321-998

This Indenture contains an after-acquired clause.

DELAWARE COUNTY IOWA
FILED

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BOOK 120 PAGE 118
RECORDER

$866.00 VV

INDEXED IN
CHATTEL MTG. INDEX

IOWA ELECTRIC LIGHT AND POWER COMPANY

TO

THE FIRST NATIONAL BANK OF CHICAGO

Trustee

INDENTURE OF MORTGAGE

AND

DEED OF TRUST

Dated as of September 1, 1993

FILE No. 321-998	FILED FOR RECORD THE 30 DAY OF	STATE OF IOWA, DELAWARE COUNTY
RECORDING FEE $ 866.00	September, 19 93 AT 1:03	Deborah L. Peyton, Recorder
TRANSFER FEE $	O'CLOCK P M. BOOK 120 PAGE 118	By LM CM 31, Deputy

IOWA ELECTRIC LIGHT AND POWER COMPANY

Reconciliation and Tie between
Trust Indenture Act of 1939
and Indenture, dated as of September 1, 1993

Trust Indenture Act Section	Indenture Section(s)
§ 310(a)(1)	1109
(a)(2)	1109
(a)(3)	1114(b)
(a)(4)	Not Applicable
(b)	1108, 1110
§ 311(a)	1113
(b)	1113
(c)	1113
§ 312(a)	1201
(b)	1201
(c)	1201
§ 313(a)	1202
(b)	1202
(c)	1202
(d)	1202
§ 314(a)	1202
(b)	608
(c)	104
(d)	101, 403, 803, 804
(e)	104
§ 315(a)	1101, 1103
(b)	1102
(c)	1101
(d)	1101
(e)	1018
§ 316(a)	1016, 1017
(a)(1)(A)	1002, 1016
(a)(1)(B)	1017
(a)(2)	Not Applicable
(b)	1012
§ 317(a)(1)	1006
(a)(2)	1009
(b)	603
§ 318(a)	109

TABLE OF CONTENTS

Page

Recital of the Company 1

Granting Clauses 1

Excepted Property 3

ARTICLE ONE

Definitions and Other Provisions of General Application

SECTION 101. General Definitions 6
SECTION 102. Funded Property; Funded Cash 19
SECTION 103. Property Additions; Cost 21
SECTION 104. Compliance Certificates and Opinions . . 24
SECTION 105. Form of Documents Delivered to Trustee. 25
SECTION 106. Acts of Holders. 25
SECTION 107. Notices, Etc. to Trustee and Company. . 27
SECTION 108. Notice to Holders of Securities; Waiver. 28
SECTION 109. Conflict with Trust Indenture Act. . . . 28
SECTION 110. Effect of Headings and Table of Contents. 28
SECTION 111. Successors and Assigns. 29
SECTION 112. Separability Clause. 29
SECTION 113. Benefits of Indenture. 29
SECTION 114. Governing Law. 29
SECTION 115. Legal Holidays. 29
SECTION 116. Investment of Cash Held by Trustee. . . 30

ARTICLE TWO

Security Forms

SECTION 201. Forms Generally. 30
SECTION 202. Form of Trustee's Certificate of Authentication. 31

ARTICLE THREE

The Securities

SECTION 301.	Amount Unlimited; Issuable in Series	31
SECTION 302.	Denominations	35
SECTION 303.	Execution, Dating, Certificate of Authentication	35
SECTION 304.	Temporary Securities	36
SECTION 305.	Registration, Registration of Transfer and Exchange	36
SECTION 306.	Mutilated, Destroyed, Lost and Stolen Securities	38
SECTION 307.	Payment of Interest; Interest Rights Preserved	39
SECTION 308.	Persons Deemed Owners	40
SECTION 309.	Cancellation by Security Registrar	40
SECTION 310.	Computation of Interest	41
SECTION 311.	Payment to Be in Proper Currency	41

ARTICLE FOUR

Issuance of Securities

SECTION 401.	General	42
SECTION 402.	Issuance of Securities on the Basis of Class "A" Bonds.	44
SECTION 403.	Issuance of Securities on the Basis of Property Additions	46
SECTION 404.	Issuance of Securities on the Basis of Retired Securities or Retired Prior Lien Bonds.	49
SECTION 405.	Issuance of Securities upon Deposit of Cash with Trustee.	50

ARTICLE FIVE

Redemption of Securities

SECTION 501.	Applicability of Article.	51
SECTION 502.	Election to Redeem; Notice to Trustee.	51
SECTION 503.	Selection of Securities to Be Redeemed	52
SECTION 504.	Notice of Redemption.	52
SECTION 505.	Securities Payable on Redemption Date.	53
SECTION 506.	Securities Redeemed in Part.	54

ARTICLE SIX

Covenants

SECTION 601.	Payment of Securities; Lawful Possession; Maintenance of Lien.	54

SECTION 602. Maintenance of Office or Agency. 54
SECTION 603. Money for Securities Payments to Be Held in Trust. 55
SECTION 604. Corporate Existence. 57
SECTION 605. Maintenance of Properties. 57
SECTION 606. Payment of Taxes; Discharge of Liens. . 57
SECTION 607. Insurance. 58
SECTION 608. Recording, Filing, etc. 62
SECTION 609. Waiver of Certain Covenants. 63
SECTION 610. Limited Issuance of Class "A" Bonds. . . 63
SECTION 611. Limited Issuance of Prior Lien Bonds. . 64

ARTICLE SEVEN

Class "A" Bonds; Additional Class "A" Mortgages; Discharge of Class "A" Mortgage

SECTION 701. Registration and Ownership of Class "A" Bonds. 64
SECTION 702. Payments on Class "A" Bonds. 64
SECTION 703. Surrender of Class "A" Bonds. 65
SECTION 704. No Transfer of Class "A" Bonds. 65
SECTION 705. Voting of Class "A" Bonds. 66
SECTION 706. Designation of Additional Class "A" Mortgages. 67
SECTION 707. Discharge of Class "A" Mortgage. 69

