (3) through the operation of a sinking fund or other similar fund applicable to its retirement if the provisions establishing such sinking fund or other similar fund prohibit such issuance, or (b) whose retirement was previously used as a basis for the issuance of Bonds under this Section 5.01.

**Section 5.02.** No Bond shall be issued in respect of any retired Bond more than one year prior to the final Stated Maturity of the principal amount of such retired Bond unless: the Bond so issued bears no greater rate of interest than such retired Bond or, if the Bond so issued bears a greater rate of interest than such retired Bond, the Trustee shall have received a Net Earnings Certificate complying with subsection (b) of Section 4.07 and, when required, an Independent Accountant's Certificate pursuant to subsection (c) of Section 4.07 showing that the Earnings Applicable to Bond Interest meets the requirements of Section 4.04.

**Section 5.03.** Any Bond shall be deemed retired if it shall have been paid or redeemed or surrendered to the Trustee and cancelled or destroyed (unless such surrender shall have been

made in exchange for another Bond of the same series and evidencing the same indebtedness) or if provision for the payment or redemption of such Bond shall have been made in the following manner:

(a) if the Bond has been selected for redemption, the Trustee shall have given (or the Company shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give), on a date in accordance with the provisions of Section 8.02 and the terms of such Bond notice of redemption of such Bond or portions thereof;

(b) there shall have been deposited with the Trustee any combination:

(i) of cash and

(ii) of Government Obligations (which shall not contain provisions permitting the redemption thereof at the option of the issuer), maturing as to principal and interest (without any regard to the reinvestment thereof) in such amounts and at such times as will assure the availability of cash

that is necessary to pay when due the principal of, premium, if any, and interest due and to become due on such Bond on or prior to the Redemption Date or Stated Maturity thereof, as the case may be; and

(c) if the Bond does not mature and is not to be redeemed within the next succeeding 30 days, the Company shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to give, as soon as practicable, in the same manner as a notice of redemption is given pursuant to Section 8.02, a notice to the Holder of such Bond stating that: (1) the deposit required by paragraph (b) above has been made with the Trustee; (2) such Bond is deemed to have been paid in accordance with this Section 5.03; and (3) the Stated Maturity or Redemption Date upon which moneys are to be available for payment of the principal of, premium, if any, and interest on such Bond.

## ARTICLE VI

### ISSUANCE OF BONDS UPON DEPOSIT OF CASH WITH TRUSTEE

**Section 6.01.** Subject to the provisions of Article III, the Trustee shall authenticate and deliver Bonds if the Company shall deposit cash with the Trustee in an amount equal to the principal amount of the Bonds requested to be authenticated and delivered and if the Trustee shall have received a Net Earnings Certificate as described in Section 4.04 showing that the Earnings Applicable to Bond Interest for a period of 12 consecutive calendar months within the 15 calendar months immediately preceding the date of the Application for authentication and delivery of Bonds shall have been in the aggregate at least equivalent to twice the interest requirements for a period of one year upon (a) the Bonds applied for, (b) all Bonds Outstanding on the date of such Application and (c) all Prior Lien Obligations and Permitted Indebtedness maturing more than one year after the date of such calculation.

**Section 6.02.** All cash deposited with the Trustee under the provisions of Section 6.01 shall be held by the Trustee as a part of the mortgaged and pledged property, but, whenever the

Company shall become entitled to the authentication and delivery of Bonds under Article IV or V, the Trustee, upon application by the Company, evidenced by a Resolution, shall pay to the Company, in lieu of the Bonds to which the Company may then be so entitled, such cash equal to the aggregate principal amount of such Bonds without any limitation by reason of the amount of Earnings Applicable to Bond Interest; and for such purpose (a) the requisite certificates and other documents delivered to the Trustee may contain such variations, omissions or insertions as may be appropriate in the light of the purpose for which they are used, (b) Section 4.04 shall be inapplicable to the withdrawal of such cash pursuant to this Section 6.02 and (c) it shall not be necessary to deliver to the Trustee any Net Earnings Certificate or any Independent Accountant's Certificate with respect to Earnings Applicable to Bond Interest, or any of the documents provided for in Section 3.01 except subsection (g).

## ARTICLE VII

### PARTICULAR COVENANTS OF THE COMPANY

The Company hereby covenants as follows:

**Section 7.01.** That it lawfully possesses all the aforesaid mortgaged and pledged property; that it will maintain and preserve the Lien of the Indenture on such mortgaged and pledged property in accordance with the terms hereof so long as any of the Bonds are Outstanding; that it has good, right and lawful authority to mortgage and pledge such mortgaged and pledged property, as provided by the Indenture; and that the mortgaged and pledged property is free and clear of all liens and encumbrances, except Permitted Encumbrances, and except as otherwise provided herein.

**Section 7.02.** That it will duly and punctually pay the principal of, premium, if any, and interest on all the Bonds Outstanding according to the terms thereof and of the Indenture.

**Section 7.03.** That it will maintain an office or agency (approved by the Trustee), while any of the Bonds are Outstanding, at each Place of Payment, where notices, presentations and demands to or upon the Company in respect of the Bonds or the Indenture may be given or made, and for the payment of the principal of, premium, if any, and interest on the Bonds. The Company will give the Trustee prompt written notice of the location of and any change in location of such office or agency. If the Company shall fail to maintain such office or agency in each Place of Payment, or to give the Trustee written notice of the location thereof, the Trustee shall appoint in each such Place of Payment an agent of the Company for the foregoing purposes and the Trustee is hereby authorized and empowered to make any such appointment on behalf of the Company. In case of any such failure of the Company, any such notice, presentation or demand in respect of the Bonds or the Indenture may be given or made, unless other provision is expressly made herein, to or upon the Trustee at its principal corporate trust office, and the Company hereby authorizes such presentation and demand to be made to and such notice to be served on the Trustee in such event.

**Section 7.04.** That it will pay, when the same shall become payable, all taxes, assessments and other governmental charges lawfully levied or assessed upon the mortgaged and pledged property, or upon any part thereof or upon any income therefrom, or upon the interest of

the Trustee in the mortgaged and pledged property when the same shall become due, and will duly observe and conform to all valid requirements of any governmental authority relative to any of the mortgaged and pledged property, and all covenants, terms and conditions upon or under which any of the mortgaged and pledged property is held and that, except as herein otherwise provided, it will not permit, create or incur any lien to be existing hereafter upon the mortgaged and pledged property whether now owned or hereafter acquired, or any part thereof, equal to or prior to the Lien of the Indenture, except Permitted Encumbrances; provided, however, that nothing in this Section contained shall require the Company (i) to observe or conform to any requirement of governmental authority or to cause to be paid or discharged, or to make provision for, any such lien, or to pay any such tax, assessment or governmental charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings, (ii) to pay, discharge or make provisions for any tax, assessment or other governmental charge, the validity of which shall not be so contested if adequate security for the payment of such tax, assessment or other governmental charge and for any penalties or interest which may reasonably be anticipated from failure to pay the same shall be given to the Trustee or (iii) to pay, discharge or make provisions for any Liens existing on the mortgaged and pledged property at the date of execution and delivery of this Indenture.

**Section 7.05.** (a) That it will keep all the mortgaged and pledged property of a character usually insured by companies engaged in a similar business and similarly situated, and which is at any time subject to the Lien of the Indenture, insured with reasonable deductibles and retentions against loss or damage by fire or extended coverage perils, to such amount as such property is usually insured by companies similarly situated, either by means of policies issued by reputable insurance companies or, in lieu of or supplementing such insurance in whole or in part, at the Company's election, by means of some other method or plan of protection including an insurance fund maintained by the Company alone or in conjunction with any other Person. All such insurance policies or alternative methods or plans of protection upon any part of the mortgaged and pledged property shall provide that the proceeds thereof with respect to a loss that exceeds the greater of \$10,000,000 or 3% of the Bonds Outstanding shall be payable to the Trustee. The Company agrees to deposit with the Trustee all proceeds from any insurance or alternative method or plan of protection received by the Company with respect to any such loss relating to the mortgaged and pledged property in excess of the greater of \$10,000,000 or 3% of the Bonds Outstanding.

Upon request, the Company will furnish to the Trustee a statement signed by an Authorized Officer of the Company, showing:

- (i) the number of the policies of insurance in effect and the names of the issuing companies,
- (ii) the amount of such policies,
- (iii) the nature of the property covered by such policies, and
- (iv) a detailed statement of each alternative method or plan of protection,

and stating that each such insurance policy or alternative method or plan of protection provides that losses thereunder for fire or extended coverage perils in excess of the greater of \$10,000,000 or 3% of the Bonds Outstanding are payable to the Trustee. In lieu of the statement described in the preceding sentence, the Company may deliver to the Trustee a certificate of one or more nationally known insurance brokers that he or they have examined the fire and extended coverage insurance policies and alternative methods or plans of protection in effect upon the property of the Company and that in his or their opinion the Company has fully complied with the provisions of this subsection (a).

(b) That all proceeds of any insurance or alternative method or plan of protection received by the Trustee, shall be held and applied by the Trustee in the same manner and for the same purposes and shall be subject to the same conditions as moneys held in the Release Fund, except that, until a Completed Default shall occur and be continuing, any such proceeds received by the Trustee for any single loss not exceeding the greater of \$10,000,000 or 3% of the Bonds Outstanding shall be paid promptly to the Company upon receipt by the Trustee of a Company Order directing such payment.

(c) That all proceeds of any insurance or alternative method or plan of protection paid to the Company by the Trustee pursuant to subsection (b) of this Section 7.05 promptly shall be expended for Permanent Additions, or be applied to the rebuilding, renewal or replacement of the property damaged or destroyed.

(d) That subject to Section 14.01, in case of any loss covered by any insurance policy or alternative method or plan of protection, any appraisal or adjustment of such loss and settlement and payment of indemnity therefor, which shall be approved in an Officer's Certificate, may be consented to and accepted by the Trustee, and the Trustee shall in no way be liable or responsible for the collection of any insurance in case of any loss nor for consenting to or accepting any such appraisal, adjustment, settlement or payment of indemnity.

**Section 7.06.** That the Company shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) the mortgaged and pledged property to be maintained and kept in good condition, repair and working order and shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) to be made such repairs, renewals, replacements, betterments and improvements thereof, as, in the sole judgment of the Company, may be necessary in order that the operation of the mortgaged and pledged property may be conducted in accordance with common industry practice; provided, however, that nothing in this Section shall prevent the Company from discontinuing, or causing the discontinuance of, the operation and maintenance of any of its properties if such discontinuance is, in the sole judgment of the Company, desirable.

Subject to the rights of the Company under Article XIII, the Company shall do or cause to be done all things necessary to preserve and keep its corporate existence in full force and effect.

**Section 7.07.** That it will cause the Indenture and all indentures and instruments supplemental thereto to be kept, recorded and filed in such manner and to such extent as may be required or permitted by law and in such places as may be required by law in order to make

effective and maintain the Lien Hereof and to fully preserve and protect the security of the Bondholders and all rights of the Trustee.

**Section 7.08.** That it will execute and deliver such further instruments and do such further acts as may be necessary or proper to carry out the purposes of the Indenture, and to make subject to the Lien Hereof any property hereafter acquired and intended to be subject to the Lien of the Indenture, and to transfer to any new trustee the estate, powers, instruments and any funds held in trust under the Indenture.

**Section 7.09.** That it will, at all times, keep or cause to be kept, proper books of record and account in which full, true and correct entries will be made, of all dealings or transactions in relation to the Bonds; that it will at any and all reasonable times during normal business hours, upon the written request of the Trustee, permit it, or its clerks, agents, or auditors, for that purpose duly authorized, to inspect, not more than once per month, the books, accounts, papers, documents and memoranda of the Company, as well as its plants and properties, and to take from its books, accounts, papers, documents and memoranda such extracts as may be deemed necessary; that it will at any time, upon the written request of the Trustee, furnish to the Trustee a full and complete statement of the property covered by the Lien Hereof or intended so to be covered.

**Section 7.10.** That it is duly authorized under the laws of the Commonwealth of Kentucky and under all other applicable provisions of law to create and issue the Bonds and to execute and deliver the Indenture; that all corporate action required for the execution of the Indenture has been duly and effectually taken and that, with respect to each series of Bonds issued hereunder, all corporate action required for the creation and issuance of said Bonds will be duly and effectively taken; that said Bonds when issued and in the possession of the Holders thereof will be valid and enforceable obligations of the Company; and that the Indenture is and always will be a valid mortgage or deed of trust to secure the payment of said Bonds.

**Section 7.11.** That upon the issue of each Bond, it will pay all such taxes (which may legally be paid by the Company) as may be imposed by any law, then in force applicable to and imposed upon the issue of such Bond, of the United States of America, of the Commonwealth of Kentucky or of any other state in which its property and plants, or any part thereof, may be located.

**Section 7.12.** That it will duly and punctually perform all the conditions and obligations imposed on it by the terms of any Prior Lien or any mortgage, lien, charge or encumbrance described in paragraph (20) of the definition of Permitted Encumbrances to the extent necessary to keep the security afforded by the Indenture substantially unimpaired and that it will not permit any default under any such Prior Lien or mortgage, lien, charge or encumbrance to occur and continue for any grace period, specified therein, if thereby the security afforded by the Indenture would be materially impaired or endangered.

**Section 7.13.** That, if it shall act as its own Paying Agent, it will, on or before each due date of the principal of, premium, if any, or interest on any of the Bonds, set aside and segregate and hold in trust for the benefit of the Holders of such Bonds or the Trustee a sum sufficient to

pay the principal of, premium, if any, or interest so becoming due, and the Company promptly will notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, on or prior to each due date of the principal of, premium, if any, or interest on any Bonds, deposit with a Paying Agent a sum sufficient to pay the principal of, premium, if any, or interest so becoming due, such sum to be held in trust for the benefit of the Holders of such Bonds or the Trustee, and (unless such Paying Agent is the Trustee) the Company promptly will notify the Trustee of its action or failure so to act.