ARTICLE EIGHT

Possession, Use and Release of Mortgaged Property

SECTION 801. Quiet Enjoyment. 73
SECTION 802. Dispositions without Release. 74
SECTION 803. Release of Funded Property. 74
SECTION 804. Release of Property Not Constituting Funded Property. 79
SECTION 805. Release of Minor Properties. 81
SECTION 806. Withdrawal or Other Application of Funded Cash. 82
SECTION 807. Release of Property Taken by Eminent Domain, etc. 84
SECTION 808. Alternative Release Provision. 85
SECTION 809. Disclaimer or Quitclaim. 85
SECTION 810. Miscellaneous. 85

ARTICLE NINE

Satisfaction and Discharge

SECTION 901. Satisfaction and Discharge of Securities. 86

SECTION 902. Satisfaction and Discharge of Indenture. 89
SECTION 903. Application of Trust Money. 90

ARTICLE TEN

Events of Default; Remedies

SECTION 1001. Events of Default. 90
SECTION 1002. Acceleration of Maturity; Rescission and Annulment. 92
SECTION 1003. Entry Upon Mortgaged Property. 93
SECTION 1004. Power of Sale; Suits for Enforcement. . 94
SECTION 1005. Incidents of Sale. 94
SECTION 1006. Collection of Indebtedness and Suits for Enforcement 96
SECTION 1007. Application of Money Collected. 96
SECTION 1008. Receiver. 97
SECTION 1009. Trustee May File Proofs of Claim. . . . 98
SECTION 1010. Trustee May Enforce Claims Without Possession of Securities. 98
SECTION 1011. Limitation on Suits. 99
SECTION 1012. Unconditional Right of Holders to Receive Principal, Premium and Interest. 99
SECTION 1013. Restoration of Rights and Remedies. . . 100
SECTION 1014. Rights and Remedies Cumulative. 100
SECTION 1015. Delay or Omission Not Waiver. 100
SECTION 1016. Control by Holders of Securities. . . . 100
SECTION 1017. Waiver of Past Defaults. 101
SECTION 1018. Undertaking for Costs. 101
SECTION 1019. Waiver of Appraisement and Other Laws. . 102
SECTION 1020. Defaults under Class "A" Mortgages. . . 102

ARTICLE ELEVEN

The Trustee

SECTION 1101. Certain Duties and Responsibilities. . . 102
SECTION 1102. Notice of Defaults. 103
SECTION 1103. Certain Rights of Trustee. 103
SECTION 1104. Not Responsible for Recitals or Issuance of Securities. 104
SECTION 1105. May Hold Securities. 105
SECTION 1106. Money Held in Trust. 105
SECTION 1107. Compensation and Reimbursement. 105
SECTION 1108. Disqualification; Conflicting Interests. 106
SECTION 1109. Corporate Trustee Required; Eligibility. 106
SECTION 1110. Resignation and Removal; Appointment of Successor. 107
SECTION 1111. Acceptance of Appointment by Successor . 108
SECTION 1112. Merger, Conversion, Consolidation or Succession to Business 109
SECTION 1113. Preferential Collection of Claims Against

Company 109
SECTION 1114. Co-trustees and Separate Trustees . . . 109
SECTION 1115. Appointment of Authenticating Agent. . . 111

ARTICLE TWELVE

Lists of Holders; Reports by Trustee and Company

SECTION 1201. Lists of Holders. 113
SECTION 1202. Reports by Trustee and Company. 113

ARTICLE THIRTEEN

Consolidation, Merger, Conveyance, Transfer or Lease

SECTION 1301. Company may Consolidate, etc., Only on Certain Terms 114
SECTION 1302. Successor Corporation Substituted. . . . 115
SECTION 1303. Extent of Lien Hereof on Property of Successor Corporation. 116
SECTION 1304. Release of Company upon Conveyance or Other Transfer. 116
SECTION 1305. Merger into Company; Extent of Lien Hereof. 117

ARTICLE FOURTEEN

Supplemental Indentures

SECTION 1401. Supplemental Indentures Without Consent of Holders. 117
SECTION 1402. Supplemental Indentures With Consent of Holders. 119
SECTION 1403. Execution of Supplemental Indentures. . 121
SECTION 1404. Effect of Supplemental Indentures. . . . 121
SECTION 1405. Conformity With Trust Indenture Act. . . 121
SECTION 1406. Reference in Securities to Supplemental Indentures. 121

ARTICLE FIFTEEN

Meetings of Holders; Action Without Meeting

SECTION 1501. Purposes for Which Meetings May Be Called. 122
SECTION 1502. Call, Notice and Place of Meetings. . . 122
SECTION 1503. Persons Entitled to Vote at Meetings. . 123
SECTION 1504. Quorum; Action. 123
SECTION 1505. Attendance at Meetings; Determination of

Voting Rights; Conduct and Adjournment of Meetings. 124
SECTION 1506. Counting Votes and Recording Action of Meetings. 125
SECTION 1507. Action Without Meeting. 126

ARTICLE SIXTEEN

Immunity of Incorporators, Stockholders, Officers and Directors

SECTION 1601. Liability Solely Corporate. 126

Signatures
Acknowledgments
Exhibit A
Exhibit B

INDENTURE OF MORTGAGE AND DEED OF TRUST, dated as of September 1, 1993, between **IOWA ELECTRIC LIGHT AND POWER COMPANY**, a corporation organized and existing under the laws of the State of Iowa (herein called the "**Company**"), and **THE FIRST NATIONAL BANK OF CHICAGO**, a national banking association organized and existing under the laws of the United States of America, trustee.

Recital of the Company

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its bonds, notes or other evidences of indebtedness (herein called the "**Securities**"), 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 Securities; 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 One of this Indenture.

Granting Clauses

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that, in consideration of the premises and of the purchase of the Securities by the Holders thereof, and in order to secure the payment of the principal of and premium, if any, and interest, if any, on all Securities from time to time outstanding and the performance of the covenants therein and herein contained and to declare the terms and conditions on which such Securities are secured, the Company hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms to the Trustee, and grants to the Trustee a security interest in, the following:

Granting Clause First

All right, title and interest of the Company in and to property (other than Excepted Property), real, personal and mixed and wherever situated, in any case used or to be used in or in connection with the generation, purchase, transmission, distribution or sale by the Company of electric energy, or in the manufacture of manufactured gas, or in the purchase, transportation, distribution or sale of manufactured gas or natural gas, or in the generation, manufacture, distribution or sale of steam and hot water (whether or not any such use is the sole use of any such property), including without limitation (a) all land and interests in land subject to the Lien of and referenced in the IELP 1940 Mortgage or in the ISU 1923 Mortgage or in

supplements to either thereof, which mortgages and supplements are described in Exhibit A to this Indenture, except land and interests in land which have been specifically released from such Lien from time to time; (b) all other lands, easements, servitude, licenses, permits, rights of way and other rights and interests in or relating to real property or the occupancy or use of the same; (c) all plants, generators, turbines, engines, boilers, fuel handling and transportation facilities, air and water pollution control and sewage and solid waste disposal facilities and other machinery and facilities for the generation of electric energy or the manufacture of manufactured gas or the generation or manufacture of steam or hot water; (d) all switchyard, lines, towers, substations, transformers, pipes and other machinery and facilities for the transmission of electric energy or the transportation of manufactured gas, natural gas, steam or hot water; (e) all lines, poles, conduits, conductors, meters, valves, regulators and other machinery and facilities for the distribution of electric energy, manufactured gas, natural gas, steam or hot water; (f) all buildings, offices, warehouses and other structures; and (g) all pipes, cables, insulators, ducts, tools, computers and other data processing and/or storage equipment and other equipment, apparatus and facilities and all other property, of whatever kind and nature, ancillary to or otherwise used or to be used in conjunction with any or all of the foregoing or otherwise, directly or indirectly, in furtherance of the generation, manufacture, purchase, transmission, transportation, distribution or sale by the Company of electric energy, manufactured gas, natural gas, steam or hot water;

Granting Clause Second

Subject to the applicable exceptions permitted by Section 810, Section 1303 and Section 1305, all property (other than Excepted Property) of the kind and nature described in Granting Clause First which may be hereafter acquired by the Company, it being the intention of the Company that all such property acquired by the Company after the date of the execution and delivery of this Indenture shall be as fully embraced within and subjected to the Lien hereof as if such property were owned by the Company as of the date of the execution and delivery of this Indenture;

Granting Clause Third

Any Excepted Property, and any other property of the Company, real, personal or mixed, not described in Granting Clauses First or Second, which may, 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 be subjected to the Lien hereof by the Company or by anyone

in its behalf, 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; and

Granting Clause Fourth

All other property of whatever kind and nature subjected or intended to be subjected to the Lien of this Indenture by any of the terms and provisions hereof;

Excepted Property

Expressly excepting and excluding, however, from the Lien and operation of this Indenture the following property of the Company, whether now owned or hereafter acquired (herein sometimes called **"Excepted Property"**):

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

(b) all contracts, leases and other agreements of whatsoever kind and nature, contract rights (it being specifically intended that the Company's rights under rate orders or tariffs approved or accepted by any regulatory authority having jurisdiction of the subject matter thereof shall be deemed a contract right referred to herein), bills, notes and other instruments, accounts receivable, claims, credits, demands, judgments, permits, licenses, franchises, patents, patent licenses and other patent rights, patent applications, trade names, trademarks, claims, credits, choses in action or books and records granted to or acquired by the Company and other general intangibles;

(c) all automobiles, buses, trucks, truck cranes, tractors, trailers and similar vehicles, movable equipment, all rolling stock and other railroad equipment, all vessels, boats, barges and other marine equipment, all airplanes, airplane engines and other flight equipment, and all components, accessories, spare parts and supplies used or to be used in connection with any of the foregoing;

(d) all goods, wares, merchandise, equipment, spare parts, tools, materials, supplies and fuel acquired for the purpose of sale or lease in the ordinary course of business or for use or consumption in, or in the operation of, any properties of, or for the benefit of the Company, or held in advance of use thereof for maintenance, replacement or fixed

capital purposes; all nuclear fuel, whether or not in a form consumable in the operation of the business of the Company, including separate assemblies of nuclear fuel and components thereof in the forms in which such assemblies and components exist at each stage of the nuclear fuel cycle (that is, the process, whether physical or chemical, by which the component parts of nuclear fuel are processed, enriched, designed and/or fabricated into assemblies, which, when loaded into a nuclear reactor, are intended to produce heat through the fission process and thereafter are utilized, disengaged, cooled, stored and/or reprocessed); all hand tools; all furniture; and all computers, machinery and equipment used exclusively for corporate administrative or clerical purposes, and all accessories, spare parts, programs, components and supplies used or to be used in connection therewith; and all emissions allowances (or similar rights) created under the Clean Air Act or under any similar existing or future law relating to abatement or control of pollution of the atmosphere, water or soil;

(e) all sand, gravel, earth, rocks, coal, ore, gas, oil and other minerals and all timber, mined or extracted or otherwise separated from the land, or lying or being upon, within or under properties of the Company (including all rights, leases and royalties with respect to exploration for, or removal of, all of the foregoing); all electric energy, gas, steam, water and other products generated, manufactured, produced or purchased; and all property installed on the premises of customers of the Company and designed to aid in the conservation or efficient use of electric energy, gas, steam, water and other products generated, manufactured, produced or purchased;

(f) all leasehold interests and leasehold improvements of the Company;

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

(i) located outside the State of Iowa;

(ii) not specifically described 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;

(h) the last day of the term of any lease or leasehold now owned or hereafter acquired by the Company which is specifically subjected to the Lien of the Indenture.