Moneys so segregated or deposited and held in trust shall not be a part of the mortgaged and pledged property but shall constitute a separate trust fund for the benefit of the Persons entitled to such principal, premium or interest. Except in the case of moneys so segregated by the Company when acting as its own Paying Agent, moneys held in trust by the Trustee or any other Paying Agent for the payment of the principal of, premium, if any, or interest on the Bonds need not be segregated from other funds, except to the extent required by law.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section 7.13, that such Paying Agent will:

(a) hold all sums held by it for the payment of principal of, premium, if any, or interest on Bonds in trust for the benefit of the Holders of such Bonds or the Trustee until such sums shall be paid to the Holders or withdrawn for deposit with a successor Paying Agent or with the Trustee or until disposed of as herein provided;

(b) give the Trustee notice of any default by the Company (or any other obligor upon the Bonds) in the making of any such payment of principal, premium, if any, or interest; and

(c) at any time during the continuance of any such default, upon the written request of the Trustee, promptly pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of the Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all money held in trust by the Company or such Paying Agent pursuant to this Section 7.13, such money to be held by the Trustee upon the same trusts as those upon which such money was held by the Company or such Paying Agent; and, upon such payment by the Company, the Company shall be discharged from such trust, and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Anything in this Section 7.13 to the contrary notwithstanding, any money deposited with the Trustee or any Paying Agent or held by the Company in trust for the payment of the principal of, premium, if any, or interest on any Bond shall be subject to the provisions of Section 18.03.



**Section 7.14.** That it will furnish or cause to be furnished to the Trustee between September 1 and September 30, in each year beginning with the September following the Date Hereof, and also between March 1 and March 31, in each year beginning with the March following the Date Hereof, and at such other times as the Trustee may request in writing, a statement in such form as the Trustee may reasonably require, containing all the information in the possession or control of the Company or of any of its Paying Agents as to the names and addresses of the Holders of Bonds obtained since the date as of which the next previous statement, if any, was furnished, excluding from any such list the names and addresses received by the Trustee in its capacity as Bond Registrar. Each such statement shall be dated as of a date not earlier than the tenth day of the month next preceding the month during which said statement is furnished, and need not include information received after such date.

**Section 7.15.** If and to the extent that the Indenture is subject to the Trust Indenture Act, the Company will file with the Trustee (within 30 days after filing with the Commission in the case of reports which pursuant to the Trust Indenture Act must be filed with the Commission and furnished to the Trustee) and transmit to the Holders, such information, reports and other documents, if any, at such times and in such manner, as shall be required by the Trust Indenture Act.

**Section 7.16.** That it will furnish to the Trustee: (a) promptly after the Date Hereof and promptly after the execution of any Supplemental Trust Indenture, an Opinion of Counsel either stating that the Indenture has been properly recorded and filed so as to make effective the Lien of the Indenture intended to be created thereby, and reciting the details of such action, or stating that no such action is necessary to make such Lien of the Indenture effective; and (b) by May 1, in each year after the Date Hereof, an Opinion of Counsel either stating that such action has been taken with respect to the recording, filing, re-recording and re-filing of the Indenture as is necessary to maintain the Lien Hereof, and reciting the details of such action, or stating that no such action is necessary to maintain such Lien of the Indenture. Compliance with clauses (a) and (b) of this Section 7.16 shall be achieved if (1) the Opinion of Counsel herein required to be delivered to the Trustee shall state for details: the time, place, and manner of such recording, re-recording, filing and re-filing as the case might be and that, in the Opinion of Counsel (if such is the case) such receipt for record of filing makes the Lien of the Indenture intended to be created thereby effective and (2) such Opinion of Counsel is delivered to the Trustee within such time, following the date and execution of this Indenture and each Supplemental Trust Indenture, as shall be practicable, giving due regard to the number and distance of the jurisdictions in which the Indenture or such Supplemental Trust Indenture is required to be recorded or filed.

**Section 7.17.** The Company may omit in any particular instance to comply with any term, provision or condition set forth in (a) Section 7.03 or any additional covenant or restriction specified with respect to the Bonds of any series if before the time for such compliance the Holders of at least a majority in aggregate principal amount of the Outstanding Bonds of all series and with respect to which compliance with Section 7.03 or such additional covenant or restriction is to be omitted, considered as one class, shall, by act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition and (b) Section 7.04, 7.05, 7.06, 7.07, 7.08, 7.09, 7.12, 7.13 or Article XIII if before the time for such compliance the Holders of at least a majority in principal amount of Bonds Outstanding under this Indenture shall, by act of such Holders, either waive such compliance in

such instance or generally waive compliance with such term, provision or condition; but, in either case, no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

**Section 7.18.** Not later than May 1 in each year after the Date Hereof, the Company shall deliver to the Trustee an Officer's Certificate which need not comply with Section 18.08 or 18.09, executed by the principal executive officer, the principal financial officer or the principal accounting officer of the Company, as to such officer's knowledge of the Company's compliance with all conditions and covenants under this Indenture, such compliance to be determined without regard to any period of grace or requirement of notice under this Indenture.

## ARTICLE VIII

### REDEMPTION OF BONDS

**Section 8.01.** Bonds that are, by their terms, redeemable before maturity may, at the option of the Company, be redeemed at such times, in such amounts and at such prices as may be specified therein and in accordance with the provisions of Sections 8.02 through 8.07.

**Section 8.02.** In case of redemption of only part of the Bonds of any series, the particular Bonds to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate; provided that the unredeemed portion of any such Bond being redeemed shall be in an authorized denomination (which shall not be less than the minimum authorized denomination).

Notice of intention to redeem Bonds of any series, wholly or in part, shall be given, by or on behalf of the Company, by first class mail, postage prepaid, at least 30 days before the Redemption Date, to each Holder of a Bond to be redeemed at the address shown on the Bond Register; but the failure to give such notice, or any defect in such notice so given, shall not affect the validity of the proceedings for the redemption of any Bond not affected by such failure or defect. All notices of redemption shall state the Redemption Date and redemption price, the portion, if less than all, of the Bonds to be redeemed, the place at which the Bonds are to be surrendered for payment, which, unless otherwise stated, shall be the principal corporate trust office of the Trustee, and that on the Redemption Date the redemption price will become due and payable on each such Bond (or the portion thereof to be redeemed) and interest thereon shall cease to accrue on and after such date.

If only part of the Bonds of any particular series is to be redeemed, said notice of redemption shall specify the numbers of such Bonds to be redeemed in whole or in part. If any Bond is to be redeemed in part only, said notice shall specify the portion of the principal amount thereof to be redeemed and shall state that, upon presentation of such Bond for redemption, a new Bond of the same series, of the same maturity and of an aggregate principal amount equal to the unredeemed portion of such Bond, will be issued in lieu thereof.

In case only a portion of any Bond shall be called for redemption, the Company at its expense shall execute and the Trustee shall authenticate and deliver to the Holder of such Bond a new Bond of the same series and of the same maturity for the principal amount of the surrendered Bond, less the principal amount redeemed and paid.

**Section 8.03.** If the Company shall give and complete notice of its intention to redeem any of the Bonds, the Company shall, and it hereby covenants that it will, on or before the Redemption Date specified in such notice, deposit with the Trustee a sum of cash, Government Obligations or a combination thereof, which will provide sufficient cash to redeem all of such Bonds on such Redemption Date.

**Section 8.04.** Cash, Government Obligations or a combination thereof deposited by the Company with the Trustee under the provisions of this Article VIII for the redemption of any of the Bonds shall be deposited and held in a trust fund for the account of the respective Holders of the Bonds to be redeemed and shall be paid to them respectively, upon presentation and surrender of such Bonds; and on and after such Redemption Date if the moneys for the redemption of said Bonds shall be on deposit as aforesaid, such Bonds shall cease to bear interest, and such Bonds shall cease to be entitled to the benefits and security of and the Lien of the Indenture.

**Section 8.05.** All Bonds paid, retired or redeemed under any of the provisions of this Article VIII shall be cancelled forthwith, and the Trustee shall thereupon destroy such Bonds and deliver evidence of the destruction thereof to the Company in accordance with Section 18.07.

**Section 8.06.** If there shall have been deposited with the Trustee any combination:

(i) of cash and

(ii) of Government Obligations (which shall not contain provisions permitting the redemption thereof at the option of the issuer), maturing as to principal and interest (without any regard to the reinvestment thereof) in such amounts and at such times as will assure the availability of cash

that is necessary to pay when due the principal of, premium, if any, and interest due and to become due on such Bond on or prior to the Redemption Date thereof; and either the notice provided for in respect of the redemption of such Bonds shall have been duly given by the Trustee or irrevocable authorization shall have been given by the Company to the Trustee to give notice, on behalf of the Company, as provided in Section 8.02, then the Company and the Trustee shall consider such Bonds redeemed from the Holder thereof and paid for purposes of release and satisfaction of the Indenture.

**Section 8.07.** In case any question shall arise as to whether proper and sufficient action shall have been taken for the redemption of Bonds, such question shall be decided by the Trustee and the decision of the Trustee shall, subject to Section 14.01, be final and binding upon all parties in interest.

## ARTICLE IX

### POSSESSION, USE AND RELEASE OF MORTGAGED AND PLEDGED PROPERTY

**Section 9.01.** Until a Completed Default shall occur and be continuing, the Company shall be permitted, subject to the provisions of this Article IX, to possess, use, manage, operate and enjoy the mortgaged and pledged property (except money and securities which are expressly required to be deposited with the Trustee); to collect, receive, use, invest and dispose of the rents, issues, income, revenues, products and profits from all the mortgaged and pledged property, with power (in the ordinary course of business freely and without permission from or hindrance by the Trustee or the Bondholders) to use, consume and dispose of materials and supplies; and, except as herein otherwise expressly provided to the contrary, to exercise any and all rights under or in relation to choses in action, leases and contracts.

**Section 9.02.** (a) Until a Completed Default shall occur and be continuing, the Company may, without any release or consent by the Trustee, or accountability thereto for any consideration received by the Company:

(1) sell or otherwise dispose of, free from the Lien of the Indenture, any machinery, equipment, tools, implements or other similar property subject to the Lien Hereof which may have become obsolete or unfit for use or no longer useful, necessary or profitable in the conduct of business of the Company, upon replacing the same by or substituting for the same, other machinery, equipment, tools or implements, not necessarily of the same character but of at least equal value to that of such property disposed of;

(2) abandon, terminate, cancel, or make changes or alterations in, or substitutions of, any and all contracts, leases and right-of-way grants of either land or easements; and

(3) grant rights-of-way and easements over or in respect of any of the mortgaged and pledged property, of the nature described in the definition of Permitted Encumbrances, provided that such grant will not impair the use of such property for the purposes for which it is held by the Company and will not have a material adverse impact on the security afforded by the Indenture.

(b) Until a Completed Default shall occur and be continuing, the Company may, without any release or consent by the Trustee, or accountability thereto for any consideration received by the Company, enter into leases permitting the lessee to occupy or use any of the mortgaged and pledged property in any manner that does not interfere in any material respect with the use of such property for the purpose for which it is held by the Company and will not have a material adverse impact on the security afforded by the Indenture.

(c) The Trustee shall execute a written instrument to confirm any action taken by the Company under this Section 9.02, upon receipt by the Trustee of (1) a Resolution requesting such written instrument and expressing any required opinions, (2) an Officer's Certificate stating that no Default has occurred and is continuing and that said action was duly

taken in conformity with a designated subsection of this Section 9.02 and (3) an Opinion of Counsel stating that said action was duly taken by the Company in conformity with said subsection and that the execution of such written instrument is appropriate to confirm such action under this Section 9.02.

**Section 9.03.** Until a Completed Default shall occur and be continuing, the Company may sell, exchange or otherwise dispose of, or release from the Lien of the Indenture, any other of the mortgaged and pledged property, and the Trustee shall release the same from the Lien Hereof upon the submission by the Company to the Trustee of an Application and delivery to the Trustee of the items listed in subsections (a) through (g) :

(a) a Resolution requesting such release and describing the applicable property;

(b) an Officer's Certificate, stating that no Default has occurred and is continuing, and that the granting of such Application will not result in a Default;

(c) an Engineer's Certificate, dated not more than 90 days preceding the date of delivery of the Application for such release, stating:

(A) a brief description of the property to be released (which may be given by reference to the Resolution requesting the release if such property is described therein) and stating whether such property is of the character of Permanent Additions;

(B) a brief description of the consideration, if any, to be received by the Company for the property to be released;

(C) the Cost and Fair Value of:

(i) all of the mortgaged and pledged property that is Permanent Additions, excluding Retired Property, and

(ii) the property to be released; and

(D) that, in the opinion of the signer, such release will not impair the security under the Indenture in contravention of the provisions hereof;

(d) if the aggregate of the Fair Value of the property or securities to be released, the amount of any award or consideration received under Section 9.06, and the Fair Value of any other property or securities theretofore released under this Section 9.03, since the beginning of the then current calendar year, is shown by the Engineer's Certificates filed in connection with such releases to be 10% or more of the aggregate principal amount of Bonds at the time Outstanding, an Independent Engineer's Certificate making the statements required by subparagraph (C) of subsection (c) of this Section 9.03, but no such Independent Engineer's Certificate shall be required in the case of any release of property or securities, the Fair Value of which, as set forth in the Engineer's Certificate required by subsection (c) of this Section 9.03, is

less than \$25,000 or less than 1% of the aggregate principal amount of the Bonds at the time Outstanding;

(e) if any of the property to be received in consideration for the property to be released is of a character which would be included within the definition of Permanent Additions:

(1) an Engineer's Certificate containing the statements required by paragraphs (3), (4), (5) and (6) of subsection (a) of Section 4.05 with such changes therein as may be necessary to adapt the same to the purposes of this Article IX;

(2) if any portion of such property described in the Engineer's Certificate provided for in paragraph (1) above consists of an Acquired Facility of a Fair Value of not less than \$25,000 and not less than 1% of the aggregate principal amount of Bonds at the time Outstanding, an Independent Engineer's Certificate containing the statements required by subsection (b) of Section 4.05 with such changes therein as may be necessary to adapt the same to the purposes of this Article IX; and

(3) an Opinion of Counsel and the instruments and documents or evidence respectively required by subsections (d) and (e) of Section 4.05, with such changes therein as may be necessary to adapt the same to the purposes of this Article IX;

(f) an Accountant's Certificate stating the aggregate principal amount of Bonds Outstanding at the time of such release, and stating whether the lesser of the Cost or Fair Value of all of the Permanent Additions (excluding the mortgaged and pledged property to be released but including any Permanent Additions to be acquired by the Company with the proceeds of, or otherwise in connection with, such release) stated in the Engineer's Certificate filed pursuant to subsection (c) or the Independent Engineer's Certificate filed pursuant to subsection (d), equals or exceeds an amount equal to [150%] of such aggregate principal amount of Bonds Outstanding; and

(g) if the lesser of the Cost or Fair Value of all of the Permanent Additions (excluding the mortgaged and pledged property to be released but including any Permanent Additions to be acquired by the Company with the proceeds of, or otherwise in connection with, such release) does not equal or exceed [150%] of such aggregate principal amount of Bonds Outstanding (i) any cash, obligations or other securities to be the consideration for the property to be released, and (ii) cash equal to the amount, if any, by which the Fair Value of the property to be released exceeds the total of the cash received by the Trustee pursuant to clause (i) of this subsection (g) and the Fair Value of the property to be received in consideration therefor as described in the Engineer's Certificate pursuant to paragraph (B) of subsection (c) of this Section 9.03.