<u>provided</u>, <u>however</u>, that (x) if, at any time after the occurrence of an Event of Default, the Trustee, or any separate trustee or co-trustee appointed under Section 1114

or any receiver appointed pursuant to statutory provision or order of court, shall have entered into possession of all or substantially all of the Mortgaged Property, all the Excepted Property described or referred to in the foregoing clauses (b), (c) and (d), then owned or held or thereafter acquired by the Company shall immediately, and, in the case of any Excepted Property described or referred to in clause (f) or (h), upon demand of the Trustee or such other trustee or receiver, become subject to the Lien of this Indenture to the extent permitted by law (but subject to Liens in effect at such time on such Excepted Property of the Company which is then in existence), and the Trustee or such other trustee or receiver may, to the extent permitted by law, at the same time likewise take possession thereof, and (y) whenever all Events of Default shall have been cured and the possession of all or substantially all of the Mortgaged Property shall have been restored to the Company, such Excepted Property shall again be excepted and excluded from the Lien hereof to the extent set forth above; it being understood that the Company may, however, pursuant to Granting Clause Third, subject to the Lien of this Indenture any Excepted Property, whereupon the same shall cease to be Excepted Property;

TO HAVE AND TO HOLD all such property, real, personal and mixed, unto the Trustee forever;

SUBJECT, HOWEVER, to Permitted Liens and to Liens which have been granted by the Company to other Persons prior to the date of the execution and delivery of this Indenture (including, but not limited to, the Lien of the IELP 1940 Mortgage and the Lien of the ISU 1923 Mortgage), and subject also, as to any property hereafter acquired by the Company, to vendors' Liens, purchase money mortgages and other Liens thereon at the time of the acquisition thereof (including, but not limited to, the Lien of any Class "A" Mortgage), it being understood that with respect to any of such property which is now or hereafter becomes subject to the Lien of any Class "A" Mortgage, the Lien of this Indenture shall at all times be junior and subordinate to the Lien of such Class "A" Mortgage;

IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of all Outstanding Securities without any priority of any such Security over any other such Security;

PROVIDED, HOWEVER, that if, after the right, title and interest of the Trustee in and to the Mortgaged Property shall have ceased, terminated and become void in accordance with Article Nine hereof, and the principal of and premium, if any, and interest, if any, on the Securities shall have been paid to the Holders thereof, or shall have been paid to the Company pursuant to Section 603 hereof, then and in that case this Indenture and the estate and rights hereby granted shall cease, terminate and be void, and the Trustee shall cancel and discharge

this Indenture and execute and deliver to the Company such instruments as the Company shall require to evidence the discharge hereof; otherwise this Indenture shall be and remain in full force and effect; and

THE PARTIES HEREBY COVENANT AND AGREE that all the Securities are to be authenticated and delivered, and the Mortgaged Property is to be held and applied by the Trustee, subject to the further covenants, conditions and trusts hereinafter set forth, for the benefit of all Holders of the Securities, as follows:

ARTICLE ONE

Definitions and Other Provisions of General Application

SECTION 101. General Definitions.

For all purposes of this 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 Article and include the plural as well as the singular;

(b) all other terms used herein which are defined in the Trust Indenture 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 in accordance with generally accepted accounting principles in the United States of America, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States of America at the date of such computation or, at the election of the Company from time to time, at the date of the execution and delivery of this Indenture or any Class "A" Mortgage which then remains in effect; provided, however, that in determining generally accepted accounting principles applicable to the Company, effect shall be given, to the extent required, to any order, rule or regulation of any administrative agency, regulatory authority or other governmental body having jurisdiction over the Company; and

(d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Act", when used with respect to any Holder of a Security, has the meaning specified in Section 106.

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

"Authenticating Agent" means any Person (other than the Company or an Affiliate of the Company) authorized by the Trustee to act on behalf of the Trustee to authenticate one or more series of Securities.

"Authorized Executive Officer" means the Chairman of the Board, the President, any Vice President, the Treasurer or any other duly authorized officer of the Company.

"Authorized Publication" means a newspaper or financial journal of general circulation, printed in the English language and customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays; or, in the alternative, shall mean such form of communication as may have come into general use for the dissemination of information of similar import. In the event that successive weekly publications in an Authorized Publication are required hereunder they may be made (unless otherwise expressly provided herein) on the same or different days of the week and in the same or in different Authorized Publications. In case, by reason of the suspension of publication of any Authorized Publication, or by reason of any other cause, it shall be impractical without extraordinary expense to make publication of any notice in an Authorized Publication as required by this Indenture, then such method of publication or notification as shall be made with the approval of the Trustee shall be deemed the equivalent of the required publication of such notice in an Authorized Publication.

"Authorized Purposes" means the authentication and delivery of Securities, the release of property and/or the withdrawal of cash under any of the provisions of this Indenture.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee thereof.

"Board 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.

"Business" of the Company has the meaning specified in Section 803(c)(iv).

"Business Day", when used with respect to a Place of Payment or any other particular location specified in the Securities or this Indenture, 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 as contemplated by Section 301.

"Class 'A' Bonds" means bonds or other obligations now or hereafter issued and Outstanding under the IELP 1940 Mortgage, the ISU 1923 Mortgage or any other Class "A" Mortgage.

"Class 'A' Mortgage" means the IELP 1940 Mortgage, the ISU 1923 Mortgage and each other mortgage or deed of trust or similar indenture entered into by any corporation that is subsequently merged into or consolidated with the Company and hereafter designated an additional Class "A" Mortgage in an indenture supplemental hereto executed and delivered in accordance with Section 706.

"Clean Air Act" means the Clean Air Act (42 U.S.C. sections 7401 et seq.) and any amendments to or regulations promulgated thereunder.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, 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 now assigned to it under the Trust Indenture Act, then the body (if any) performing such duties at such time.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or **"Company Order"** means a written request or order signed in the name of the Company by an Authorized Executive Officer and delivered to the Trustee.

"Corporate Trust Office" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date of execution of this Indenture is located at The First National Bank of Chicago, Corporate Trust Services Division, Mail Suite 0126, One First National Plaza, Chicago, Illinois 60670-0126.

"**Corporation**" means a corporation, association, company, joint stock company or business trust.

"**Cost**" with respect to Property Additions has the meaning specified in Section 103.

"**Defaulted Interest**" has the meaning specified in Section 307.

"**Discount Security**" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 1002.

"**Dollar**" or "**$**" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

"**Eligible Obligations**" means:

(a) with respect to Securities denominated in Dollars, Government Obligations; or

(b) with respect to Securities denominated in a currency other than Dollars or in a composite currency, such other obligations or instruments as shall be specified with respect to such Securities, as contemplated by Section 301.

"**Engineer**" means a Person engaged in the engineering profession or otherwise qualified to pass on engineering matters or a Person engaged in the business of appraising property or otherwise competent to determine the value of the particular property in question, who, in each case, unless required to be Independent, may be an employee of the Company.

"**Engineer's Certificate**" means a certificate signed by an Authorized Executive Officer and by an Engineer (who or which may be selected by an Authorized Executive Officer); provided, however, that, in connection with the release of any property from the Lien of this Indenture, the Engineer's Certificate as to the fair value of such property, and as to the nonimpairment by reason of such release of the security of this Indenture in accordance with the provisions hereof, shall be made by an Independent Engineer if the fair value of such property and of all other property released since the commencement of the then current calendar year, as set forth in the certificates required by this Indenture, is ten per centum (10%) or more of the sum of (a) the principal amount of the Securities at the time Outstanding and (b)the principal amount of the Class "A" Bonds at the time Outstanding other than Class "A" Bonds delivered to and held by the Trustee hereunder; but such a certificate of an Independent Engineer shall not be required in the case of any release of property, if the fair value thereof as set forth in

the certificates required by this Indenture is less than Twenty-five Thousand Dollars ($25,000) or less than one per centum (1%) of the sum of (x) the principal amount of the Securities at the time Outstanding and (y) the principal amount of the Class "A" Bonds at the time Outstanding other than Class "A" Bonds delivered to and held by the Trustee hereunder.

"Event of Default" has the meaning specified in Section 1001.

"Funded Cash" has the meaning specified in Section 102.

"Funded Property" has the meaning specified in Section 102.

"Governmental Authority" means the government of the United States or any State or Territory thereof or of the District of Columbia or of any county, municipality or other political subdivision of any thereof, or any department, agency, authority or other instrumentality of any of the foregoing.

"Government Obligations" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America entitled to the benefit of the full faith and credit thereof; and

(b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company subject to Federal or State supervision or examination with a combined capital and surplus of at least $50,000,000; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom.

"Holder" means a Person in whose name a Security is registered in the Security Register.

"IELP 1940 Mortgage" means the Indenture of Mortgage and Deed of Trust, dated as of August 1, 1940, between the Company and The First National Bank of Chicago, Trustee, as heretofore and hereafter amended and supplemented.

"ISU" means Iowa Southern Utilities Company, a corporation organized and existing under the laws of the State of Iowa on the date hereof.

"ISU 1923 Mortgage" means the Indenture and Deed of Trust, dated as of February 1, 1923, between ISU and The First National Bank of Chicago and Richard D. Manella, Successor Trustees, as heretofore and hereafter amended and supplemented and assumed by the Company; provided, however, that the ISU 1923 Mortgage shall not become a Class "A" Mortgage, and no reference herein to the ISU 1923 Mortgage shall be effective, until the occurrence of both (a) the time of effectiveness of the merger between the Company and ISU and (b) the delivery to the Trustee of an Officer's Certificate and Opinion of Counsel with respect to ISU and the ISU 1923 Mortgage to the effect set forth in Section 706(a)(ii)(A) and (B) and Section 706(a)(iii)(A)-(E), respectively, which Officer's Certificate and Opinion of Counsel the Company hereby agrees to deliver to the Trustee no later than ten Business Days following the date of the effectiveness of such merger.

"Indenture" means this instrument as originally executed 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 301.

"Independent", when applied to any accountant or Engineer, means such a Person who (a) is in fact independent, (b) does not have any direct material financial interest in the Company or in any other obligor upon the Securities or in any Affiliate of the Company or of such other obligor, (c) is not connected with the Company or such other obligor as an officer, employee, promoter, underwriter, trustee, partner, director or any person performing similar functions and (d) is selected by an Authorized Executive Officer and approved by the Trustee in the exercise of reasonable care.

"Independent Engineer's Certificate" means a certificate signed by an Independent Engineer.

"interest", when used with respect to a Discount Security, means interest, if any, borne by such Security at a Stated Interest Rate.