**Section 9.04.** Until a Completed Default shall occur and be continuing and upon receipt of a Company Request, the Trustee without requiring compliance with any of the foregoing provisions of Section 9.03, shall release from the Lien Hereof any property, the Fair Value of which shall be stated in an Engineer's Certificate delivered to the Trustee simultaneously with said Company Request, provided that such Fair Value is less than \$25,000 or less than 1% of the aggregate principal amount of Bonds Outstanding at the date of the Engineer's Certificate and

which property, as stated in such Engineer's Certificate, is not useful or necessary in the conduct of the business of the Company. Said Engineer's Certificate shall also state that such release will not in any material respect impair the security under the Indenture. The aggregate Fair Value of all property released pursuant to this Section 9.04 in any calendar year shall not exceed \$500,000. The Company covenants that it will deposit with the Trustee the consideration, if any, received by it upon the sale or other disposition of any property so released. The provisions of this Section 9.04 shall not be available if any portion of the property to be received in consideration for the property of the Company to be released consists of securities.

**Section 9.05.** Interest on and principal of any obligation received by the Trustee pursuant to the provisions of Section 9.03 may be collected by it, but, until a Completed Default shall occur and be continuing, interest as received by the Trustee on any such obligation thereof shall be paid over to the Company.

Any new property acquired by exchange or purchase (other than cash received pursuant to subsections (a) through (f) of Section 9.03) to take the place of any property released under any provision of this Article IX shall forthwith and without further conveyance become subject to the Lien of the Indenture; and the Company covenants that, if so requested by the Trustee, it will convey the same, or cause to be conveyed, to the Trustee by appropriate instruments of conveyance upon the trusts and for the purposes of the Indenture.

**Section 9.06.** Should any of the mortgaged and pledged property be taken by exercise of the power of eminent domain or should any governmental body or agency, at any time, exercise any right which it may have to require the Company to sell to it any part of said property, the Trustee shall accept any cash award therefor, and at the request of the Company shall release the property so taken or purchased, upon being furnished with an Opinion of Counsel to the effect that such property has been taken by exercise of the power of eminent domain or purchased by a governmental body or agency in the exercise of a right which it had to purchase the same. The proceeds of all property so taken or purchased shall be paid over to the Trustee, to be held and applied by the Trustee in the same manner and on the same basis as moneys received by the Trustee pursuant to Section 9.03.

**Section 9.07.** If all or substantially all of the mortgaged and pledged property, other than any money and securities deposited with the Trustee, shall be in the possession of a trustee or receiver, lawfully appointed in any action or judicial proceeding for the foreclosure hereof or for the enforcement of the rights of the Trustee or of the Bondholders, the powers conferred upon the Company with respect to the sale or other disposition of the mortgaged and pledged property may be exercised by such trustee or receiver, and any request, certificate or appointment made or signed by such trustee or receiver for such purpose shall have the same effect as if made by the Company or the Board of Directors or any of the officers of the Company as herein provided. If the Trustee shall be in possession of the mortgaged and pledged property under any provision in the Indenture, then such powers may be exercised by the Trustee in its discretion.

**Section 9.08.** No Person purchasing in good faith property purporting to have been released hereunder shall be bound to ascertain the authority of the Trustee to execute the release, or to inquire as to the existence of any conditions herein prescribed for the exercise of such authority; nor shall any purchaser or grantee of any property or rights permitted by Section 9.02,

9.03 or 9.04 to be sold, granted, exchanged or otherwise disposed of by the Company be under any obligation to ascertain or inquire into the authority of the Company to make any such sale, grant, exchange or other disposition. Any release executed by the Trustee under this Article IX shall be sufficient for the purpose of the Indenture and shall constitute a good and valid release of the property therein described from the Lien Hereof.

**Section 9.09.** The "Release Fund" shall consist of all moneys deposited with or received by the Trustee, pursuant to any Section of this Article IX (excluding any cash received by the Company pursuant to subsections (a) through (f) of Section 9.03 that is not required to be deposited with the Trustee pursuant to subsection (g) of Section 9.03) or in payment of or in exchange for any of the obligations deposited with or received by the Trustee pursuant to the provisions of Section 9.03 or 9.04 (except interest or dividends on said obligations or other securities) or which under any of the provisions of the Indenture are to be held, applied, or disposed of by the Trustee in the same manner as moneys or cash in such Release Fund. The Release Fund shall be held by the Trustee in trust for the security of the Bonds Outstanding until withdrawn or paid out as provided in Sections 9.10 through 9.17.

**Section 9.10.** Until a Completed Default shall occur and be continuing, at the option of the Company any moneys constituting all or any part of the Release Fund shall be paid over to the Company by the Trustee in an amount equal to the Cost or Fair Value, whichever is less, of Permanent Additions certified to the Trustee as provided in Article IV, after making the deductions provided for in Section 4.03 for Retired Property and subject to the conditions of Sections 4.06 and 4.08 but only upon the delivery to the Trustee of:

- (a) a Company Order;
- (b) a Resolution authorizing such Company Order;
- (c) an Officer's Certificate stating that no Default has occurred and is continuing, and that the granting of such Company Order will not result in a Default; and
- (d) an Accountant's Certificate containing the statements and calculation provided for in subsection (d) of Section 4.07 with the changes necessary to adapt the same to the purposes of this Section 9.10.

**Section 9.11.** Upon receipt of a Company Request in the form of an Officer's Certificate and without requiring compliance with any of the provisions of Section 9.10 (except subsection (c) of Section 9.10), the Trustee shall pay over to the Company the proceeds of any sale of property, for which the consideration was less than \$25,000, and the Company covenants that moneys so received, pursuant to the provisions of this Section 9.11, promptly will be expended for property of the character of Permanent Additions. The aggregate amount withdrawn pursuant to this Section 9.11 in any calendar year shall not exceed \$500,000. Withdrawals under this Section 9.11 shall be deducted from the Amount of Established Permanent Additions in the next succeeding Accountant's Certificate filed under Section 9.10.

**Section 9.12.** If the mortgaged and pledged property shall be sold, either under the power of sale herein provided, or under decree of court in a suit for the foreclosure of the Indenture,



then the Release Fund shall be added to and dealt with as if it were part of the proceeds of such sale.

**Section 9.13.** Until a Completed Default shall have occurred and be continuing, upon Company Request, authorized by Resolution, the Trustee shall to the extent that such Bonds are available for such purpose, apply all or any part of the cash held by it in the Release Fund to the purchase of Outstanding Bonds of one or more series as the Company may designate at the lowest price obtainable, but such purchase price shall not exceed the current regular redemption price applicable to such Bonds. Upon the purchase by the Trustee of any Bond, as hereinabove provided, the Trustee shall notify the Company in writing thereof, specifying the serial numbers and principal amount of the Bonds purchased and any amount of accrued interest thereon paid or to be paid by the Trustee on such purchase, and the Company covenants that, upon the receipt by it of any such notice, it immediately will pay to the Trustee, as an additional payment to the Release Fund, an amount of cash equal to such accrued interest on the Bonds so purchased, or to be purchased, as specified in such notice to the end that the Release Fund shall not be diminished by the payment therefrom of interest.

**Section 9.14.** Until a Completed Default shall have occurred and be continuing, and upon Company Request, authorized by Resolution, the Trustee shall as soon as practicable apply all or any part of the cash held by it in the Release Fund to the redemption of Bonds, which are by their terms then redeemable, of one or more series as may be designated by the Company in the manner and as provided for redemption of Bonds in Article VIII. In the event of each such redemption the Trustee promptly shall notify the Company in writing of the Bonds selected for redemption, specifying the amount of accrued interest payable in respect of the Bonds to be redeemed upon such redemption. The Company covenants that it will give or cause to be given the notice provided for in respect of the redemption of such Bonds and will, on or prior to the date fixed for such redemption, deposit with the Trustee an additional amount of cash equal to such accrued interest, to the end that the Release Fund shall not be diminished by the payment of interest therefrom.

The provisions of this Section 9.14 and of Section 9.15 shall not grant to the Company the power to redeem any Bond that is not otherwise redeemable or to redeem any Bond at a price less than the price at which such Bond could be redeemed pursuant to Article VIII or pursuant to the terms of such Bond.

**Section 9.15.** Until a Completed Default shall have occurred and be continuing, if the balance in the Release Fund exceeds \$300,000 for a period of 24 months or more, and during that period the Company shall not have made a proper request for reimbursement pursuant to Section 9.10 or for the application of such balance to the purchase or redemption of Bonds pursuant to Section 9.13 or 9.14, respectively, then the balance in the Release Fund shall be applied by the Trustee without further action by, or election of, the Company to the purchase or redemption of Bonds (subject to the last paragraph of Section 9.14) in the manner specified in Sections 9.13 and 9.14, choosing for such purpose Bonds of the series of the lowest current redemption price that may be then Outstanding and available for such purpose. In the event of each such application and upon written notice from the Trustee, the Company shall give or cause to be given the notice provided for in respect of the redemption of such Bonds and shall pay to

the Trustee additional cash equal to any accrued interest that will be payable upon such redemption.

**Section 9.16.** Until a Completed Default shall have occurred and be continuing, delivery by the Company to the Trustee of Bonds (except Bonds which have been retired or used in any manner set forth in clause (a) or (b) of Section 5.01), shall be deemed equivalent under this Article IX to payment of cash under Sections 9.03 and 9.04 equal to the aggregate principal amount of the Bonds so delivered.

**Section 9.17.** Until a Completed Default shall have occurred and be continuing, any moneys constituting part of the Release Fund may be withdrawn by the Company upon the delivery to the Trustee of Bonds (except Bonds which have been retired or used in any manner set forth in clause (a) or (b) of Section 5.01), of an aggregate principal amount equal to the amount of moneys withdrawn.

**Section 9.18.** All Bonds purchased or otherwise acquired by, or delivered to the Trustee for the Release Fund shall be cancelled forthwith, and the Trustee thereupon shall destroy such Bonds and deliver evidence of the destruction to the Company, pursuant to Section 18.07.

## ARTICLE X

### MEETINGS OF BONDHOLDERS

**Section 10.01.** A meeting of Holders of Bonds of any or all series may be called at any time pursuant to the provisions of this Article X for any of the following purposes:

(1) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to waive any Completed Default and its consequences, or to take any other action authorized to be taken by Holders pursuant to any of the provisions of Article XI;

(2) to remove the Trustee and appoint a successor Trustee pursuant to the provisions of Article XIV;

(3) to consent to the execution of a Supplemental Trust Indenture pursuant to the provisions of Section 16.02; or

(4) to take any other action authorized to be taken by or on behalf of the Holders of any specified percentage in aggregate principal amount of the Bonds of any or all series, as the case may be, under any other provisions of the Indenture or under applicable law.

**Section 10.02.** The Trustee at any time may call a meeting of Holders of Bonds of any or all series to take any action specified in Section 10.01, such meeting to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given to Holders of Bonds of each series affected, in the manner and to the extent provided in subsection (c) of Section 14.18, not less than 10 nor more than 60 days

prior to the date fixed for the meeting; provided, however, that if, pursuant to Section 10.07, the Company fixes a record date for such meeting, notice of such meeting shall be given to the Holders, as of such record date, of Bonds of each series affected.

**Section 10.03.** If the Company, pursuant to a Resolution, or the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding shall have requested the Trustee in writing to call a meeting of Holders to take any action authorized in Section 10.01, which request shall set forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within 20 days after receipt of such request, then the Company or the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding may determine the time and the place for such meeting and may call such meeting by mailing notice thereof as provided in Section 10.02. The Trustee shall be required to attend any such meeting properly called by the Company or Bondholders.

**Section 10.04.** To be entitled to vote at any meeting of Holders, a Person shall be a Holder of one or more Outstanding Bonds, of any or all series, as the case may be, with respect to which such meeting is being held or be a Person appointed by an instrument in writing as proxy by such Holder; provided, however, that if, pursuant to Section 10.07, the Company fixes a record date for such meeting, to be entitled to vote at such meeting, a Person must be a Holder, as of such record date, of one or more Outstanding Bonds with respect to which such meeting is being held or be a Person appointed by an instrument in writing as proxy by such Holder. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

**Section 10.05.** Notwithstanding any other provisions of the Indenture, the Trustee may establish such reasonable rules as it may deem advisable for any meeting of Holders in regard to: (a) proof of the holding of Bonds and of the appointment of proxies; (b) the appointment and duties of inspectors of votes; (c) the submission and examination of proxies, certificates and other evidence of the right to vote; and (d) such other matters concerning the conduct of the meeting as the Trustee shall determine. Except as otherwise permitted or required by any such rules, the holding of Bonds shall be proved in the manner specified in Section 12.02 and the appointment of any proxy shall be proved in the manner specified in Section 12.02 or by having the signature of the Person executing the proxy witnessed or guaranteed by any bank or trust company satisfactory to the Trustee.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or the Holders as provided in Section 10.03, in which case the Company or the Holders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by majority vote of the meeting.

Subject to the provisions of Section 10.04 and Section 10.07, at any meeting each Holder of Outstanding Bonds, with respect to which such meeting is being held, or proxy therefor shall be entitled to one vote for each \$1,000 principal amount of Outstanding Bonds held or represented by each Holder; provided, that no vote shall be cast or counted at any meeting in respect of any Bonds challenged as not Outstanding and ruled by the chairman of the meeting to

be not Outstanding. The chairman of the meeting shall have no right to vote except as a Holder or proxy. At any meeting of Holders, the presence of Persons holding or representing Bonds in an aggregate principal amount sufficient to take action on any business for which such meeting was called shall constitute a quorum.

Any meeting of Holders duly called pursuant to the provisions of Section 10.02 or 10.03 may be adjourned from time to time by vote of the Holders of a majority in aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum be then present at such meeting, and any meeting so adjourned may be continued without further notice.

**Section 10.06.** The vote upon any resolution submitted to any meeting of Holders of Bonds with respect to which such meeting is being held or represented by them shall be by written ballots on which shall be subscribed the signatures of the Holders or proxies and, if deemed appropriate by the Trustee, the serial number or numbers and principal amount of the Bonds of each series held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their notarized and sworn written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote taken by ballot and affidavits by one or more Persons having knowledge of the facts, setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 10.02. The record shall be signed and verified by the permanent chairman and secretary of the meeting. One of the duplicates shall be delivered to the Company. The other duplicate, with the ballots voted at the meeting attached thereto, shall be delivered to the Trustee to be preserved by the Trustee.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

**Section 10.07.** If the Company shall solicit from Holders any request, demand, authorization, direction, notice, consent, waiver or other act, the Company may, at its option, by Company Order, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other act, but the Company shall have no obligation to do so. Any such record date shall not be less than ten (10), nor more than sixty (60), days prior to the date of the first solicitation by the Company. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other act may be given before or after such record date, but only the Holders of record at the close of business on the record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of the Outstanding Bonds have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other act, and for that purpose the Outstanding Bonds shall be computed as of the record date.