"Interest Payment Date", when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"Investment Securities" means any of the following obligations or securities on which neither the Company nor an Affiliate thereof is the obligor: (a) Government Obligations; (b)interest bearing deposit accounts (which may be represented by

certificates of deposit) in national or state banks (which may include the Trustee or any Paying Agent) or savings and loan associations having total assets of not less than Two Hundred Fifty Million Dollars ($250,000,000); (c) bankers' acceptances drawn on and accepted by commercial banks (which may include the Trustee or any Paying Agent) having a combined capital and surplus of not less than One Hundred Million Dollars ($100,000,000); (d) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, any State or Territory of the United States of America or the District of Columbia, or any political subdivision of any of the foregoing, which are rated in any of the three highest rating categories (without regard to modifiers) by a nationally recognized statistical rating organization; (e) bonds or other obligations of any agency or instrumentality of the United States of America; (f) commercial or finance company paper which is rated in any of the two highest rating categories (without regard to modifiers) by a nationally recognized statistical rating organization; (g) corporate debt securities rated in any of the three highest rating categories (without regard to modifiers) by a nationally recognized statistical rating organization; (h) repurchase agreements with banking or financial institutions having a combined capital and surplus of not less than One Hundred Million Dollars ($100,000,000) (which may include the Trustee or any Paying Agent) with respect to any of the foregoing obligations or securities; (i) securities issued by any regulated investment company (including any investment company for which the Trustee is the advisor), as defined in Section 851 of the Internal Revenue Code of 1986, as amended, or any successor section of such Code or successor federal statute, provided that the portfolio of such investment company is limited to obligations that are bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed as to principal and interest by the full faith and credit of the United States of America, which portfolio may include repurchase agreements which are fully collateralized by any of the foregoing obligations; (j) the First National Bank of Chicago Corporate Trust Short Term Investment, so long as it shall be rated by a nationally recognized statistical rating organization as either AAAm or Aaa (Money Market Fund), as an eligible investment for AAA rated transactions, or in the highest short term rating assigned by any such rating organization; and (k) any other obligations or securities which may lawfully and prudently be purchased by the Trustee.

"Lien" means any mortgage, pledge, security interest, encumbrance, easement, lease, reservation, restriction, servitude, charge or similar right or lien of any kind, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof, any filing of, or agreement to give, any financing statement under the Uniform Commercial Code of any jurisdiction, and any defect or irregularity in record title.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security or an instalment of principal becomes due and payable as provided in such Security or in this Indenture, whether at the Stated Maturity, by declaration of acceleration, upon call for redemption or otherwise.

"Mortgaged Property" means as of any particular time all property which at such time is subject to the Lien of this Indenture.

"Officer's Certificate" means a certificate signed by an Authorized Executive Officer.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, and who shall be acceptable to the Trustee.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(a) Securities theretofore canceled or delivered to the Trustee for cancellation;

(b) Securities deemed to have been paid in accordance with Section 901; and

(c) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it and the Company that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether or not the Holders of the requisite principal amount of the Securities Outstanding under this Indenture, or the Outstanding Securities of any series or Tranche, have given any request, demand, authorization, direction, notice, consent or waiver hereunder or whether or not a quorum is present at a meeting of Holders of Securities,

(x) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor (unless the Company, such Affiliate or such obligor owns all Securities Outstanding under this Indenture, or all Outstanding Securities of each such series and each such Tranche, as the case may be, determined without regard to this clause (x)) shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any

such request, demand, authorization, direction, notice, consent or waiver or upon any such determination as to the presence of a quorum, only Securities which the Trustee knows to be so owned shall be so disregarded; provided, however, that Securities so owned which have been pledged in good faith may be regarded as Outstanding if it is established to the reasonable satisfaction of the Trustee that the pledgee, and not the Company, any such other obligor or Affiliate of either thereof, has the right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor; and

(y) the principal amount of a Discount Security that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof pursuant to Section 1002.

"Outstanding", when used with respect to Class "A" Bonds, has the meaning specified in the related Class "A" Mortgage.

"Paying Agent" means any Person, including the Company, authorized by the Company to pay the principal of and premium, if any, or interest, if any, on any Securities on behalf of the Company.

"Periodic Offering" means an offering of Securities of a series from time to time any or all of the specific terms of which Securities, including without limitation the rate or rates of interest, if any, thereon, the Stated Maturity or Maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Company or its agents at or about the time of the issuance of such Securities.

"Permitted Liens" means, at any time, any of the following:

(a) Liens for taxes, assessments and other governmental charges or requirements not delinquent or which thereafter be paid without penalty or which are currently b contested in good faith by appropriate proceedings;

(b) mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' Liens, Liens or privileges of any employees of the Company for salary or wages earned, but not yet payable, and other Liens, including without limitation Liens for worker's compensatio awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings;

(c) Liens in respect of judgments or awards with respect to which the Company shall (i) in good faith be prosecuting an appeal or other proceeding for review and with respect to which the Company shall have secured a stay of execution pending such appeal or other proceeding or (ii) have the right to prosecute an appeal or other proceeding for review;

(d) easements, leases, reservations or other rights of others in, on and/or over, and laws, regulations and restrictions affecting, and defects and irregularities in record title to, the Mortgaged Property or any part thereof; provided, however, that such easements, leases, reservations, rights, laws, regulations, restrictions, defects and irregularities do not, in the reasonable judgment of the Company, in the aggregate materially impair the use by the Company of the Mortgaged Property considered as a whole for the purposes for which it is held by the Company;

(e) any defects or irregularities in title to any rights-of-way and/or to any real estate used or to be used primarily for right-of-way purposes or held under lease, easement, license or similar right; provided, however, that (i) 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, lease, easement, license or similar right, to the use thereof for the purpose for which the Company acquired the same, (ii) the Company has power under eminent domain, or similar statutes, to remove such defects or irregularities or (iii) such defects or irregularities may be otherwise remedied without undue effort or expense;

(f) Liens securing indebtedness neither created, assumed nor guaranteed by the Company nor on account of which it customarily pays interest, existing at the date of the execution and delivery of this Indenture, or, as to property hereafter acquired, at the time of the acquisition thereof by the Company, upon real estate or rights in or relating to real estate acquired by the Company for rights of way for distribution and transmission lines and for pipes, substations, structures and appurtenances thereto;