**Section 10.08.** In lieu of a vote of Holders at a meeting as hereinbefore contemplated in this Article, any request, demand, authorization, direction, notice, consent, waiver or other action may be made, given or taken by Holders by written instruments.

## ARTICLE XI

### REMEDIES OF TRUSTEE AND BONDHOLDERS UPON DEFAULT

**Section 11.01.** Upon the occurrence and continuance of any one or more of the following events, a "Completed Default" shall exist:

(a) default [continued for 3 Business Days] in the payment of the principal of, or premium, if any, on any Bond when the same shall have become due and payable, whether at Stated Maturity or by declaration, or otherwise; or

(b) default continued for [60] days in the payment of any interest upon any Bond; or

(c) the entry by a court having jurisdiction in the premises of (i) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (ii) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition by one or more Persons other than the Company seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for the Company or for any substantial part of its property, or ordering the winding up or liquidation of its affairs, and any such decree or order for relief or any such other decree or order shall have remained unstayed and in effect for a period of ninety (90) consecutive days; or

(d) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in a case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the authorization of such action by the Board of Directors; or

(e) default continued for 90 days after notice to the Company from the Trustee in the performance by the Company of any other covenant, agreement or condition contained herein;

and the Trustee may, and upon the written request of the Holders of 25% or more in principal amount of the Bonds then Outstanding shall, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest thereupon shall be due and payable immediately; subject to the right of the Holders of a majority in principal amount of the Bonds then Outstanding, by written notice to the Company and to the Trustee, to rescind and annul such declaration and destroy its effect at any time before any sale hereunder if, before any such sale, (1) all agreements with respect to which default shall have been made shall be fully performed and (2) the reasonable expenses and charges of the Trustee, its agents and attorneys, all arrears of interest upon all Bonds Outstanding and of all other indebtedness secured hereby (except (i) the principal of any Bonds not then due by their terms, and (ii) interest accrued on such Bonds since the last Interest Payment Date) shall have been paid, or the amount thereof shall have been paid to the Trustee for the benefit of those entitled thereto.

No rescission or annulment and no waiver of a Completed Default shall extend to or affect any subsequent Completed Default or impair any right subsequently accruing with respect thereto.

**Section 11.02.** Upon the occurrence of one or more Completed Defaults, the Company, upon demand of the Trustee, forthwith shall surrender to the Trustee the actual possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all the mortgaged and pledged property (with the books, papers and accounts of the Company) and to hold, operate and manage the same, and to make all necessary repairs, and such alterations, additions and improvements as the Trustee shall deem appropriate, and to receive the rents, income, issues and profits thereof, and out of the same to pay all proper costs and expenses of so taking, holding, operating and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the Lien of the Indenture, which the Trustee may deem appropriate to pay, and all expenses of all such repairs, alterations, additions and improvements, and to apply the remainder of the moneys so received by the Trustee, as follows:

(a) in case the principal of none of the Bonds shall have become due, to the payment of the interest in default, in chronological order of the Stated Maturity of the installments of such interest, with interest (to the extent permitted by law) on the overdue installments thereof at the same rate that the Bonds themselves bear; such payments to be made ratably to the Persons entitled thereto, without discrimination or preference;

(b) in case the principal of any of the Bonds shall have become due, by declaration or otherwise, first to the payment of the interest in default, in chronological order of the Stated Maturity of the installments of such interest, with interest (to the extent permitted by law) on the overdue installments of interest at the same rate that the Bonds themselves bear, and thereafter to the payment of the principal of all Bonds then due, such payments, respectively, to be made ratably to the persons or parties entitled thereto without discrimination or preference.

Whenever all that is due upon such installments of interest and the principal of such Bonds, and under any of the terms of the Indenture, shall have been paid and all defaults made

good, the Trustee shall surrender possession to the Company, its successors or assigns; but with the same right of entry to exist upon any subsequent default.

**Section 11.03.** Upon the occurrence of one or more Completed Defaults: (a) it shall be lawful for the Trustee, by such officer or agent as it may appoint, with or without entry (i) to sell all property subject to the Lien Hereof as an entirety, or in such parcels as the Holders of a majority in principal amount of the Bonds Outstanding shall in writing request, or in the absence of such request, as the Trustee may determine, at public auction, at some convenient place in Louisville, Kentucky, or such other place as may be required by law, or by order of court (having first given notice of such sale by publication at least once on any day in each of not less than four successive calendar weeks immediately preceding the date fixed for any such sale in at least one daily newspaper of general circulation printed in the English language, published in the City and State of New York, and any other notice which may be required by law) and (ii) to adjourn such sale in its discretion by announcement at the time and place fixed for such sale without further notice, and upon such sale to make and deliver to the purchaser or purchasers a good and sufficient deed or deeds for the same, which sale shall be a perpetual bar, both at law and in equity, against the Company, and all Persons lawfully claiming or who may claim by, through or under it and (b) the Trustee and its successors are irrevocably appointed the true and lawful attorney or attorneys of the Company, in its name and stead, for the purpose of effectuating any such sale to execute and deliver all necessary deeds, bills of sale, assignments and transfers, and to substitute one or more Persons with like power, the Company hereby ratifying and confirming all that the Trustee's attorney or attorneys, or such substitute or substitutes, shall lawfully do by virtue hereof. Nevertheless, if so requested by the Trustee or by any purchaser, the Company shall ratify and confirm any such sale or transfer by executing and delivering to the Trustee or to such purchaser or purchasers all proper conveyances, assignments, instruments of transfer and releases as may be designated in any such request.

**Section 11.04.** In the event of a Completed Default, the Trustee shall have the right and power to take appropriate judicial proceedings for the enforcement of its rights and the rights of the Bondholders. In case of a Completed Default, the Trustee may after entry, or without entry, proceed by suit or suits at law or in equity to enforce payment of the Bonds then Outstanding and to foreclose the Indenture and to sell the property subject to the Lien of the Indenture under the judgment or decree of a court of competent jurisdiction; and it shall be obligatory upon the Trustee to take action, either by such proceedings or by the exercise of its powers with respect to entry or sale, upon being requested to do so by the Holders of a majority in principal amount of the Bonds then Outstanding and upon being indemnified as hereinafter provided.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Bonds or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable, as therein expressed or by declaration or otherwise, and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal, premium or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal of, premium, if any and interest owing and unpaid in respect of the Bonds Outstanding and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Bondholders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Bondholder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 14.07.

Nothing contained herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

No remedy by the terms of the Indenture, conferred upon or reserved for the Trustee or for the Bondholders, is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any Completed Default shall impair any such right or power or shall be construed to be a waiver of any such Completed Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as expedient.

**Section 11.05.** Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in principal amount of the Bonds then Outstanding, at any time, by a written instrument, executed and delivered to the Trustee, may reasonably direct the time, method and place of conducting any proceeding; provided that such direction shall not be contrary to the provisions of law or of the Indenture.

**Section 11.06.** In case of a Completed Default and upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the property subject to the Lien of the Indenture, and of the income, rents, issues and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

**Section 11.07.** Upon any sale made under the power of sale hereby given or under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the



enforcement of the Indenture, the principal of all Bonds then Outstanding, if not previously due, shall immediately be due and payable.

**Section 11.08.** Upon any sale made under the power of sale hereby given or under judgment or decree in any judicial proceedings for foreclosure or otherwise for the enforcement of the Indenture, any Bondholder or Bondholders, or the Trustee, may bid for and purchase the property subject to the Lien of the Indenture and upon compliance with the terms of sale may hold, retain, possess and dispose of such property without further accountability. To the extent permitted by law, any purchaser at any such sale may deliver any of the Bonds Outstanding in lieu of cash in a principal amount equal to the cash payable upon distribution of the net proceeds from such sale. Said Bonds, in case the amounts so available for payment to the Holders thereof shall be less than the amount due upon the Bonds, shall be returned to the Holders thereof after being properly stamped to show partial payment of the Bonds.

**Section 11.09.** Upon any sale made under the power of sale hereby given or under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the enforcement of the Indenture, a receipt from the Trustee or the officer making such sale shall be a sufficient discharge to the purchaser for his purchase money. Such purchaser, his assigns or personal representatives, after paying such purchase money and receiving such receipt of the Trustee or of such officer therefor, shall not be obliged to see to the application of such purchase money, or in any way be answerable for any loss, misapplication or nonapplication thereof.

**Section 11.10.** Any sale made under the power of sale hereby given or under judgment or decree in any judicial proceedings for foreclosure or otherwise for the enforcement of the Indenture, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Company, of, in and to the property so sold, and shall be a perpetual bar both at law and in equity against the Company, its successors and assigns and against any and all Persons claiming or who may claim the property which was sold or any part thereof, from, through or under the Company, its successors or assigns. The purchaser of the Company's interest in properties owned jointly or in common with others shall have the same rights and status as possessed by the Company prior to any such sale, but only to the extent permitted by law and subject to the provisions of any such judgment or decree.

**Section 11.11.** The proceeds from any sale made under the power of sale hereby given, or under judgment or decree in any judicial proceeding for the foreclosure or otherwise for the enforcement of the Indenture, together with any other amounts of cash which may then be held by the Trustee, as part of the mortgaged and pledged property, and which by any other provision hereof are to be added to or treated as a part of the proceeds of sale, shall be applied in the following order:

First. To the payment of all taxes, assessments or Prior Liens, except those taxes, assessments or Prior Liens subject to which such sales shall have been made, and of all the costs and expenses of such sale, including reasonable compensation to the Trustee, its agents and attorneys, and of all other sums payable to the Trustee as compensation for other services hereunder and by reason of any expenses or liabilities incurred or advances made in connection with the management or administration of the trusts hereby created;

Second. To the payment in full of the amounts then due and unpaid for principal and interest upon the Bonds then Outstanding; and in case such proceeds shall be insufficient to pay in full the amounts so due and unpaid, then to the payment thereof ratably, with interest on the overdue principal and interest (to the extent permitted by law) at the rates that the Bonds themselves bear without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest;

Third. To the Company, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same.

**Section 11.12.** In case of a Completed Default, neither the Company nor any one claiming through or under it shall or will set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the property subject to the Lien of the Indenture may be situated, in order to prevent or hinder the enforcement or foreclosure of the Indenture, or the absolute sale of the mortgaged and pledged property, or any part thereof, or the possession thereof by any purchaser at any sale under this Article XI, but the Company, for itself and all who may claim through or under it, hereby waives (to the extent it may lawfully do so) the benefit of all such laws. The Company, to the extent it may lawfully do so, for itself and all who may claim through or under it, hereby waives any and all right to have the mortgaged and pledged property marshaled upon any foreclosure hereof, and agrees that any court having jurisdiction to foreclose the Indenture may sell the mortgaged and pledged property subject to the Lien Hereof as an entirety.

**Section 11.13.** The Company covenants that if default shall be made in the payment of the principal of or interest on any of the Bonds when the same shall become payable taking into account any applicable grace periods, whether at the Stated Maturity or by declaration as authorized by the Indenture, or in case of a sale as provided in Section 11.03, 11.04 or 11.07 or otherwise, then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the Holders of such Bonds so due and payable the whole amount due and payable on all such Bonds for principal and interest, with interest upon the overdue principal and interest (to the extent permitted by law) at the same rate borne by the Bonds which are overdue. If the Company shall fail to pay the same promptly upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled to sue for and to recover judgment for the whole amount so due and unpaid.

The Trustee shall be entitled to sue for and recover judgment as aforesaid, either before, after or during the pendency of any proceedings for the enforcement of the Lien of the Indenture, or otherwise for the enforcement of any of its rights, or the rights of the Bondholders. In case of a sale of any of the property subject to the Lien of the Indenture, and of the application of the proceeds of sale to the payment of the debt hereby secured, the Trustee in its own name and as trustee of an express trust, shall be entitled to enforce payment of and to receive all amounts then remaining due and unpaid upon any and all of the Bonds then Outstanding, for the benefit of the Holders thereof, and the Trustee shall be entitled to recover judgment for any portion of the debt remaining unpaid, with interest. No recovery of any such judgment by the Trustee and no levy of any execution upon any such judgment upon any of the property subject to the Lien of the Indenture or upon any other property shall affect, in any manner or to any extent, the Lien of the

Indenture upon the mortgaged and pledged property, or any rights, powers or remedies of the Trustee, or any lien, rights, powers or remedies of the Holders of the said Bonds, but such lien, rights, powers and remedies of the Trustee and of the Bondholders shall continue unimpaired.

Any moneys collected or received by the Trustee under this Section 11.13, shall be applied by it first, to the payment of its expenses, disbursements and compensation and the expenses, disbursements and compensation of its agents and attorneys, and, second, toward payment of the amounts then due and unpaid upon such Bonds, with respect to which such moneys shall have been collected, ratably and without preference or priority of any kind, according to the amounts due and payable upon such Bonds at the date fixed by the Trustee for the distribution of such moneys, upon presentation of the several Bonds and upon notation of such payment thereon, if partly paid, and upon surrender thereof, if fully paid.

**Section 11.14.** All rights of action in favor of the Trustee, in respect of the Bonds or otherwise may be enforced by the Trustee without the possession of any of the Bonds or the production thereof at any trial or other proceedings relative thereto. Any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee and any recovery of judgment shall be for the equal benefit of the Holders of the Bonds.

**Section 11.15.** (a) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the foreclosure of the Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless: (i) such Holder shall have previously given to the Trustee written notice of the existence of a Completed Default as herein provided; (ii) the Holders of 25% in principal amount of the Bonds then Outstanding also shall have made written request to the Trustee and shall have afforded it reasonable opportunity to proceed to exercise the powers herein granted or to institute such action, suit or proceeding in its own name; and (iii) the Trustee shall have been offered adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby; provided that such liabilities do not arise as the result of the Trustee's negligence or bad faith. No Bondholder shall be entitled to institute any such suit if and to the extent that the institution or prosecution of such suit or the entry of judgment therein would result, under applicable law, in the surrender, impairment, waiver or loss of the Lien of the Indenture upon the mortgaged and pledged property, or any part thereof, as security for Bonds held by any other Bondholder.

(b) In any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the court may in its discretion require any litigant party in such suit to file an undertaking to pay the costs of such suit and the court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any litigant party in such suit, giving due regard to the merits and good faith of the claims or defenses made by such litigant party; provided that the provisions of this subsection (b) shall not apply to: (i) any suit instituted by the Trustee, (ii) any suit instituted by any Bondholder, or group of Bondholders, holding in the aggregate more than 10% in principal amount of the Bonds Outstanding, or (iii) any suit instituted by any Bondholder for the enforcement of the payment of the principal of or interest on any Bond, on or after the respective due dates expressed in such Bond.

## ARTICLE XII

### EVIDENCE OF RIGHTS OF BONDHOLDERS AND OWNERSHIP OF BONDS

**Section 12.01.** Whenever the Holders of a specified percentage in aggregate principal amount of Bonds are entitled to take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action, the Holders of such specified percentage have joined therein may be evidenced: (a) by any instrument or any number of instruments of similar tenor executed by the Holders in person or by agent or proxy, appointed in writing; (b) by the record of the Holders voting in favor thereof at any meeting of such Holders duly called and held in accordance with the provisions of Article X; or (c) by a combination of such instrument or instruments and any such record of such a meeting of such Holders.

**Section 12.02.** Subject to the provisions of Sections 14.01 and 10.05, the fact and date of the execution of any instrument by a Holder of Bonds or his agent or proxy may be proved by the certificate of any notary public or other officer authorized to take acknowledgements of deeds to be recorded within the United States of America or territories, commonwealths, or possessions thereof that the Person executing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer, provided that the Trustee may require such additional proof as it shall deem reasonable. Where such execution is by or on behalf of any legal entity other than an individual, such certificate or affidavit also shall constitute sufficient proof of the authority of the Person executing the same. Subject to Sections 14.01 and 10.05, the fact and date of the execution of any such instrument and the amount and numbers of Bonds of any series held by the Person so executing such instrument and the amount and numbers of any Bond for such series also may be proven in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in any other manner which the Trustee may deem sufficient.

The ownership and proof of holding of Bonds shall be proved by the Bond Register or by a certificate of the Bond Registrar. The fact of the holding by any Holder of a Bond of any series, and the identifying number of such Bond and the date of his holding the same, may be proved by the production of such Bond or by a certificate executed by any trust company, bank, banker or recognized securities dealer satisfactory to the Trustee, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory. Each such certificate shall be dated and shall state that on the date thereof a Bond of such series bearing a specified identifying number was deposited with or exhibited to such trust company, bank, banker or recognized securities dealer by the Person named in such certificate. Any such certificate may be issued in respect of one or more Bonds of one or more series specified therein. The holding by the Person named in any such certificate of any Bonds of any series specified therein shall be presumed to continue for a period of one year from the date of such certificate unless at the time of any determination of such holding (1) another certificate bearing a later date issued in respect of the same Bonds shall be produced, (2) the Bond of such series specified in such certificate shall be produced by some other Person or (3) the Bond of such series specified in such certificate shall have ceased to be Outstanding. Subject to Sections 14.01 and 10.05, the fact and date of the execution of any such instrument and the amount and numbers of Bonds of any series held by the Person so executing such instrument and the amount and numbers of Bonds for such series also may be proved in

accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in any other manner which the Trustee may deem sufficient.

The record of a Holders' meeting shall be proved in the manner provided in Section 10.06.

**Section 12.03.** Prior to presentation for registration of transfer of any Bond, the Company, the Trustee, any Authenticating Agent, any Paying Agent or any Bond Registrar may deem and treat the Person in whose name any Bond shall be registered upon the Bond Register as the absolute owner of such Bond (whether or not such Bond shall be overdue) for the purpose of receiving payment of or interest on account thereof and for all other purposes. Neither the Company nor the Trustee nor any Authenticating Agent nor any Paying Agent nor the Bond Registrar shall be affected by any notice to the contrary. All such payments made to any such Person, or upon his order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Bond.

**Section 12.04.** Until such time as written instruments shall have been delivered to the Trustee with respect to the requisite percentage of principal amount of Bonds for the action contemplated by such instruments, any such instrument executed and delivered by or on behalf of a Holder may be revoked with respect to any or all of such Bonds by written notice by such Holder or any subsequent Holder, proven in the manner in which such instrument was proved. Except as aforesaid in this Section 12.04, any such action taken by the Holder of any Bond pursuant to this Article XII shall be conclusive and binding upon such Holder, upon all future Holders and owners of such Bond and of any Bond issued in exchange or substitution therefor, irrespective of whether any notation in regard thereto is made upon such Bond. Any action taken by the Holders of the percentage in aggregate principal amount of the Bonds specified in the Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the Holders of the Bonds.

### ARTICLE XIII

#### EFFECT OF MERGER, CONSOLIDATION, ETC. ON THE LIEN OF THE INDENTURE

**Section 13.01.** Nothing in the Indenture shall prevent any lawful consolidation or merger of the Company with or into any other corporation, or any conveyance, transfer or lease, subject to the Lien of the Indenture, of all or substantially all the mortgaged and pledged property as an entirety, to any corporation lawfully entitled to acquire or lease and operate the same; provided (and the Company covenants and agrees), that such consolidation, merger, conveyance, transfer or lease shall be only upon terms that fully preserve and in no respect impair the efficiency or security of the Indenture or the Lien Hereof, or any of the rights or powers of the Trustee or the Bondholders; and provided that any such lease shall be made expressly subject to immediate termination by: (i) the Company or the Trustee at any time during the continuance of a Completed Default, and (ii) by the purchaser of the property so leased at any sale thereof, whether such sale be made under the power of sale hereby conferred or under judicial proceedings; and provided, further, that, upon any such consolidation, merger, conveyance, transfer, or lease, the term of which extends beyond the Stated Maturity of any of the Bonds

Outstanding, the due and punctual payment of the principal of and interest on all said Bonds according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Indenture to be kept or performed by the Company, shall be assumed by the corporation formed by such consolidation or into which such merger shall have been made, or acquiring all or substantially all the mortgaged and pledged property as an entirety, as aforesaid, or by the lessee under any such lease the term of which extends beyond the Stated Maturity of any of the Bonds Outstanding.

**Section 13.02.** If the Company, pursuant to Section 13.01, shall be consolidated with or merged into any other corporation or shall convey or transfer (subject to the Lien of the Indenture) all, or substantially all, the mortgaged and pledged property, as an entirety, then the successor corporation, formed by such consolidation or into which the Company shall have been merged or which shall have received a conveyance or transfer as aforesaid (the “**Successor Corporation**”), upon executing an indenture with the Trustee, satisfactory to the Trustee, and causing the same to be recorded, whereby such Successor Corporation shall assume and agree to pay, duly and punctually, the principal of and interest on the Bonds, and agree to perform and fulfill all the covenants and conditions of the Indenture binding upon the Company, shall: (a) succeed to and be substituted for the Company, with the same effect as if it had been named herein, and in the Bonds as the mortgagor or obligor company; (b) have and may exercise under the Indenture and the Bonds the same powers and rights as the Company, and (without in any way limiting or impairing by the enumeration of the same the scope and intent of the foregoing general powers and rights) such Successor Corporation thereupon may cause to be executed, issued and delivered, either in its own name or in the name of the Company, any or all of such Bonds which shall not theretofore have been executed by the Company and authenticated by the Trustee, and upon the order of such Successor Corporation in lieu of the Company, and subject to the terms, conditions and restrictions prescribed in the Indenture, concerning the authentication and delivery of Bonds, the Trustee shall authenticate and deliver any such Bonds which shall have been previously signed and delivered by the officers of the Company to the Trustee for authentication, and any such Bonds which such Successor Corporation shall thereafter, in accordance with the provisions of the Indenture, cause to be executed and delivered to the Trustee for authentication. All the Bonds so issued shall in all respects have the same legal right and security as the Bonds theretofore issued in accordance with the terms of the Indenture as though all of said Bonds had been authenticated and delivered at the date of the execution hereof; provided, that as a condition precedent to the execution by a Successor Corporation and the authentication and delivery by the Trustee of any such additional Bonds in respect of the construction or acquisition by the Successor Corporation of Permanent Additions, the indenture with the Trustee to be executed and caused to be recorded by the Successor Corporation, as provided in this Section 13.02, shall contain a conveyance or transfer and mortgage in terms sufficient to include such Permanent Additions; and provided further that the Lien of the Indenture or of the indenture so created and to be executed by such Successor Corporation shall have similar force, effect and standing as the Lien of the Indenture would have if the Company had not been consolidated with or merged into such other corporation or had not conveyed or transferred, subject to the Indenture, all the mortgaged and pledged property as an entirety, as aforesaid, to such Successor Corporation, and had itself acquired or constructed such Permanent Additions, and requested the authentication and delivery of Bonds under the provisions of the Indenture.

Until a Completed Default shall occur and be continuing and subject to the provisions of Section 14.01 hereof, the Trustee may receive an Opinion of Counsel as conclusive evidence that any such indenture complies with the foregoing conditions and provisions of this Section 13.02.

**Section 13.03.** If the Company, pursuant to Section 13.01, shall be consolidated with or merged into any other corporation, or shall convey or transfer, subject to the Indenture, all or substantially all of the mortgaged and pledged property as an entirety as aforesaid, neither the Indenture nor the indenture with the Trustee to be executed and caused to be recorded by the Successor Corporation as provided in Section 13.02, shall, unless such latter indenture shall otherwise provide (anything in the Indenture contained to the contrary notwithstanding), become or be a lien upon any of the properties or franchises of the Successor Corporation except those acquired by it from the Company, and extensions and additions appurtenant to the property acquired from the Company, and such franchises, repairs and additional property as may be acquired by the Successor Corporation in pursuance of the covenants herein contained to maintain, renew and preserve the franchises covered by the Indenture and to keep and maintain the mortgaged and pledged property obtained from the Company in adequate repair, working order and condition.

**Section 13.04.** At any time prior to the exercise of any power reserved by this Article XIII for the Company or a purchasing or Successor Corporation, the Company may surrender any such power by delivery to the Trustee of a written instrument executed by an Authorized Officer stating that the execution of such instrument was duly authorized by its Board of Directors. Upon such delivery, the power so surrendered shall cease.

#### **ARTICLE XIV**

##### **THE TRUSTEE**

**Section 14.01.** (a) Except during the continuance of a Completed Default:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee which conform to the requirements of the Indenture; but in the case of any such certificate or opinion which by any provision hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of the Indenture.

(b) If a Completed Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise as a prudent man would exercise or use, under the circumstances, in the conduct of his own affairs.

(c) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this subsection (c) shall not be construed to limit the effect of subsection (a) of this Section 14.01;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or for exercising any trust or power conferred upon the Trustee; and

(4) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) the Trustee shall use reasonable care in the selection or approval of any Engineer, appraiser or other expert, counsel or Accountant required to be selected or approved by the Trustee.

(e) every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 14.01.

**Section 14.02.** Within 90 days after the occurrence of any Default, the Trustee shall transmit notice of such Default, unless such Default shall have been cured or waived, to the Bondholders in the manner and to the extent provided in subsection (c) of Section 14.18; provided that (except in the case of a Default in the payment of the principal of, premium, if any, or interest on any Bond or in the payment of any sinking fund installment), the Trustee shall be protected in withholding such notice if and so long as its board of directors, its executive committee or a trust committee of its board of directors or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Bondholders, and provided that in the case of any Default of the character specified in subsection (e) of Section 11.01, no such notice to Bondholders shall be given until at least 90 days after the occurrence thereof.



**Section 14.03.** Except as otherwise provided in Section 14.01:

(a) the Trustee may rely, and shall be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Resolution;

(c) whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, permitting or omitting any action, the Trustee (unless other evidence be specifically prescribed herein) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, permitted or omitted by the Trustee in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Bondholders, unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by the Trustee in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit. If the Trustee shall make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(h) the Trustee shall not be personally liable, in case of entry by it upon the mortgaged and pledged property, for debts contracted or liabilities or damages incurred in the management or operation of the mortgaged and pledged property.

**Section 14.04.** The recitals contained herein and in the Bonds, except the certificate of authentication on the Bonds, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value or condition of the mortgaged and pledged property or any part thereof, or as to the title of

the Company thereto or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee hereunder, or as to the validity or sufficiency of the Indenture or of the Bonds. The Trustee shall not be accountable for the use or application by the Company of Bonds or the proceeds thereof or of any money paid to the Company upon Company Order.

**Section 14.05.** The Trustee, any Paying Agent, Bond Registrar, Authenticating Agent or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Bonds and, subject to Sections 14.08 and 14.13, if operative, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Bond Registrar, Authenticating Agent or such other agent.

**Section 14.06.** Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent provided herein or requested by the Company or required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as provided elsewhere herein and except as otherwise agreed with the Company.

**Section 14.07.** The Company agrees:

(a) to pay to the Trustee reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with the Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel) except any such expense, disbursement or advance as may be attributable to the Trustee's negligence or bad faith;

(c) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder; and

(d) that all such payments and reimbursements may include interest accruing from the date such payments and reimbursements are billed by the Trustee, unless paid by the Company on or before a subsequent due date established by such billing.

As security for the performance of the obligations of the Company under this Section 14.07, the Trustee shall be secured under the Indenture by a lien prior to the Bonds, and for the payment of such compensation, expenses, reimbursements and indemnity the Trustee shall have the right to use and apply any moneys held by it under the Indenture as part of the mortgaged and pledged property.

**Section 14.08.** If the Trustee shall have or acquire any conflicting interest within the meaning of the Trust Indenture Act, it shall either eliminate such conflicting interest or resign to the extent, in the manner and with the effect, and subject to the conditions, provided in the Trust

Indenture Act and this Indenture. For purposes of Section 310(b)(1) of the Trust Indenture Act and to the extent permitted thereby, the Trustee, in its capacity as trustee in respect of the Bonds of any series, shall not be deemed to have a conflicting interest arising from its capacity as trustee in respect of the Bonds of any other series.

**Section 14.09.** There shall be at all times a Trustee which shall be a corporation organized and doing business under the laws of the United States of America or of any state thereof or a corporation or other Person permitted to act as Trustee by the Commission, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$5,000,000, and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section 14.09, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

No obligor under the Bonds or Person directly or indirectly controlling, controlled by, or under common control with such obligor shall serve as Trustee.

If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 14.09, it shall resign immediately in the manner and with the effect specified in this Article XIV.

**Section 14.10.** (a) No resignation or removal of the Trustee and no appointment of a successor Trustee shall become effective until the acceptance of appointment by the successor Trustee under Section 14.11.

(b) The Trustee may resign at any time by giving written notice to the Company. If an executed instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by the Holders of a majority in principal amount of the Outstanding Bonds.