(g) leases existing at the date of the execution and delivery of this Indenture affecting property owned by the Company at said date and renewals and extensions thereof and leases for a term of not more than ten (10) years (including extensions or renewals at the option of the tenant) affecting property acquired by the Company after said date;

(h) any Lien vested in any lessor, licensor or permittor for rent to become due or for other obligations c 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 th payment of such rent or the performance of such other obligations or acts is not delinquent or is being contested in good faith and by appropriate proceedings;

(i) any controls, restrictions, obligations, duties and/or other burdens imposed by any federal, state, municipal or other law, or by any rule, regulation or order of any Governmental Authority, upon any property of the Company or the operation or use thereof or upon the Company with respect to any of its property or the operation or use thereof or with respect to any franchise, grant, license, permit or public purpose requirement, or any rights reserve to or otherwise vested in any Governmental Authority to impose any such controls, restrictions, obligations, duties and/or other burdens;

(j) Liens granted on air or water pollution control or sewage or solid waste disposal facilities of the Company in connection with the issuance of industrial development revenue bonds;

(k) any right which any Governmental Authority may have by virtue of any franchise, license, contract or statute to purchase, or designate a purchaser of or order the sale of, any property of the Company upon payment of cash or reasonable compensation therefor or to terminate an franchise, license or other rights or to regulate the property and business of the Company;

(l) any Liens which have been bonded for the ful amount in dispute or for the payment of which other adequat security arrangements have been made;

(m) Prepaid Liens; and

(n) Liens resulting from good faith deposits mad in connection with bids, tenders, contracts or leases to which the Company is a party and Liens resulting from deposits made to secure public or statutory obligations of the Company.

"Person" means any individual, corporation, association, partnership, joint venture, trust or unincorporate organization or any Governmental Authority.

"Place of Payment", when used with respect to the Securities of any series, or any Tranche thereof, means the plac or places, specified as contemplated by Section 301, at which, subject to Section 602, principal of and premium, if any, and

interest, if any, on the Securities of such series or Tranche are payable upon presentation.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Prepaid Lien" means any Lien securing indebtedness for the payment of which money in the necessary amount shall have been irrevocably deposited in trust with the trustee or other holder of such Lien; provided, however, that if such indebtedness is to be redeemed or otherwise prepaid prior to the stated maturity thereof, any notice requisite to such redemption or prepayment shall have been given in accordance with the mortgage or other instrument creating such Lien or irrevocable instructions to give such notice shall have been given to such trustee or other holder.

"Prior Lien" means any Lien (other than a Class "A" Mortgage) on any Mortgaged Property existing both at and immediately prior to the time of acquisition by the Company of such Mortgaged Property, or created as a purchase money mortgage on such Mortgaged Property at the time of its acquisition by the Company, in each case ranking prior to or on a parity with the Lien of this Indenture.

"Prior Lien Bonds" means an indebtedness (including the evidence thereof), if any, secured by a Prior Lien.

"Property Additions" has the meaning specified in Section 103.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Securities of any series means the date specified for that purpose as contemplated by Section 301.

"Required Currency" has the meaning specified in Section 311.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of

directors, the chairman or any vice-chairman of the executive committee of the board of directors, 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 or 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 Prior Lien Bonds" means as of any time Prior Lien Bonds (a) theretofore but after the date hereof paid, redeemed, purchased, or otherwise retired or discharged, or for the purchase, payment, retirement, or redemption of which moneys in the necessary amount, shall have been deposited with, or shall then be held by, the trustee or mortgagee under the Prior Lien which secures the Prior Lien Bonds, with irrevocable directions to apply such moneys to such purchase, payment, retirement or redemption of such Prior Lien Bonds, (b) which have not been made the basis under any of the provisions of this Indenture of one or more Authorized Purposes, and (c) which have not been, or are not to be, purchased, paid, redeemed or otherwise retired or discharged by the application thereto of Funded Cash.

"Retired Securities" means any Securities authenticated and delivered under this Indenture which (a) no longer remain Outstanding by reason of the applicability of clause (a) or (b) in the definition of "Outstanding", (b) have not been made the basis under any of the provisions of this Indenture of one or more Authorized Purposes, and (c) have not been, and are not to be, purchased, paid, redeemed or otherwise retired or discharged by the application thereto of Funded Cash.

"Securities" means any bonds, notes or other evidences of indebtedness authenticated and delivered under this Indenture.

"Security Register" and **"Security Registrar"** have the respective meanings specified in Section 305.

"Special Record Date" for the payment of any Defaulted Interest on the Securities of any series means a date fixed by the Trustee pursuant to Section 307.

"Stated Interest Rate" means a rate at which an obligation by its terms is stated to bear simple interest. Any calculation or other determination to be made under this Indenture by reference to the Stated Interest Rate on a Security shall be made without regard to the effective interest cost to the Company of such Security and without regard to the Stated Interest Rate on, or the effective cost to the Company of, any other obligation for which such Security is pledged or otherwise delivered as security.

"Stated Maturity", when used with respect to any obligation or any instalment of principal thereof or interest thereon, means the date on which the principal of such obligation or such installment of principal or interest is due and payable (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension).

"Successor Corporation" has the meaning set forth in Section 1301.

"Tranche" means a group of Securities which (a) are of the same series and (b) have identical terms except as to principal amount and/or date of issuance.

"Trust Indenture Act" means, as of any time, the Trust Indenture Act of 1939 as in force at such time.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such with respect to one or more series of Securities pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"United States" means the United States of America, its Territories, its possessions and other areas subject to its political jurisdiction.

SECTION 102. Funded Property; Funded Cash.

"Funded Property" means:

(a) all Property Additions to the extent that the same shall have been designated in an Engineer's Certificate delivered to the Trustee pursuant to Section 707(c) to be deemed to have been made the basis of the authentication and delivery of Securities then Outstanding;

(b) all Property Additions to the extent that the same shall have been made the basis of the authentication and delivery of Securities under this Indenture;

(c) all Property Additions to the extent that the same shall have been made the basis of the release of property from the Lien of this Indenture;

(d) all Property Additions to the extent that the same shall have been allocated or used as a basis for any credit or action or pursuant to any provision of, or retired or deemed to be retired through the operation of, any

sinking, improvement, maintenance, replacement or analogou fund for any series or Tranche of Securities; provided tha any such Property Additions so allocated or used shall no longer be Funded Property when all of the Securities of th series or Tranche in connection with which such fund was established are Retired Securities; and provided further that such Property Additions so used in connection with an such fund shall be Funded Property only if, and to the extent that, the supplemental indenture or other instrumen creating such fund shall preclude the certification of suc Property Additions as a basis for the authentication and delivery of Securities under Article Four; and

(e) all Property Additions to the extent that t same shall have been made the basis of the withdrawal of cash held by the Trustee hereunder.

In the event that in any certificate filed with the Trustee in connection with any of the transactions referred to clauses (b), (c) and (e) of this Section, only a part of the Co or fair value of the Property Additions described in such certificate shall be required for the purposes of such certificate, then such Property Additions shall be deemed to be Funded Property only to the extent so required for the purpose such certificate.

All Funded Property that shall be abandoned, destroye released or otherwise disposed of shall for the purpose of Section 103 hereof be deemed Funded Property retired and for other purposes of this Indenture shall thereupon cease to be Funded Property but as in this Indenture provided may at any t thereafter again become Funded Property. Neither any reductio in the Cost or book value of property recorded in the plant account of the Company, nor the transfer of any amount appearin in such account to intangible and/or adjustment accounts, otherwise than in connection with actual retirements of physic property abandoned, destroyed, released or disposed of, and otherwise than in connection with the removal of such property its entirety from plant account, shall be deemed to constitute retirement of Funded Property.

The Company may make allocations, on a pro-rata or other reasonable basis, for the purpose of determining the ext to which fungible properties, reflected in the same generic cl of property in the Company's books of account and not otherwis specifically identified, constitute Funded Property or Funded Property retired.

"Funded Cash" means:

(a) cash, held by the Trustee hereunder, to th extent that it represents the proceeds of insurance on or the release of property, or the proceeds of the release o obligations secured by purchase money mortgage which

obligations have been delivered to the Trustee pursuant to Article Eight and used as a credit in any application for the release of property hereunder, or the proceeds of payment to the Trustee on account of the principal of obligations secured by purchase money mortgage which obligations have been delivered to it pursuant to Article Eight and used as a credit in any application for the release of property hereunder, all subject, however, to the provisions of Section 607(c) and Section 806;

(b) any cash deposited with the Trustee under Section 405; and

(c) any cash received by the Trustee from the payment of the principal of Class "A" Bonds issued and delivered to the Trustee hereunder.

SECTION 103. Property Additions; Cost.

(a) **"Property Additions"** means, as of any particular time, any item, unit or element of property which at such time is owned by the Company and is subject to the Lien of this Indenture and may include, without limitation:

(i) fractional and other undivided interests of the Company in property owned jointly or in common with other Persons, whether or not there are with respect to such property other agreements or obligations on the part of the Company, if there is an effective bar against partition of such property which would preclude the sale of such property by any or all of such other Persons or the holder or holders of any Lien or Liens on the interest of any of such other Persons in such property, without the consent of the Company;

(ii) engineering, economic, environmental, financial, geological and legal or other analyses and surveys, data processing equipment and software, preliminary to or associated with the acquisition or construction of property included or intended to be included as Property Additions;

(iii) paving, grading and other improvements to, under or upon public highways, bridges, parks or other public property of analogous character required for or in connection with the installation or repair of overhead, surface or underground facilities and paid for and used or to be used by the Company, notwithstanding that the Company may not hold legal title thereto;

(iv) property located over, on or under property owned by other Persons, including governmental and municipal agencies, bodies or subdivisions, under permits, licenses,

easements, franchises and other similar privileges, if the Company shall have the right to remove the same;

provided, however, that Property Additions shall not include:

(i) good-will, going concern value rights or intangible property except as provided in subsection (c) of this Section 103; or

(ii) any property the cost of acquisition or construction of which is, in accordance with generally accepted accounting principles, properly chargeable to an operating expense account of the Company.

(b) When any Property Additions are certified to the Trustee as the basis of any Authorized Purpose (except as otherwise provided in Section 803 and Section 806),

(i) there shall be deducted from the Cost or fair value thereof to the Company, as the case may be (as of the date so certified), an amount equal to the Cost (or as to Property Additions of which the fair value to the Company at the time the same became Funded Property was less than the Cost as determined pursuant to this Section 103, then such fair value in lieu of Cost) of all Funded Property of the Company retired to the date of such certification (other than the Funded Property, if any, in connection with the application for the release of which such certificate is filed) and not theretofore deducted from the Cost or fair value to the Company of Property Additions theretofore certified to the Trustee, and

(ii) there may, at the option of the Company, be added to such Cost or fair value, as the case may be, the sum of

(A) the principal amount of any obligations secured by purchase money mortgage and any cash (other than proceeds of such purchase money obligations), not theretofore so added and which the Company then elects so to add, received by the Trustee representing the proceeds of insurance on, or of the release or other disposition of, Funded Property retired;

(B) 133 1/3% of the principal amount of any Security or Securities, or portion of such principal amount, not theretofore so added and which the Company then elects so to add, the right to the authentication and delivery of which under the provisions of Section 404 and Section 803(d)(iii) shall at any time theretofore have been waived as the basis of the release of Funded Property retired; and