(d) If at any time:

(1) the Trustee, after this Indenture has been qualified under the Trust Indenture Act, shall fail to comply with subsection (a) of Section 14.08 after written request therefor by the Company or by any Bondholder who has been a bona fide Holder of a Bond for at least six months; or

(2) the Trustee shall cease to be eligible pursuant to Section 14.09 and shall fail to resign after written request therefor by the Company or by any such Bondholder; or

(3) (A) the Trustee shall become incapable of acting; or (B) the Trustee shall be adjudged a bankrupt or insolvent; or (C) a receiver for the Trustee or of

its property shall be appointed; or (D) any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, (i) the Company by Resolution may remove the Trustee, or (ii) subject to subsection (b) of Section 11.15, any Bondholder who has been a bona fide Holder of a Bond for at least six months may (on behalf of himself and all others similarly situated), petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by Resolution, shall promptly appoint a successor Trustee. If all or substantially all of the mortgaged and pledged property shall be in the possession of a lawfully appointed receiver or trustee, such receiver or trustee, by written instrument, may similarly appoint a successor Trustee to fill such vacancy until a new Trustee shall be so appointed by the Bondholders. If, within one year after such resignation, removal, incapability or the occurrence of such vacancy, a successor Trustee shall be appointed by the Holders of a majority in principal amount of the Outstanding Bonds, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company or by such receiver or trustee. If no successor Trustee shall have been so appointed by the Company or the Bondholders and accepted appointment as hereinafter provided, then, subject to subsection (b) of Section 11.15, any Bondholder who has been a bona fide Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give written notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by first-class mail, postage prepaid, to the Bondholders as their names and addresses appear in the Bond Register. Each notice shall include the name of the successor Trustee and the address of its principal corporate trust office.

**Section 14.11.** Every successor Trustee shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment and thereupon the resignation or removal of the retiring Trustee shall become effective. Such successor Trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Trustee. On request of the Company or the successor Trustee, such retiring Trustee shall, upon payment by the Company to the retiring Trustee for its charges, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held hereunder by such retiring Trustee, subject nevertheless to the Trustee's lien, if any, provided for in Section 14.07. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estates, properties, rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article XIV.

**Section 14.12.** Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee, provided that such corporation shall be otherwise qualified and eligible under this Article XIV, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

If any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor to such authenticating Trustee (by merger, conversion or consolidation) may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had authenticated such Bonds.

**Section 14.13.** If the Trustee shall be or become a creditor of the Company or any other obligor upon the Bonds (other than by reason of a relationship described in Section 311(b) of the Trust Indenture Act), the Trustee shall be subject to any and all applicable provisions of the Trust Indenture Act regarding the collection of claims against the Company or such other obligor. For purposes of Section 311(b) of the Trust Indenture Act:

(a) the term “cash transaction” means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

(b) the term “self-liquidating paper” means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

**Section 14.14.** For the purpose of meeting the legal requirements of any jurisdiction in which any of the mortgaged and pledged property may at the time be located, the Company and the Trustee shall have power to appoint and, upon the written request of the Trustee or of the Holders of at least 25% in principal amount of the Bonds Outstanding, the Company shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee either to act jointly with the Trustee as co-trustee of all or any part of the mortgaged and pledged property, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section 14.14. If the Company does not join in such appointment within 15 days after the receipt by it of a request so to do, or if a Completed Default has occurred and is continuing, the Trustee alone shall have power to make such appointment.

Should any written instrument from the Company be required by any such co-trustee or separate trustee for more fully confirming to such co-trustee or separate trustee such property, title, right or power, then on request, it shall be executed, acknowledged and delivered by the Company.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only be appointed subject to the following terms:

(a) The Bonds shall be authenticated and delivered, and all rights, powers, duties and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustee, shall be exercised solely by the Trustee.

(b) The rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee.

(c) The Trustee at any time by a written instrument executed by it, and with the concurrence of the Company evidenced by a Resolution, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section 14.14. If a Completed Default has occurred and is continuing, the Trustee, by a written instrument executed by it, shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Company. Upon the written request of the Trustee, the Company shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effect any such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section 14.14.

(d) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Trustee, or any other such trustee.

(e) Any act of Bondholders delivered to the Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

**Section 14.15.** The Trustee shall, upon receipt of a Company Request, promptly appoint an Authenticating Agent with power to act on its behalf and subject to its direction in the authentication and delivery of the Bonds of each series designated for such authentication by the Company and such appointment shall contain provisions for such authentication in connection with transfers and exchanges under Sections 2.10, 2.11, 2.14, 8.02 and 13.02 or otherwise, as though the Authenticating Agent had been expressly authorized by those Sections or otherwise to authenticate and deliver Bonds of such series. For all purposes of the Indenture, the authentication and delivery of Bonds by the Authenticating Agent pursuant to this Section 14.15

shall be deemed to be the authentication and delivery of Bonds by the Trustee. Such Authenticating Agent shall at all times be a corporate bank or trust company organized and doing business under the laws of the United States or of any of its states, have a combined capital and surplus of at least \$5,000,000, be authorized under such laws to exercise corporate trust powers and be subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section 14.15, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent published report of condition.

Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of the Authenticating Agent, if such successor corporation is otherwise eligible under this Section 14.15, without the execution or filing of any paper or further act on the part of the parties hereto, the Authenticating Agent or such successor corporation.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and the Company. The Trustee may at any time and, upon Company Request, shall terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section 14.15, the Trustee, unless otherwise requested in writing by the Company, shall promptly appoint a successor Authenticating Agent, shall give written notice of such appointment to the Company and shall mail notice of such appointment to all Bondholders of the applicable series as the names and addresses of such Bondholders appear on the Bond Register.

The Trustee agrees to pay reasonable compensation to any Authenticating Agent for its services and the Trustee shall be entitled to be reimbursed by the Company for such payments, subject to Section 14.07. The provisions of Sections 12.03, 14.04 and 14.05 shall be applicable to any Authenticating Agent.

**Section 14.16.** Except as herein otherwise provided, any notice or demand which by any provision of the Indenture is required or permitted to be given or served by the Trustee on the Company shall be deemed to have been sufficiently given and served, by being deposited, postage prepaid, in a post office letter box, addressed (until another address is filed by the Company with the Trustee) as follows: to Louisville Gas and Electric Company, 220 West Main Street, Louisville, Kentucky 40202, Attention: Secretary or to the most recent address which shall have been filed by the Company with the Trustee.

The Trustee shall promptly notify the Company in writing of any change of address of the Trustee's principal corporate trust office. Upon receipt of such notice, the Company shall give written notice of each such change of address by first-class mail, postage prepaid, to the Bondholders as their names and addresses appear in the Bond Register.

**Section 14.17.** (a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Bondholders furnished to it as provided in Section 7.14 or received by it in the capacity of Paying Agent or Bond Registrar or filed with it by Bondholders pursuant to paragraph (2) of subsection (c) of Section 14.18, provided that the Trustee may: (1) destroy any statement furnished to it as provided in Section 7.14, upon receipt of a new statement so furnished to it in substitution therefor, (2) destroy any information received by it as Paying Agent upon delivery to itself as Trustee, not earlier than 45 days after an Interest Payment Date, of a statement containing the names and addresses of the Bondholders obtained from such information since the delivery of the next previous statement, if any, (3) destroy any statement delivered to itself as Trustee which was compiled from information received by it as Paying Agent upon the receipt of a new statement so delivered and (4) destroy any information received by it from any Bondholder pursuant to paragraph (2) of subsection (c) of Section 14.18, but not until two years after receipt by the Trustee of such information.

(b) In case three or more Bondholders (hereinafter in this Section 14.17 referred to as "Applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such Applicant has owned a Bond for at least six months preceding the date of such application, and such application states that the Applicants desire to communicate with the other Bondholders with respect to their rights under the Indenture or under the Bonds, and each such application is accompanied by a copy of the form of proxy or other communication which such Applicants propose to transmit, then the Trustee shall, within five Business Days after the receipt of such application at its election, either:

(1) afford to such Applicants access to the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 14.17; or

(2) inform such Applicants with the approximate number of Bondholders whose names and addresses appear in the information preserved at the time by the Trustee, in accordance with the provisions of subsection (a) of this Section 14.17, and the approximate cost of mailing to such Bondholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford to such Applicants access to such information, the Trustee shall, upon the written request of such Applicants, mail to each Bondholder whose name and address appears in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 14.17, copies of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the materials to be mailed and of payment or provision for the payment of the reasonable expenses of mailing, unless within five days after such tender the Trustee shall mail to such Applicants, and file, if required, with the Commission together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Bondholders, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. After opportunity for hearing upon the objections specified in any written statements so filed, the Commission may, and if demanded by the Trustee or such Applicants shall, enter an order either sustaining



one or more of such objections or refusing to sustain any of them. The Commission, after opportunity for a hearing upon the objections specified in any written statement so filed, may enter an order refusing to sustain any of such objections or, after the entry of an order sustaining one or more of such objections, the Commission may find, after notice and opportunity for a hearing, that all the objections so sustained have been met and shall enter an order so declaring. If the Commission refuses to sustain the objections, or the objections so sustained have been met, the Trustee shall mail copies of such material to all such Bondholders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligations or duty respecting such application.

(c) The Trustee shall not be held accountable by reason of the mailing of any material pursuant to any request made under subsection (b) of this Section 14.17.

**Section 14.18.** (a) Within 60 days after each May 15, the Trustee shall transmit to the Bondholders (as specified in subsection (c) of this Section 14.18) a brief report, dated not more than 60 days prior to such transmission, with respect to any of the following events which have occurred within the pervious 12 months (but if no such event has occurred within such period no report need be transmitted):

(1) any change to the eligibility and the qualifications of the Trustee under Sections 14.08 and 14.09;

(2) the creation of any material change to a relationship specified in paragraphs (1) through (10) of Section 310(b) of the Trust Indenture Act;

(3) the character and amount of any advances (and, if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee in its capacity as Trustee which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Bonds, on the mortgaged and pledged property (including property or funds held or collected by it as Trustee) if such remaining unpaid advances aggregate more than 1/2% of the principal amount of the Bonds Outstanding on the date of the report;

(4) any change to the amount, interest rate, and maturity date of all other indebtedness owing by the Company to the Trustee in its individual capacity on the date of the report, with a brief description of any property held as collateral security therefor, but excluding any indebtedness based upon a creditor relationship arising in any manner described in paragraphs (2), (3), (4) or (6) of subsection (b) of Section 311 of the Trust Indenture Act;

(5) any change to the property and funds physically in the possession of the Trustee, in its capacity as Trustee, on the date of such report;

(6) any release, or release and substitution, of property subject to the Lien of the Indenture (and the consideration therefor, if any) which the Trustee has not previously reported;

(7) any additional issue of Bonds which the Trustee has not reported previously; and

(8) any action taken by the Trustee in the performance of its duties under the Indenture which it has not previously reported and which in its opinion materially affects the Bonds or the mortgaged and pledged property, except for action related to a Default, notice of which has been or is to be withheld by the Trustee in accordance with the provisions of Section 14.02.

For purposes of this subsection (a), the term “Company” means any obligor under the Bonds.

(b) The Trustee shall transmit to the Bondholders as hereinafter provided, a brief report with respect to:

(1) any release, or release and substitution, of property subject to the Lien Hereof (and the consideration therefor, if any) unless the Fair Value of such property, as set forth in the Engineer’s Certificate or Independent Engineer’s Certificate delivered pursuant to the requirements of Section 9.03, is less than 10% of the principal amount of Bonds Outstanding as stated in an Engineer’s Certificate or Accountant’s Certificate, at the time of such release or such release and substitution; such report to be transmitted within 90 days after such release or such release and substitution, except that this paragraph (1) shall not require transmission of a separate report with respect to any transaction which shall be reported, within 90 days after its consummation, pursuant to subsection (a) of this Section 14.18; and

(2) the character and amount of any advances (and, if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee since the date of the last report transmitted pursuant to the provisions of subsection (a) of this Section 14.18 (or if no such report has yet been so transmitted, since the date of execution of the Indenture), for the reimbursement of which the Trustee claims or may claim a lien or charge, prior to that of the Bonds on the mortgaged and pledged property (including property or funds held or collected by it as Trustee), and which it has not previously reported pursuant to this paragraph (2), if such advances remaining unpaid, at any time, aggregate more than 10% of the principal amount of Bonds Outstanding at such time. Such report shall be transmitted within 90 days after such time.

(c) Reports, pursuant to this Section 14.18, shall be transmitted by mail:

(1) to all Bondholders, as their names and addresses appear in the Bond Register;

(2) to all Holders of Bonds that have, within two years preceding such transmission, filed their names and addresses with the Trustee for the purpose of receiving such reports; and

(3) except in the case of reports pursuant to subsection (b) of this Section 14.18, to each Bondholder whose name and address are preserved at the time by the Trustee, as provided in subsection (a) of Section 14.17.

(d) A copy of each report transmitted to Bondholders under the requirements of subsections (a) or (b) of this Section 14.18 shall, at the time of such transmission, be filed with each stock exchange upon which the Bonds are then listed and, if required, with the Commission.

**Section 14.19.** Upon submission of any Application by the Company for the payment of any moneys held by the Trustee, or for the execution by the Trustee of any release, or upon any other Application submitted by the Company to the Trustee, or at any reasonable time, the Trustee, or its agent or attorney shall be entitled to examine the books, records and premises of the Company.

Unless satisfied, with or without such examination, of the truth and accuracy of the matters stated in any Resolution, certificate, statement, opinion, report or order required to be delivered to the Trustee as a condition precedent to the granting of any Application, the Trustee shall be under no obligation to grant such Application.

The reasonable expense of every such examination shall be paid by the Company or, if paid by the Trustee, shall be repaid by the Company upon demand, and may include interest accruing from the date such expenses are billed by the Trustee unless paid by the Company on or before a subsequent due date established by such billing. Until such repayment, the Trustee shall have the benefit of the Lien Hereof in priority to the Bonds.

**Section 14.20.** The Trustee is authorized to deposit, subject to recall, in trust for payment of the principal of, premium, if any, and interest on any Bonds, with any Paying Agent appointed by the Company for that purpose in accordance with the provisions of the Indenture (provided that such Paying Agent shall be a corporation that is engaged in the business of banking or exercising corporate trust powers, shall have a capital and surplus of not less than \$5,000,000, and shall be subject to supervision or examination by federal, state, or District of Columbia authorities) such part of any moneys furnished to the Trustee for the purpose as shall, in the opinion of the Trustee, be necessary or desirable to provide for the payment by any such Paying Agent of the principal of, premium, if any, or interest on any of the Bonds. The Trustee, subject to Section 14.01, shall be relieved of responsibility for the safety and application of such moneys while in the possession of the Paying Agent. In the event that part of such moneys is recalled by the Trustee, it shall thereafter be held by the Trustee in trust as in the Indenture provided. Pursuant to an agreement between the Company and the Trustee, the Trustee may credit to the Company interest upon any such funds held by or deposited with the Trustee.

**Section 14.21.** Any notice, request or other writing, by or on behalf of the Bondholders, delivered solely to the Trustee shall be deemed to have been delivered to all of the then trustees as if delivered to each of them. Every instrument appointing any trustee or trustees, other than a successor to the Trustee, shall refer to the Indenture and the conditions expressed in this Section 14.21. Upon acceptance in writing by such trustee or trustees, he, they or it shall be vested with the rights, powers, estates or property specified in such instrument, either jointly with the Trustee or separately, as may be provided therein, subject to all the trusts, conditions and provisions of

the Indenture. Every such instrument shall be filed with the Trustee in the trust. Any separate trustee or trustees or any co-trustee or co-trustees may at any time by an instrument in writing appoint the Trustee, his, their or its agent, or attorney-in-fact, with full power and authority, to the extent which may be authorized by law, to do all acts and things and exercise all discretion authorized or permitted by him, them or it, for and on behalf of him, them or it, and in his, their or its name. Any co-trustee may, as to the execution of releases or as to any action hereunder, whether discretionary or otherwise, act by attorney-in-fact.

**Section 14.22.** In the case of any receivership, insolvency, bankruptcy, or other judicial proceedings affecting the Company, its creditors, its property or any other obligor on the Bonds, the Trustee shall be entitled to take the actions described in Section 11.04, without prejudice, however, to the right of any Bondholder to file a claim on his own behalf.

**Section 14.23.** Whenever it is provided in the Indenture that the Trustee shall take any action upon the happening of a specified event or upon the fulfillment of any condition or upon the request of the Company or of Bondholders, the Trustee in taking such action shall have full power to give any and all notices and to do any and all acts necessary and incidental to such action.

**Section 14.24.** The Trustee shall execute a written instrument to confirm the existence of a specific Permitted Encumbrance, upon receipt by the Trustee of: (i) a Resolution requesting such written instrument and expressing any required opinions, (ii) an Officer's Certificate stating that no Default has occurred and is continuing, specifying the particular paragraph of the definition of Permitted Encumbrances pursuant to which such written instrument is being requested and stating that the requirements of such paragraph have been satisfied; and (iii) an Opinion of Counsel stating that the subject of the Company's request constitutes a Permitted Encumbrance as described by such paragraph and that the execution by the Trustee of such written instrument is appropriate to confirm the existence of such Permitted Encumbrance.

## ARTICLE XV

### DEFEASANCE.

**Section 15.01.** Whenever the following conditions shall exist, namely:

(a) all Bonds theretofore authenticated and delivered have been cancelled by the Trustee or delivered to the Trustee for cancellation, excluding:

(1) Bonds for the payment of which money has been previously deposited in trust with the Trustee or a Paying Agent or segregated and held in trust by the Company, and thereafter such money was repaid to the Company or discharged from such trust as provided in Section 18.03,

(2) Bonds alleged to have been destroyed, lost or stolen which have been replaced as provided in Section 2.13, and

(3) Bonds, other than those referred to in the foregoing clauses (1) and (2), for whose payment or redemption (under arrangements satisfactory to the Trustee for

the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company) the Company has deposited or caused to be deposited with the Trustee in trust for the purpose any combination:

(i) of cash and

(ii) of Government Obligations (which shall not contain provisions permitting the redemption thereof at the option of the issuer), maturing as to principal and interest (without any regard to the reinvestment thereof) in such amounts and at such times as will assure the availability of cash

that is necessary to pay and discharge the entire indebtedness on such Bonds for principal, premium, if any, and interest to the date of maturity thereof in the case of Bonds which have become due and payable or to the Stated Maturity or Redemption Date thereof, as the case may be;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(c) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each of which shall state that all conditions precedent relating to the satisfaction and discharge of the Indenture have been complied with; then, upon Company Request authorized by a Resolution, the Indenture and the Lien Hereof, and rights and interests created hereby shall cease and become null and void (except as to any surviving rights of conversion, transfer or exchange of Bonds herein or therein provided for) and the Trustee and each co-trustee and separate trustee, if any, then acting as such, and at the expense of the Company, shall execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary and pay, assign, transfer and deliver to the Company all cash, securities and other personal property then held by it as part of the mortgaged and pledged property.

In the absence of a Company Request authorized by a Resolution as aforesaid, the payment of all Outstanding Bonds shall not render the Indenture inoperative or prevent the Company from issuing Bonds thereafter as herein provided.

Notwithstanding the satisfaction and discharge of the Indenture, the obligations of the Company to the Trustee under Section 14.07 shall survive.

**Section 15.02.** Moneys deposited with the Trustee pursuant to Section 15.01 shall not be a part of the mortgaged and pledged property but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Subject to the provisions of Section 18.03, such moneys shall be applied by the Trustee for payment (either directly or through any Paying Agent, including the Company acting as its own Paying Agent, as the Trustee may determine) to the Persons entitled thereto, of the principal, premium, if any, and interest for whose payment such moneys have been deposited with the Trustee.

## ARTICLE XVI

### SUPPLEMENTAL TRUST INDENTURES; MODIFICATION OF INDENTURE.

**Section 16.01.** Without the consent of the Holders of any Bonds, the Company, when authorized by a Resolution, and the Trustee may enter into one or more Supplemental Trust Indentures, in form satisfactory to the Trustee, for any of the following purposes:

(a) to correct or amplify the description of any property at any time subject to the Lien of the Indenture, or to better assure, convey and confirm unto the Trustee any property subject or required to be subjected to the Lien of the Indenture, or to subject to the Lien of the Indenture, additional property; or

(b) to close the Indenture against the issuance of additional Bonds or to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds or of any series of Bonds, as set forth herein, or to add additional conditions, limitations and restrictions to be observed thereafter; or

(c) to create any series of Bonds and make such other provisions as provided in Sections 2.01 and 2.02; or

(d) to modify or eliminate any of the terms of the Indenture; provided that:

(1) such Supplemental Trust Indenture shall expressly provide that any such modifications or eliminations shall become effective only when there is no Bond Outstanding of any series created prior to the execution of such Supplemental Trust Indenture or when such modifications, or eliminations, are approved in accordance with Section 16.02; and

(2) the Trustee may, in its discretion, decline to enter into any such Supplemental Trust Indenture which, in its opinion, may not afford adequate protection to the Trustee when the same becomes operative; or

(e) to evidence the succession of another corporation to the Company pursuant to Article XIII and the assumption by any such Successor Corporation of the Company's covenants contained herein and in the Bonds; or

(f) to add to the covenants of the Company for the benefit of the Holders of all or any series of Bonds or to surrender any right or power herein conferred upon the Company; or

(g) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein or to make any other provisions, with respect to matters or questions arising under the Indenture, which shall not be inconsistent with the provisions of the Indenture, provided that such action shall not have a material adverse impact on the security afforded by the Indenture; or

(h) to provide for alternative methods or forms for evidencing and recording the ownership of Bonds and matters related thereto; or

(i) to modify, eliminate or add to the provisions of the Indenture:

(1) to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act or under any similar federal statute hereafter enacted, or

(2) to conform with any amendments to the Trust Indenture Act enacted after the Date Hereof which would permit the provisions of the Indenture to be less restrictive or which would offer the Company greater flexibility or to add to the Indenture (A) such other provisions as may be expressly permitted by the Trust Indenture Act, excluding, however, the provisions referred to in Section 316(a)(2) of the Trust Indenture Act as in effect at the Date Hereof or (B) any corresponding provision in any similar federal statute hereafter enacted; or

(j) to provide for the issuance of coupon Bonds and to permit the exchange of Bonds from fully registered form to coupon form and vice versa; or

(k) to provide the terms and conditions of the exchange or conversion, at the option of the Holders of the Bonds of any series, of the Bonds of such series for or into Bonds of other series or stock or other securities of the Company or any other corporation; or

(l) to reflect changes in generally accepted accounting principles; or

(m) to provide for the joining of an individual trustee in order to comply with any legal requirements respecting trustees under mortgages or deeds of trust of property in any state in which the mortgaged and pledged property is or may be situated in the future.

**Section 16.02.** With the consent of the Holders of not less than a majority in principal amount of the Bonds Outstanding which are affected by such Supplemental Trust Indenture, the Company, when authorized by a Resolution, and the Trustee may enter into a Supplemental Trust Indenture for the purpose of (i) adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture, (ii) modifying in any manner the rights of the Holders of the Bonds under the Indenture, or (iii) before any sale of any of the mortgaged and pledged property has been made under Article XI or any judgment or decree for payment of money due has been obtained by the Trustee under Article XI, waiving any Completed Default and its consequences; provided that without the consent of the Holder of each Outstanding Bond affected thereby, no such Supplemental Trust Indenture shall:

(a) change the Stated Maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which any Bond, or the interest thereon, is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date); or

(b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Holders is required for (1) any Supplemental Trust Indenture or (2) any waiver provided for in the Indenture of compliance with certain provisions of the Indenture or certain Completed Defaults hereunder and their consequences; or

(c) modify any of the provisions of this Section 16.02 except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby; or

(d) modify, in the case of the Bonds of any series convertible into other securities, any of the provisions of the Indenture in such manner as to affect the conversion rights of the Holders of such Bonds; or

(e) permit the creation or existence of any Prior Lien with respect to more than 50% of the sum of (i) Depreciable Property and (ii) Land after giving effect to the creation of such Prior Lien and the acquisition by the Company of the property subject to such Prior Lien, or terminate the Lien of the Indenture on more than 50% of the sum of (i) Depreciable Property and (ii) Land; or

(f) modify, in the case of Bonds of any series for which a mandatory sinking fund is provided, any of the provisions of the Indenture in such manner as to affect the rights of the Holders of such Bonds to the benefits of such sinking fund.

The Trustee may, in its discretion, determine whether or not any Bonds would be affected by any Supplemental Trust Indenture. Any such determination shall be conclusive upon the Holders of all Bonds, whether theretofore or thereafter authenticated and delivered. Subject to Section 14.01, the Trustee shall not be liable for any such determination made in good faith.

It shall not be necessary for any Bondholders under this Section 16.02 to approve the particular form of any proposed Supplemental Trust Indenture, but it shall be sufficient if they shall approve the substance thereof.

**Section 16.03.** In executing, or accepting the additional trusts created by, any Supplemental Trust Indenture permitted by this Article XVI or the modification thereby of the trusts created by the Indenture, the Trustee shall be entitled to receive, and, subject to Section 14.01, shall be fully protected in relying upon an Opinion of Counsel stating that the execution of such Supplemental Trust Indenture is authorized or permitted by the Indenture. The Trustee may, but except to the extent required in the case of a Supplemental Trust Indenture entered into under subsection (i) of Section 16.01, shall not be obligated to enter into any such Supplemental Trust Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

**Section 16.04.** Upon the execution of any Supplemental Trust Indenture pursuant to this Article XVI, the Indenture shall be modified in accordance therewith and such Supplemental Trust Indenture shall form a part of the Indenture for all purposes; and every Holder of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.



**Section 16.05.** No Supplemental Trust Indenture pursuant to this Article XVI shall be entered into pursuant to any authorization contained in the Indenture which shall not comply with the provisions of the Trust Indenture Act as then in effect (if and to the extent such Trust Indenture Act is then applicable to the Indenture) unless no Bonds are then Outstanding and all Bonds to be issued under the Indenture as supplemented by such Supplemental Trust Indenture either shall be themselves exempt from the provisions of the Trust Indenture Act or shall be issued in a transaction exempt therefrom.

**Section 16.06.** Bonds authenticated and delivered after the execution of any Supplemental Trust Indenture pursuant to this Article XVI may, and if required by the Trustee shall, bear a notation in form approved by the Trustee as to any matter provided for in such Supplemental Trust Indenture. If the Company shall so determine, new Bonds modified to conform, in the opinion of the Trustee and the Board of Directors, to any such Supplemental Trust Indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

## ARTICLE XVII

### IMMUNITY OF STOCKHOLDERS, OFFICERS AND DIRECTORS.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any Bond, or under or upon any indebtedness hereby secured, or because of the creation of any indebtedness hereby secured, shall be available against any incorporator or past, present, or future stockholder, officer, employee, agent or director of the Company, or of any predecessor or successor company or companies, or of any company or companies which may assume or guarantee the payment of the principal of or interest on any of the Bonds, either directly or through the Company by the enforcement of any assessment, or through any receiver, or assignee, or through any trustee in bankruptcy or by any other legal or equitable proceedings, whether for amounts unpaid on stock subscriptions or for stock liability or any other liability or penalty, or on the ground of any representation, implication or inference, arising from or concerning the capitalization of the Company, or of any predecessor, assignee, grantee, or successor company or companies, or otherwise, and whether by virtue of any statute, constitution, contract, express or implied, rule of law, or otherwise; it being expressly agreed and understood that the Indenture and the obligations hereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by the incorporators or past, present or future stockholders, officers or directors of the Company, or of any predecessor or successor company or companies, or of any company which may assume or guarantee the payment of the principal of or interest on any of the Bonds because of the incurring of the indebtedness hereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any of the Bonds, or to be implied therefrom; and that any and all personal liability of every name and nature, and any and all rights and claims against every such incorporator and past, present or future stockholder, officer or director, whether arising at common law or in equity, or created or to be created by statute or constitution, hereby are expressly released and waived as a condition of, and as a part of the consideration for, the execution of the Indenture and the issue of the Bonds and interest obligations hereby secured.

## ARTICLE XVIII

### MISCELLANEOUS

**Section 18.01.** Nothing in the Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any Person, other than the parties hereto and the Holders of the Bonds Outstanding, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation hereof. All the covenants, conditions and stipulations contained in the Indenture, by and on behalf of the Company, shall be for the sole and exclusive benefit of the parties hereto and for the Holders of the Bonds Outstanding.

**Section 18.02.** Any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Indenture, whether such power, privilege or right is in any way restricted or is unrestricted, may be waived or surrendered, in whole or in part, or subjected to any restriction (if at the time unrestricted) or to additional restriction (if already restricted) by a Resolution and a written instrument executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to be recorded in all of the states in which any real property, at the time subject to the Lien Hereof, shall be situated. Such Resolution and instrument, executed and acknowledged as aforesaid, shall be delivered to the Trustee. Thereupon, any modification of the provisions of these presents therein set forth, authorized by this Section 18.02 shall be binding upon the parties hereto, their successors and assigns, and the Holders of the Bonds.

**Section 18.03.** If any Bond shall not be presented for payment when the principal thereof becomes due, either at Stated Maturity or otherwise, or at the Redemption Date and the Company shall have deposited with the Trustee, in trust for the purpose, or left with it if previously so deposited, any combination:

(i) of cash and

(ii) of Government Obligations (which shall not contain provisions permitting the redemption thereof at the option of the issuer), maturing as to principal and interest (without any regard to the reinvestment thereof) in such amounts and at such times as will assure the availability of cash

that is necessary to pay when due the principal of, premium, if any, and interest due and to become due on such Bond on or prior to the Redemption Date or Stated Maturity thereof, as the case may be, and for the use and benefit of the Holder thereof, then, interest on said Bond, and all liability of the Company to the Holder of said Bond for the payment of the principal of, premium, if any, and interest thereon, shall forthwith cease and be completely discharged, subject to the provisions of the last paragraph of this Section 18.03. It shall be the duty of the Trustee to hold such funds in trust, for the benefit of the Holder of such Bond who, so long as such funds remain on deposit with the Trustee shall be restricted exclusively to said funds for any claim of whatsoever nature on the part of such Holder under the Indenture or on said Bond by any Holder of any such Bond.

If the Holder of any such Bond shall not claim, within five years after such Bond shall have become due and payable, such deposited funds, for the payment thereof, the Trustee, upon Company Request and if it shall so require upon being furnished indemnity satisfactory to it, shall pay to the Company such amount so deposited, if no Default has occurred and is continuing. The Trustee thereupon shall be relieved from all responsibility to the Holder thereof and the Company shall be liable to the Holder only to the extent of the funds so returned to it.

**Section 18.04.** If the principal of any of the Bonds shall not be punctually paid when due at Maturity, whether by declaration or a lapse of time, or if any installment of interest thereon shall not be punctually paid when due, then upon deposit with or receipt by the Trustee of moneys sufficient to pay such overdue principal or any such overdue installment or installments of interest thereon and, to the extent permitted by law, moneys sufficient to pay interest due and to become due thereon up to the date when interest upon such overdue principal or installment or installments of interest shall cease (as hereinafter provided), then interest on such overdue principal or installment or installments of interest thereon shall cease to accrue 15 days after the date of mailing a notice by the Company or the Trustee by first class mail postage prepaid to each Holder of such Bonds, stating that said moneys have been so deposited or received.

**Section 18.05.** Whenever the Company is required to deposit cash with the Trustee, it shall have the right, at the time of such deposit, to specify that such cash is to be held by the Trustee in trust for the particular purpose for which it is deposited.

**Section 18.06.** Any cash which has been deposited with the Trustee for the purpose of paying the principal of, premium, if any, or interest on Bonds, for the purpose of securing the authentication of Bonds, for the purpose of effecting payment or redemption of any Bonds, or which has been delivered to the Trustee by the Company for any of the purposes provided under the Indenture, upon Company Request, authorized by a Resolution, shall be invested or reinvested by the Trustee, as designated by the Company and not disapproved by the Trustee, in any bonds or other general obligations (excluding revenue bonds) of the United States of America, any state, city or county thereof, which at the time of investment are lawful investments for banks and trust companies under the laws of the state in which the Trustee has its principal corporate trust office and in other types of investments the Trustee has determined to be lawful, secure and efficient for the short-term investment of deposits held in trust under the Indenture, including commingling with deposits under other trusts administered by the Trustee. Until a Completed Default shall have occurred and be continuing, interest on such bonds, obligations and investments which may be received by the Trustee shall be paid forthwith to the Company. The Trustee shall not be required to make any such investment (a) after it has cancelled and discharged the Lien of the Indenture, (b) on or after the Stated Maturity of any Bonds, with respect to any cash held to pay such Bonds, or (c) on or after the Redemption Date of any Bonds, with respect to any cash held for such redemption. In no event, shall the Trustee make any such investment or take any of the actions pursuant to and permitted by this Section 18.06 with any cash or proceeds of any Government Obligations, which, in accordance with Sections 5.03, 8.06, 15.01 or 18.03, would cause Bonds to be deemed paid upon such cash or Governmental Obligations or combination thereof being deposited with the Trustee.

Such bonds and obligations shall be held by the Trustee subject to the same provisions and in the same manner as the cash used to purchase the same, but upon Company Request, the

Trustee shall sell all or any designated part of the bonds, obligations and investments and the proceeds of such sale shall be held by the Trustee subject to the same provisions hereof as the cash used by it to purchase the bonds, obligations and investments so sold. If, at any time, by reason of decrease in the market value of such bonds, obligations or investments, or the financial condition of the issuer, the Trustee shall be of the opinion that there is danger of the fund or funds invested in and represented by such bonds, obligations or investments being impaired, the Trustee may notify the Company of its intention to sell all or certain of the bonds, obligations or investments so held by it and unless, within five days after the date of said notice, the Company shall deliver to the Trustee cash equal to the price paid by the Trustee for such bonds, obligations or investments, the Trustee, without or despite a Company Request, may proceed to sell the bonds, or obligations or investments described in said notice, at public or private sale, for the best price reasonably obtainable. The Trustee shall also be entitled, without request of or notice to the Company, to sell any bonds, or obligations or investments purchased with moneys deposited for the payment or redemption of Bonds and held by it in order that the Trustee has the necessary funds available on the day prior to the date on which said Bonds are to be paid or redeemed. If such sale shall produce a sum less than the principal amount invested in the bonds, obligations or investments so sold, the Company covenants that it will pay promptly to the Trustee such amount of cash, which combined with the net proceeds from such sale, will equal the principal amount invested in the bonds, obligations or investments so sold. If such sale shall produce a sum greater than the principal amount invested in the bonds, obligations or investments so sold, the Trustee shall pay promptly to the Company an amount of cash equal to such excess.

**Section 18.07.** The Trustee shall, on Company Request, destroy any Bonds cancelled by the Trustee and make duplicate certificates of such destruction, retaining one such certificate and delivering the other to the Company. Each such certificate shall state the method of destruction and, subject to Section 14.01, shall be conclusive evidence of the payment and cancellation of the Bonds therein mentioned for all purposes.

**Section 18.08.** Each certificate or opinion with respect to compliance with a condition or covenant provided for in the Indenture (other than certificates provided pursuant to Section 2.04 or Section 7.18) shall include: (a) a statement that the Person making such certificate or opinion has read such covenant or condition; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (c) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

**Section 18.09.** (a) Any certificate or opinion of an officer or employee of the Company or an Accountant or Engineer may be based, insofar as it relates to legal matters, upon a certificate or opinion of or upon representations by counsel, unless such officer, employee, Accountant or Engineer knows that the certificates or opinions or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known were erroneous.

(b) Any certificate or Opinion of Counsel may be based, insofar as it relates to factual matters or information which is in possession of the Company, upon the certificate or opinion of or representations by an officer or employee of the Company, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known were erroneous.

(c) Prior to the Trustee taking any action under the Indenture upon the request or submission of an Application by the Company, the Company shall deliver to the Trustee, in addition to or as part of any certificates herein required, an Officer's Certificate and an Opinion of Counsel each stating that, in the opinion of the signer, all conditions precedent to such action which are required by the Indenture have been satisfied.

**Section 18.10.** Nothing in this Article XVIII is intended or shall be construed as relieving the Company from furnishing any certificate or other evidence required by the Indenture.

**Section 18.11.** (a) If any provision of the Indenture limits, qualifies, or conflicts with another provision of the Indenture required to be included in indentures qualified under the Trust Indenture Act by any of the provisions of Sections 310 to 317, inclusive, of the Trust Indenture Act, such required provisions shall control.

(b) In case any one or more of the provisions contained in the Indenture or in the Bonds should be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein and therein shall not be affected, impaired, prejudiced, or disturbed in any way thereby.

**Section 18.12.** (a) This Indenture may be executed simultaneously in several counterparts, and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

(b) The Table of Contents and the descriptive headings of the several Articles of this Indenture were formulated, used, and inserted in this Indenture for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

**Section 18.13.** Whenever in the Indenture either of the parties hereto is named or referred to, such reference shall be deemed to include the successors or assigns of such party, and all the covenants and agreements in the Indenture by or on behalf of the Company or by or on behalf of the Trustee shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not.

**Section 18.14.** The amount of obligations to be issued immediately under this Indenture is none.

**Section 18.15.** To the extent permitted by Sections 18.08 and 18.09, any Opinion of Counsel given as to title to property may be based, in whole or in part, upon (a) opinions of other counsel to the Company, copies of which shall have been delivered to the Trustee, (b) title insurance policies or commitments and reports, lien search certificates and other similar

evidences of the existence of liens on property and (c) with respect to any opinion regarding the validity or priority of the Lien of the Indenture on any Permanent Additions, a certificate or opinion of, or representations by, an officer or officers of the Company regarding the title thereto or the existence of any liens thereon.

**Section 18.16.** Wherever the Trustee is required to accept or approve, in the exercise of reasonable care, pursuant to subsection (d) of Section 14.01 or otherwise, an Engineer, appraiser or other expert, counsel or Accountant, who is to furnish evidence of compliance with conditions precedent in the Indenture for the authentication and delivery of additional Bonds, the withdrawal of cash or the release and substitution of property secured by the Lien of the Indenture or who is to furnish an opinion for any other purpose under the Indenture, such approval or acceptance by the Trustee shall be deemed to have been given upon the taking of any action by the Trustee pursuant to and in accordance with the certificate or opinion so furnished by such Engineer, appraiser, expert, counsel or Accountant.

**Section 18.17.** Whenever notice is required to be transmitted to the Bondholders by the Trustee, or by the Company, unless otherwise herein specifically provided for, such notice shall be deemed to have been transmitted, and such requirements for the transmission of notice satisfied, upon deposit by the transmitter with or in a depository of the United States Postal Service of notice in a sealed envelope with prepaid first-class postage, and addressed to the Person required to be notified in accordance with the last known address of that Person on the records of the transmitter as required to be kept pursuant to the Indenture.

**Section 18.18.** Whenever in the Indenture provision is made for the delivery to the Trustee of any Officer's Certificate, Engineer's Certificate, Accountant's Certificate (including, when applicable, such certificate by an Independent Engineer or an Independent Accountant) or Opinion of Counsel, such provision may be satisfied by the delivery of more than one certificate or opinion certifying separately to the various matters of fact or opinion required to be included in the certificate or opinion so provided for, and different officers or Persons may certify as to different matters of fact or opinion so shown; provided that such separate certificates or opinions shall, taken together, contain all of the statements herein required and be signed by officers or Persons, by whom such certificate or opinions are required and authorized to be signed. Whenever provision is made in the Indenture for the delivery to the Trustee of more than one such certificate or opinion such provision may be satisfied by the delivery of a single certificate or opinion by such Person or Persons certifying as to all the matters required to be shown by any particular Section hereof or by separate certificates or opinions by two or more such Persons certifying separately the various matters of fact or opinion required to be shown.

**Section 18.19.** The Indenture shall be governed exclusively by the applicable laws of the Commonwealth of Kentucky.

ARTICLE XIX

FINANCING STATEMENT TO COMPLY  
WITH THE UNIFORM COMMERCIAL CODE.

*Section 19.01.* The name and address of the debtor and secured party are set forth below:

Debtor:                   Louisville Gas and Electric Company  
                              [address]

Secured Party:         \_\_\_\_\_  
                              \_\_\_\_\_  
                              \_\_\_\_\_  
                              \_\_\_\_\_

NOTE: Louisville Gas and Electric Company, the debtor above named, is “a transmitting utility” under the Uniform Commercial Code as adopted in the Commonwealth of Kentucky.

*Section 19.02.* Reference to the Granting Clauses hereof is made for a description of the property of the debtor covered by this Financing Statement with the same force and effect as if incorporated in this Section 19.02 at length.

*Section 19.03.*

The property covered by this Financing Statement shall also secure additional series of Bonds of the debtor which may be issued in accordance with the provisions of the Indenture.

IN WITNESS WHEREOF, the party of the first part has caused its corporate name[ and] seal to be hereunto affixed and this Supplemental Indenture to be signed by its [Treasurer] and attested by its [Executive Vice President, General Counsel and Corporate Secretary] for and in its behalf, and the party of the second part to evidence its acceptance of the trust hereby created, has caused this Supplemental Indenture to be signed by one of its authorized officers for and in its behalf, all done as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

LOUISVILLE GAS AND ELECTRIC COMPANY

By: \_\_\_\_\_  
[Daniel K. Arbough]  
*Treasurer*

[(CORPORATE SEAL)]

ATTEST: \_\_\_\_\_  
[John R. McCall  
*Executive Vice President,  
General Counsel and  
Corporate Secretary*]

[TRUSTEE]

By: \_\_\_\_\_  
Its: \_\_\_\_\_



COMMONWEALTH OF )  
KENTUCKY ) SS:  
 )  
COUNTY OF JEFFERSON )

BE IT REMEMBERED that on this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me, a Notary Public duly commissioned in and for the County and Commonwealth aforesaid, personally appeared [DANIEL K. ARBOUGH and JOHN R. MCCALL,] respectively, [Treasurer and Executive Vice President, General Counsel and Corporate Secretary] of Louisville Gas and Electric Company, a corporation organized and existing under and by virtue of the laws of the Commonwealth of Kentucky, who are personally known to me to be such officers, respectively, and who are personally known to me to be the same persons who executed as officers the foregoing instrument of writing, and such persons duly acknowledged before me the execution of the foregoing instrument of writing to be their act and deed and the act and deed of said corporation.

WITNESS my hand and notarial seal this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

*Notary Public*  
*Kentucky, Commonwealth at Large*

(Notarial Seal)

My Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ ) SS:  
                                  )  
COUNTY OF \_\_\_\_\_ )

BE IT REMEMBERED that on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me, a Notary Public duly commissioned in and for the County and State aforesaid, personally appeared \_\_\_\_\_, \_\_\_\_\_ of [Trustee], a trust company organized and existing under and by virtue of the laws of the State of \_\_\_\_\_, who is personally known to me to be such officer and who is personally known to me to be the same person who executed as an officer the foregoing instrument of writing, and such person duly acknowledged before me the execution of the foregoing instrument of writing to be such officer's act and deed and the act and deed of said corporation.

WITNESS my hand and notarial seal this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

*Notary Public in and for the County of  
\_\_\_\_\_ and State of \_\_\_\_\_*

(Notarial Seal)

My Commission Expires: \_\_\_\_\_

This Instrument Prepared by:

[James Dimas  
[name of company]  
220 W. Main Street  
Louisville, Kentucky 40202

By \_\_\_\_\_  
James Dimas  
(502) 627-3712]

**SCHEDULE A**

The following property situated, lying and being in the County of Jefferson, State of Kentucky, to wit: