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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION)
OF THE DAYTON POWER AND LIGHT)
COMPANY FOR AUTHORITY TO)
BORROW AN AMOUNT NOT TO EXCEED) CASE NO. 05-767-EL-AIS
\$41,300,000 FROM THE OHIO WATER)
DEVELOPMENT AUTHORITY AND FOR)
AUTHORITY TO ISSUE AND DELIVER)
NOT MORE THAN \$41,300,000 PRINCIPAL)
AMOUNT OF FIRST MORTGAGE BONDS,)
AS SECURITY THEREFORE; AND TO)
BORROW AN ADDITIONAL AMOUNT)
NOT TO EXCEED \$137,800,000 FROM THE)
OHIO AIR QUALITY DEVELOPMENT)
AUTHORITY AND FOR AUTHORITY TO)
ISSUE AND DELIVER NOT MORE THAN)
\$137,800,000 PRINCIPAL AMOUNT OF)
FIRST MORTGAGE BONDS, AS)
SECURITY THEREFORE; AND TO)
BORROW AN ADDITIONAL AMOUNT)
NOT TO EXCEED \$35,279,337 FROM)
THE COUNTY OF BOONE, KENTUCKY)
AND FOR AUTHORITY TO ISSUE AND)
DELIVER NOT MORE THAN \$35,279,337)
PRINCIPAL AMOUNT OF FIRST)
MORTGAGE BONDS, AS SECURITY)
THEREFORE.)

REPORT OF SALE

Your Applicant, The Dayton Power and Light Company (the "Company"), pursuant to the Commission's Order of August 10, 2005, files the following report regarding the terms of sale of certain Pollution Control Refunding Bonds and secured by a parallel sale of First Mortgage Bonds sold to Morgan Stanley & Co. Incorporated as underwriter.

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Name	Ohio Water Development Authority Pollution Control Revenue Refunding Bonds, 2005 Series A	Ohio Air Quality Development Authority Pollution Control Revenue Refunding Bonds, 2005 Series B	County of Boone, Kentucky Pollution Control Revenue Refunding Bonds, 2005 Series A	Aggregate
Principal	\$ 41,300,000.00	\$ 137,800,000.00	\$ 35,275,000.00	\$ 214,375,000.00
Maturity Date	January 1, 2034	January 1, 2034	January 1, 2028	
Annual Interest Rate	4.80%	4.80%	4.70%	
Annual Interest Cost	\$ 1,982,400.00	\$ 6,614,400.00	\$ 1,657,925.00	\$ 10,254,725.00
Price to Public	100% plus accrued interest	100% plus accrued interest	100% plus accrued interest	
Underwriter's Rate	0.425%	0.425%	0.425%	0.425%
Underwriter's Fee	\$ 175,525.00	\$ 585,650.00	\$ 149,918.75	\$ 911,093.75
Proceeds to Company	\$ 41,124,475.00	\$ 137,214,350.00	\$ 35,125,081.25	\$ 213,463,906.25
Cost of Money to the Company	4.82%	4.82%	4.72%	
% Yield to the bondholders	4.80%	4.80%	4.70%	

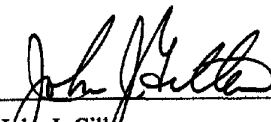
Redemption Terms: The Bonds will be subject to redemption prior to maturity at the option of the Issuer, upon request of the Company, in whole or part at any time on or after July 1, 2015 at an optional redemption price of 100% of their principal amount, together with unpaid accrued interest to the redemption date.

Identity of Initial Purchaser and Amount Purchased:

Morgan Stanley & Co. Incorporated \$ 214,375,000

Five copies of the Official Statement, the applicable Loan Agreements with the Ohio Water Development Authority, the Ohio Air Quality Development Authority and Boone County, Kentucky, respectively, and the 43rd Supplemental Indenture to the First and Refunding Mortgage, as amended, are attached to the Report of Sale filed herein.

THE DAYTON POWER AND LIGHT COMPANY

By 
 John J. Gillen
 Senior Vice President
 and Chief Financial Officer

THREE NEW ISSUES BOOK-ENTRY ONLY

Anticipated Ratings: Moody's: "Aaa"
Standard & Poor's: "AAA"
(See "RATINGS" herein)

\$41,300,000
Ohio Water Development Authority
State of Ohio
4.80% Collateralized Pollution Control
Revenue Refunding Bonds, 2005 Series A
(The Dayton Power and Light Company Project)
Due January 1, 2034

\$137,800,000
Ohio Air Quality Development Authority
State of Ohio
4.80% Collateralized Pollution Control
Revenue Refunding Bonds, 2005 Series B
(The Dayton Power and Light Company Project)
Due January 1, 2034

\$35,275,000
County of Boone, Kentucky
4.70% Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series A
(The Dayton Power and Light Company Project)
Due January 1, 2028

Dated: Date of Issue

Each issue of the Ohio Bonds (as defined herein) will be a special obligation of the State of Ohio and issued by the Ohio Water Development Authority (the "Water Authority") or the Ohio Air Quality Development Authority (the "Air Authority"), respectively. The Kentucky Bonds (as defined herein) will be special and limited obligations of the County of Boone, Kentucky, a de jure county and political subdivision of Kentucky (the "County," and, together with the Water Authority and the Air Authority, the "Issuers"). None of the issues will constitute a debt, or a pledge of the faith and credit (or taxing power, in the case of the County), of the respective Issuers, the State of Ohio or the Commonwealth of Kentucky or of any political subdivision thereof, and the holders or owners of the Bonds will have no right to have taxes levied by the General Assembly of Ohio or Kentucky or any political subdivision of Ohio or Kentucky for the payment of the principal and redemption price thereof or interest thereon. The Bonds of each issue will be payable solely, except to the extent paid out of moneys attributable to proceeds of the respective issue, from and secured by an assignment by the respective Issuer of loan payments to be received under the respective Loan Agreement with, and collaterally secured by certain First Mortgage Bonds issued by

The Dayton Power and Light Company.

The proceeds of the Ohio Bonds and the Kentucky Bonds (collectively, the "Bonds") will be used to refund certain bonds previously issued by each respective Issuer, as described herein.

Interest on the Bonds will accrue from the date of issuance and is payable semiannually on January 1 and July 1 of each year (commencing January 1, 2008). The Bonds are subject to redemption prior to maturity as more fully described herein.

Payment of principal and interest on each issue of the Bonds when due will be insured by a separate municipal bond new issue insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of the Bonds.



The Bonds will be issuable only as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") and will be available to ultimate purchasers ("Beneficial Owners") under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC participants. Purchases by Beneficial Owners will be made in book-entry only form in denominations of \$5,000 principal amount and integral multiples thereof. Beneficial Owners will not be entitled to physical delivery of the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payment of the principal and redemption price of and interest on the Bonds shall be made directly to DTC or its nominee. Disbursement of such payments to Beneficial Owners is the responsibility of DTC participants, as more fully described herein.

PRICE 100% (plus any accrued interest)

In the opinion of respective Bond Counsel for the Ohio Bonds and the Kentucky Bonds, under existing law, interest on each issue of the Bonds, assuming compliance with certain covenants, is excluded from gross income for federal income tax purposes, except interest on any Bond for any period during which it is held by a "substantial user" or a "related person," as those terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations under the Code but may be subject to the corporate alternative minimum tax on a portion of that interest; and the interest on each issue of the Ohio Bonds and any profit made on their sale, exchange or other disposition, are exempt from the Ohio personal income tax, the Ohio commercial activities tax, the net income base of the Ohio corporate franchise tax and municipal and school district income taxes in Ohio; and the interest on the Kentucky Bonds is excluded from gross income for Kentucky income tax purposes and the Kentucky Bonds are exempt from ad valorem taxes in Kentucky. See "TAX EXEMPTION" herein.

The Bonds are offered, subject to prior sale, when, as and if issued by the Issuers, and accepted by the Underwriters and subject to the approval of legality by Squire, Sanders & Dempsey L.L.P., Bond Counsel for the Ohio Bonds, and by Harper, Ferguson & Davis, a division of Ogden Newell & Welch PLLC, Bond Counsel for the Kentucky Bonds, and certain other conditions. Legal matters in connection with the issuance of the Bonds will be passed upon for the Water Authority by Calfee, Halter & Griswold LLP, Cleveland, Ohio, Counsel for the Water Authority; for the Air Authority by Forbes, Fields & Associates Co., L.P.A., Cleveland, Ohio, Counsel for the Air Authority; and for the County by J.R. Sahrland, Esq., County Attorney of the County. It is expected that delivery of the Bonds will be made on or about August 17, 2005 through the facilities of DTC in New York, New York.

MORGAN STANLEY

KEYBANC CAPITAL MARKETS

ABN AMRO FINANCIAL SERVICES, INC.

August 11, 2005

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offer made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Water Authority, the Air Authority, the County, The Dayton Power and Light Company, or the Underwriters. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Water Authority, the Air Authority, the County, or The Dayton Power and Light Company since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS WHICH STABILIZE, MAINTAIN OR OTHERWISE EFFECT THE PRICE OF THE BONDS. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

	Page
INTRODUCTORY STATEMENT	1
THE ISSUERS	3
USE OF PROCEEDS	4
THE BONDS	4
THE BOND INSURANCE POLICIES	11
THE LOAN AGREEMENTS	14
THE INDENTURES	17
FIRST MORTGAGE BONDS AND FIRST MORTGAGE	22
TAX EXEMPTION	25
LEGAL MATTERS	27
RATINGS	27
UNDERWRITING	28
CONTINUING DISCLOSURE	28
MISCELLANEOUS	29
APPENDIX A — THE DAYTON POWER AND LIGHT COMPANY	
APPENDIX B — SPECIMEN INSURANCE POLICY	
APPENDIX C — PROPOSED TEXT FOR OPINION FROM BOND COUNSEL FOR OHIO WATER BONDS	
APPENDIX D — PROPOSED TEXT FOR OPINION FROM BOND COUNSEL FOR OHIO AIR BONDS	
APPENDIX E — PROPOSED TEXT FOR OPINION FROM BOND COUNSEL FOR KENTUCKY BOND	

\$41,300,000	\$137,800,000
Ohio Water Development Authority	Ohio Air Quality Development Authority
State of Ohio	State of Ohio
4.80% Collateralized Pollution Control	4.80% Collateralized Pollution Control
Revenue Refunding	Revenue Refunding
Bonds, 2005 Series A	Bonds, 2005 Series B
(The Dayton Power and Light Company Project)	(The Dayton Power and Light Company Project)
\$35,275,000	
County of Boone, Kentucky	
4.70% Collateralized Pollution Control Revenue Refunding	
Bonds, 2005 Series A	
(The Dayton Power and Light Company Project)	

INTRODUCTORY STATEMENT

This Official Statement is provided to furnish information in connection with the sale (i) by the Ohio Water Development Authority (the "Water Authority") of State of Ohio 4.80% Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series A (The Dayton Power and Light Company Project), in the aggregate principal amount of \$41,300,000 (the "Water Bonds"), (ii) by the Ohio Air Quality Development Authority (the "Air Authority") of State of Ohio 4.80% Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series B (The Dayton Power and Light Company Project), in the aggregate principal amount of \$137,800,000 (the "Air Bonds," and together with the Water Bonds, the "Ohio Bonds"), and (iii) by the County of Boone, Kentucky (the "County") of County of Boone, Kentucky 4.70% Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series A (The Dayton Power and Light Company Project) in the aggregate principal amount of \$35,275,000 (the "Kentucky Bonds"). The Water Authority, the Air Authority and the County are referred to herein collectively as the "Issuers." The Water Bonds, the Air Bonds and the Kentucky Bonds are being issued pursuant to separate Trust Indentures, each dated as of August 1, 2005 (individually, the "Indenture" and, collectively, the "Indentures"), between the respective Issuers and The Bank of New York, as Trustee under each respective Trust Indenture (the "Trustee"). The Ohio Bonds and the Kentucky Bonds are referred to herein collectively as the "Bonds."

The Water Bonds are being issued to pay a portion of the cost of redeeming (a) the Water Authority's \$14,200,000 State of Ohio Collateralized Pollution Control Revenue Bonds, 1977 Series A (The Dayton Power and Light Company Project) dated as of April 15, 1977, now outstanding in the aggregate principal amount of \$9,000,000 (the "1977 Water Bonds"), and (b) the Water Authority's \$32,300,000 State of Ohio Collateralized Water Development Revenue Refunding Bonds, 1992 Series A (The Dayton Power and Light Company Project) dated as of August 15, 1992, now outstanding in the aggregate principal amount of \$32,300,000 (the "1992 Water Bonds," and together with the 1977 Water Bonds, the "Prior Water Bonds").

The Air Bonds are being issued to pay a portion of the cost of redeeming (a) the Air Authority's \$27,800,000 State of Ohio Collateralized Air Quality Development Revenue Refunding Bonds, 1992 Series B (The Dayton Power and Light Company Project), dated as of August 15, 1992, now outstanding in the aggregate principal amount of \$27,800,000 (the "1992

Air Bonds”) and (b) the Air Authority’s \$110,000,000 State of Ohio Air Quality Development Revenue Refunding Bonds, 1995 Series (The Dayton Power and Light Company Project), now outstanding in the aggregate principal amount of \$110,000,000 (the “1995 Air Bonds,” and together with the 1992 Air Bonds, the “Prior Air Bonds”).

The Kentucky Bonds are being issued to pay a portion of the cost of redeeming \$35,275,000 principal amount (the “Prior Kentucky Bonds”) of the outstanding \$48,000,000 County of Boone, Kentucky, Collateralized Pollution Control Revenue Refunding Bonds, 1992 Series A (The Dayton Power and Light Company Project).

The Bond proceeds received by each Issuer will be loaned (individually, the “Loan” and, collectively, the “Loans”) to The Dayton Power and Light Company, a public utility and corporation organized and existing under the laws of the State of Ohio (the “Company”), pursuant to separate Loan Agreements, each dated as of August 1, 2005 (individually, the “Loan Agreement” and, collectively, the “Loan Agreements”), between the respective Issuer and the Company to refund bonds (the “Refunded Bonds”) originally issued to finance or refinance the Company’s portion of the cost of the acquisition, construction and installation of certain waste water and solid waste facilities and certain air quality facilities at F.M. Tait Electric Generating Station, O.H. Hutchings Electric Generating Station, J.M. Stuart Electric Generating Plant, Killen Electric Generating Station Unit 2, Walter C. Beckjord Generating Station Unit 6, East Bend Generating Station Unit 2 and William H. Zimmer Electric Generating Station. Such generating station units are hereinafter referred to individually as a “Station Unit” and such waste water and solid waste facilities and such air quality facilities at each Station Unit are hereinafter referred to individually as a “Project” and collectively as the “Projects.” The construction of the Projects has been completed.

As further evidence of, and to secure, its obligation under each Loan Agreement to repay the Loan evidenced thereby, the Company will deliver to the relevant Issuer a separate series of its First Mortgage Bonds (individually, a “Series of 2005 First Mortgage Bonds” and, collectively, the “2005 First Mortgage Bonds”) in the principal amount of that Issuer’s Bonds. The payments required pursuant to each Series of 2005 First Mortgage Bonds will be sufficient to provide for the payment of the principal of and interest on the corresponding issue of the Bonds.

The 2005 First Mortgage Bonds will be issued under and secured by the First and Refunding Mortgage dated as of October 1, 1935 from the Company to Irving Trust Company (now The Bank of New York), as trustee (the “First Mortgage Trustee”), as amended and supplemented by supplemental indentures thereto and as further supplemented for the issuance of the 2005 First Mortgage Bonds by a Forty-Third Supplemental Indenture dated as of August 1, 2005 (the “Forty-Third Supplemental Indenture” and collectively, the “First Mortgage”). Each Series of 2005 First Mortgage Bonds will be the same as the corresponding issue of the Bonds in respect of aggregate principal amount, interest rate, maturity date and redemption provisions. Pursuant to each Indenture, the Issuers will assign the related Series of 2005 Mortgage Bonds, together with loan payments that may become due under the related Loan Agreement, to the respective Trustee to secure the payment of the corresponding issue of the Bonds. The 2005 First Mortgage Bonds and all other bonds outstanding from time to time under the First Mortgage are hereinafter referred to as the “First Mortgage Bonds.”

The payment of the principal of and interest on each issue of the Bonds when due is insured by a separate municipal bond new issue insurance policy (the "Bond Insurance Policies") to be issued by Financial Guaranty Insurance Company (the "Bond Insurer") concurrently with the issuance of the Bonds.

The Water Bonds and the Air Bonds will be special obligations of the State of Ohio issued by the Water Authority and the Air Authority, respectively, and will be payable solely from the funds pledged for their individual benefit pursuant to the applicable Indenture relating thereto. The Ohio Bonds will not constitute a debt or pledge of the faith and credit of the State of Ohio or any political subdivision thereof and the holders or owners of the Ohio Bonds will have no right to have taxes levied by the General Assembly of the State of Ohio or the taxing authority of any political subdivision of the State or Ohio for the payment or redemption price of, and interest on, the Ohio Bonds. The Water Authority and the Air Authority have no taxing power.

The Kentucky Bonds will be special and limited obligations of the County, and will be payable solely from the funds pledged for their benefit pursuant to the Indenture relating thereto. The Kentucky Bonds will not constitute a debt or pledge of the faith and credit or taxing power of the County, the Commonwealth of Kentucky or any political subdivision thereof and the holders or owners of the Kentucky Bonds will have no right to have taxes levied by the Commonwealth of Kentucky, the County or any political subdivision or other taxing authority of the Commonwealth of Kentucky for the payment or redemption price of, and interest on, the Kentucky Bonds.

This Official Statement contains brief descriptions of the Issuers, the Bonds, the Loan Agreements, the 2005 First Mortgage Bonds, the First Mortgage, the Bond Insurance Policies, the Bond Insurer, and the Indentures. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Loan Agreements, the First Mortgage, the Bond Insurance Policies, and the Indentures are qualified in their entirety by reference to such documents, and references herein to the Bonds and the 2005 Mortgage Bonds are qualified in their entirety, by reference to the definitive forms thereof included in the Indentures and the Forty-Third Supplemental Indenture, respectively. Copies of such documents may be obtained from the Trustee.

THE ISSUERS

The Water Authority

The Water Authority was organized pursuant to Chapter 6121 of the Ohio Revised Code, as amended (the "Water Act"). Under the Water Act, the Water Authority is a body corporate and politic, with full power and authority under the Water Act and under Chapter 6123 of the Ohio Revised Code, as amended, to issue the Water Bonds and to enter into and perform its obligations under the Loan Agreement and the Indenture relating to the Water Bonds.

The Air Authority

The Air Authority was organized pursuant to the Chapter 3706 of the Ohio Revised Code, as amended (the "Air Act"). Under the Air Act, the Air Authority is a body corporate and

politic, with full power and authority to issue the Air Bonds and to enter into and perform its obligations under the Loan Agreement and the Indenture relating to the Air Bonds.

The County

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

USE OF PROCEEDS

All the proceeds of the Ohio Bonds will be used, together with funds to be provided by the Company, to redeem on or about September 16, 2005, all outstanding Prior Water Bonds and Prior Air Bonds. All of the proceeds of the Kentucky Bonds will be used, together with funds to be provided by the Company, to redeem on or about September 16, 2005, all outstanding Prior Kentucky Bonds.

THE BONDS

Each issue of the Bonds is an entirely separate issue and is issued under a separate Indenture, although each Indenture contains substantially the same terms and provisions, except as otherwise described below. The actual issuance of each issue of Bonds is not dependent on the issuance of any of the other Bonds. The occurrence of an event of default with respect to one issue of the Bonds will not constitute an event of default with respect to any other issue of Bonds. Redemption of one issue of the Bonds may be made in the manner described below without the redemption of the Bonds of the other issues. Each series of 2005 First Mortgage Bonds will secure only payments under the Loan Agreement with respect to which it is pledged. All references in this summary to the Bonds, the Indenture, the Trustee, the Loan Agreement, the Bond Insurance Policies, the Issuer, the Project and each other defined term and to percentages of owners of the Bonds should be read as referring separately to each issue of the Bonds and to the related Indenture, Trustee, Loan Agreement, Issuer, Project and other defined terms.

General

The Bonds will mature on the dates set forth on the cover page. The Bonds will accrue interest at the rate set forth on the cover page from the date of original issuance. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable semiannually on January 1 and July 1 of each year, commencing January 1, 2006. So long as the Bonds are held in the book-entry only system described below, the principal or redemption price of, and interest on, the Bonds will be paid through the facilities of DTC. Otherwise, the principal or redemption price of the Bonds will be payable upon presentation at the principal corporate office of the Trustee and interest will be payable by check mailed to the persons in whose names the Bonds are registered on December 15 and June 15 (the "Regular

Record Date”) or, with respect to holders of at least \$1,000,000 aggregate principal amount of Bonds by wire if requested in writing by such holder in accordance with the Indenture. Any interest on any Bond which is payable but is not punctually paid or provided for on any interest payment date (“Defaulted Interest”) shall cease to be payable to the registered owner on the relevant Regular Record Date by virtue of having been such owner, and such Defaulted Interest shall be paid to the registered owner in whose name the Bond is registered at the close of business on a Special Record Date to be fixed by the Trustee.

Book-Entry Only System

Portions of the following information concerning DTC and DTC’s book-entry only system have been obtained from DTC. The Issuers, the Company, the Bond Insurer and the Underwriters make no representation as to the accuracy of such information.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each issue of the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC or its custodian.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, are also subsidiaries of DTCC), as well as The New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s record. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the

Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

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

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

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuers or the Trustees on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer

form or registered in “street name,” and will be the responsibility of such Participants and not of DTC nor its nominee, any Trustee, or any Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to DTC is the responsibility of the related Issuer or the related Trustee. Disbursement of such payments to Direct Participants shall be the responsibility of DTC. Disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the affected Issuer or the affected Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be required to be printed and delivered. The Company may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

In the event that the book-entry only system is discontinued, the principal or redemption price of and interest on the Bonds will be payable in the manner described above in the second paragraph under “THE BONDS,” and the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the principal corporate trust office of the Trustee by the registered owners or their duly authorized attorneys or legal representatives. Upon surrender of any Bonds to be transferred or exchanged, the Trustee shall record the transfer or exchange in the registration books and shall authenticate and deliver new Bonds appropriately registered and in appropriate authorized denominations. The Trustee will not be required to transfer or exchange any Bond for a period of fifteen days before any selection of Bonds to be redeemed, nor any Bond all or part of which has been called for redemption after it has been selected for redemption. The Issuer and the Trustee shall be entitled to treat the registered owners of the Bonds, as their names appear in the registration books, as the owners of those bonds for all purposes under the Indenture. No transfer or exchange made other than as described above and in the Indenture will be valid or effective for any purposes under the Indenture.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the Company and each Issuer believes to be reliable, but neither the Company nor the Issuers takes responsibility for the accuracy thereof.

NONE OF THE ISSUERS, NOR THE COMPANY NOR THE TRUSTEES WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE ACCURACY OF THE RECORDS OF DTC, ITS NOMINEE OR ANY DIRECT PARTICIPANT WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE BONDS, OR PAYMENTS TO, OR THE PROVIDING OF NOTICE FOR, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

Security for the Bonds

The Ohio Bonds will be special obligations of Ohio and will not constitute a debt, or a pledge of the faith and credit, of (i) the Water Authority or the Air Authority or (ii) Ohio or of any political subdivision thereof, and the holders or owners of the Ohio Bonds will have no right

to have taxes levied by the General Assembly of Ohio or by the taxing authority of any political subdivision of Ohio for the payment of the principal thereof or interest thereon. Neither the Water Authority nor Air Authority has any taxing power.

The Kentucky Bonds will be special and limited obligations of the County and will not constitute a debt, or a pledge of the faith and credit or taxing power of the County, the Commonwealth of Kentucky or any political subdivision thereof, and the holders or owners of the Kentucky Bonds will have no right to have taxes levied by the General Assembly of Kentucky, the County or any other political subdivision of Kentucky for the payment of the principal thereof or interest thereon.

The Bonds will be payable, except to the extent payable from the accrued interest, if any, received as part of the proceeds from the sale of the Bonds and the investment thereof, solely from and secured by an assignment of (i) payments made by the Company on the Loan, including payments on the 2005 First Mortgage Bonds, (ii) all other moneys received by the Issuer (exclusive of its fee, if any), or by the Trustee for the account of the Issuer, in respect of the repayment of the Loan, except certain moneys held for the benefit of the holders of particular Bonds, and (iii) the income and profit, if any, from the investment of such payments and moneys. The Loan Agreement provides that loan payments sufficient for the prompt payment when due of the principal of and interest on the Bonds will be paid to the Trustee by the Company for the account of the Issuer.

The Projects do not constitute any part of the security for the Bonds. However, as property of the Company, the Company's interest in the Projects will be subject to the lien of the First Mortgage and as a consequence will, together with substantially all of the other property of the Company, secure the 2005 First Mortgage Bonds ratably with all other First Mortgage Bonds. For a description of the 2005 First Mortgage Bonds and the security underlying them, see "FIRST MORTGAGE BONDS AND FIRST MORTGAGE."

Each Issuer will absolutely assign to the Trustee, as security for the benefit of the holders of the Bonds, all its right, title and interest in and to the 2005 First Mortgage Bonds and the right to receive loan payments under the Loan Agreement.

Redemption Provisions

The Bonds will be subject to redemption prior to maturity as described below. In the event of any redemption of the Bonds, there will be a redemption of a like principal amount of the corresponding 2005 First Mortgage Bonds.

Optional Redemption. The Bonds will be subject to redemption prior to maturity at the option of the Issuer, upon the request of the Company, in whole or in part at any time on or after July 1, 2015 at an optional redemption price of 100% of their principal amount, together with unpaid accrued interest to the redemption date.

Extraordinary Optional Redemption. The Bonds of each issue are subject to redemption in whole or in part by the applicable Issuer upon the exercise by the Company of its option to prepay the Loan under the applicable Loan Agreement, at any time, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, if any of

the following events occurs with respect to the applicable Loan Agreement or a Project or a Station Unit related to such issue of Bonds:

(a) A Project or a Station Unit is damaged or destroyed to such extent that (i) it cannot reasonably be restored within a period of six consecutive months to its condition immediately preceding such damage or destruction or (ii) the Company is reasonably expected to be prevented from carrying on its normal operations in connection therewith for a period of six consecutive months;

(b) Title to, or the temporary use of, all or a significant part of a Project or a Station Unit is taken by eminent domain (i) to such extent that it cannot reasonably be restored within a period of six consecutive months to a condition of usefulness comparable to that existing prior to such taking or (ii) to such extent that such a taking results in the Company being thereby reasonably expected to be prevented from carrying on its normal operations in connection therewith for a period of six consecutive months;

(c) The Loan Agreement becomes void, unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein by reason of any changes in the applicable state constitution or the Constitution of the United States of America or by reason of any legislative or administrative action (whether state or Federal) or any final determination of any court or any administrative body (whether state or Federal) entered after the contest thereof by the Issuer or the Company in good faith;

(d) Unreasonable burdens or excessive liabilities are imposed upon the Issuer or the Company with respect to a Project or a Station Unit, including, but not limited to the imposition of Federal, state or other ad valorem property, income or other taxes other than ad valorem taxes at the rates presently levied upon privately owned property used for the same general purpose as such Project or Station Unit;

(e) Changes in the economic availability of raw materials, operating supplies, energy sources or supplies, or facilities (including, but not limited to, facilities in connection with the disposal of industrial wastes) necessary for the operation of a Project or Station Unit for the pollution control and solid waste disposal purposes of the Water Act, Air Act or Kentucky Act, as applicable, occur or such technological or other changes occur which the Company cannot reasonably overcome or control and which in the Company's reasonable judgment render a Project or a Station Unit uneconomic or obsolete for such purposes;

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

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

Mandatory Redemption Due to Determination of Taxability. The Bonds will be subject to mandatory redemption at 100% of the principal amount thereof plus accrued and unpaid interest to the redemption date at the earliest practicable date selected by the Trustee, after consultation with the Company, but in any event no later than 180 days following receipt by the Trustee of the notice from the Company of a Determination of Taxability, as defined below. Such redemption will be either in whole or, if in the Opinion of Bond Counsel (as defined in the Indenture) the Determination of Taxability will not apply to Bonds remaining outstanding after such redemption, in part. A "Determination of Taxability" means a final decision, ruling or technical advice by any federal judicial or administrative authority to the effect that, as a result of the failure by the Company to observe or perform any covenant, agreement or obligation on its part to be observed or performed under the Loan Agreement or the inaccuracy of any representation made by the Company in the Loan Agreement, interest on any Bond is or was includable in the gross income of the owner of that Bond for federal income tax purposes, other than an owner who is a "substantial user" of the Project or a "related person" as those terms are used in Section 147(a) of the Code; provided that no decision by any court or decision, ruling or technical advice by any administrative authority will be considered final (a) unless the beneficial owner involved in the proceeding or action giving rise to such decision, ruling or technical advice (i) gives the Company and the Trustee prompt notice of the commencement thereof, together with evidence satisfactory to the Company and the Trustee that such party is the beneficial owner, and (ii) offers the Company the opportunity to control the contest thereof, provided that the Company shall have agreed to bear all expenses in connection therewith and to indemnify the owner against all liabilities in connection therewith, and (b) until the expiration of all periods for judicial review or appeal. A Determination of Taxability will not result from the inclusion of interest on any Bond in the computation of the alternative minimum tax imposed by Section 55 of the Code, the branch profits tax on foreign corporations imposed by Section 884 of the Code or the tax imposed on excess net passive income on certain S corporations under Section 1375 of the Code. If the Indenture has been released as described under "THE INDENTURES – Discharge of Lien" prior to the occurrence of a "Determination of Taxability," the Bonds will not be redeemed as described in this paragraph.

Manner of Redemption

The rights of redemption may be exercised by giving notice specifying the Bonds, or portions thereof, to be redeemed, the redemption price to be paid, the date fixed for redemption and the places where the amounts due upon such redemption are payable. The Trustee will mail a copy of such notice to all registered owners of Bonds to be redeemed, but failure or defect in the mailing of such notice will not affect the validity of the redemption.

Notice of optional redemption may be conditioned on the deposit of sufficient moneys to pay the redemption price with the Trustee before the date fixed for redemption and such notice will be of no effect unless such moneys are so deposited.

If less than all of the outstanding Bonds are called for redemption, the selection of Bonds, or portions of Bonds, to be called will be made by lot by the Trustee in such manner as the Trustee in its discretion may determine.

No further interest will accrue on the principal of any Bond called for redemption after the redemption date if payment of the redemption price thereof has been duly provided for, and the holder of such Bond will have no rights with respect thereto, except to receive payment of the redemption price thereof and unpaid interest accrued to the date fixed for redemption.

THE BOND INSURANCE POLICIES

The Bond Insurer has supplied the following information for inclusion in this Official Statement. No representation is made by the Issuers or the underwriters as to the accuracy or completeness of this information.

Payments Under the Bond Insurance Policies

Concurrently with the issuance of each issue of the Bonds, the Bond Insurer will issue separate Bond Insurance Policies. The Bond Insurance Policies unconditionally guarantee the payment of that portion of the principal or accreted value (if applicable) of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Issuer. The Bond Insurer will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal, accreted value or interest (as applicable) is due or on the business day next following the day on which the Bond Insurer shall have received notice (in accordance with the terms of the Bond Insurance Policies) from an owner of Bonds or the trustee or paying agent (if any) of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in the Bond Insurer. The term "nonpayment" in respect of a Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the Bond Insurance Policies are non-cancelable by the Bond Insurer. The Bond Insurance Policies cover failure to pay principal (or accreted value, if applicable) of the Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, and the date on which the Bonds shall have been duly called for mandatory redemption as a result of the interest on the Bonds having been determined to have become subject to federal income taxation, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Bond Insurance Policies also cover the failure to pay interest on the stated date for its payment. In the event that payment of the Bonds is accelerated, the Bond Insurer will only be obligated to pay principal (or accreted value, if applicable) and interest in the originally scheduled amounts on the originally scheduled payment dates. Upon such payment, the Bond Insurer will become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and will be fully subrogated to all of the Bondholder's rights thereunder.

The Bond Insurance Policies do not insure any risk other than nonpayment by the respective Issuer, as defined in each Bond Insurance Policy. Specifically, the Bond Insurance Policies do not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal (or accreted value, if applicable) or interest caused by the insolvency or negligence or any other act or omission of the trustee or paying agent, if any.

As a condition of its commitment to insure Bonds, the Bond Insurer may be granted certain rights under the Bond documentation. The specific rights, if any, granted to the Bond Insurer in connection with its insurance of the Bonds may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement, and reference should be made thereto.

The Bond Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The Bond Insurer

The Bond Insurer, a New York stock insurance corporation, is a direct, wholly-owned subsidiary of FGIC Corporation, a Delaware corporation, and provides financial guaranty insurance for public finance and structured finance obligations. The Bond Insurer is licensed to engage in financial guaranty insurance in all 50 states, the District of Columbia and the Commonwealth of Puerto Rico and, through a branch, in the United Kingdom.

On December 18, 2003, an investor group consisting of The PMI Group, Inc. ("PMI"), affiliates of The Blackstone Group L.P. ("Blackstone"), affiliates of The Cypress Group L.L.C. ("Cypress") and affiliates of CIVC Partners L.P. ("CIVC") acquired FGIC Corporation (the "FGIC Acquisition") from a subsidiary of General Electric Capital Corporation ("GE Capital"). PMI, Blackstone, Cypress and CIVC acquired approximately 42%, 23%, 23% and 7%, respectively, of FGIC Corporation's common stock. FGIC Corporation paid GE Capital approximately \$284.3 million in pre-closing dividends from the proceeds of dividends it, in turn, had received from the Bond Insurer, and GE Capital retained approximately \$234.6 million in liquidation preference of FGIC Corporation's convertible participating preferred stock and approximately 5% of FGIC Corporation's common stock. Neither FGIC Corporation nor any of its shareholders is obligated to pay any debts of the Bond Insurer or any claims under any insurance policy, including the Bond Insurance Policies, issued by the Bond Insurer.

The Bond Insurer is subject to the insurance laws and regulations of the State of New York, where it is domiciled, including Article 69 of the New York Insurance Law ("Article 69"), a comprehensive financial guaranty insurance statute. The Bond Insurer is also subject to the insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction, but generally require insurance companies to maintain minimum standards of business conduct and solvency, to meet certain financial tests, to comply with requirements concerning permitted investments and the use of policy forms and premium rates and to file quarterly and annual

financial statements on the basis of statutory accounting principles (“SAP”) and other reports. In addition, Article 69, among other things, limits the business of each financial guaranty insurer, including the Bond Insurer, to financial guaranty insurance and certain related lines.

For the six months ended June 30, 2005, and the years ended December 31, 2004, and December 31, 2003, the Bond Insurer had written directly or assumed through reinsurance, guaranties of approximately \$35.3 billion, \$59.5 billion and \$42.4 billion par value of securities, respectively (of which approximately 61%, 56% and 79%, respectively, constituted guaranties of municipal bonds), for which it had collected gross premiums of approximately \$131.3 million, \$323.6 million and \$260.3 million, respectively. For the six months ended June 30, 2005, the Bond Insurer had reinsured, through facultative and excess of loss arrangements, approximately 4.2% of the risks it had written.

As of June 30, 2005, the Bond Insurer had net admitted assets of approximately \$3.327 billion, total liabilities of approximately \$2.152 billion, and total capital and policyholders’ surplus of approximately \$1.175 billion, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

The unaudited financial statements of the Bond Insurer as of June 30, 2005, the audited financial statements of the Bond Insurer as of December 31, 2004, and the audited financial statements of the Bond Insurer as of December 31, 2003, which have been filed with the Nationally Recognized Municipal Securities Information Repositories (“NRMSIRs”), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading “THE BOND INSURANCE POLICIES,” or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by the Bond Insurer with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of the Bond Insurer (if any) included in documents filed by the Bond Insurer with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

The Bond Insurer also prepares quarterly and annual financial statements on the basis of generally accepted accounting principles. Copies of the Bond Insurer’s most recent GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, New York 10017, Attention: Corporate Communications Department. The Bond Insurer’s telephone number is (212) 312-3000.

Insurance Agreement

The Bond Insurer has agreed to issue the Bond Insurance Policies pursuant to an Insurance Agreement with the Company (the “Insurance Agreement”). Under the Insurance Agreement, the Company is obligated to pay premiums relating to the Bond Insurance Policies and to reimburse the Bond Insurer, immediately and unconditionally upon demand, for all payments made by the Bond Insurer under the terms of the Bond Insurance Policies. The Company is also obligated to comply with certain covenants specified therein. The Insurance Agreement contains certain events of default, including the failure of the Company to pay

amounts owed to the Bond Insurer, any breach by the Company of representations and warranties set forth therein, the failure by the Company to perform any covenant required to be performed by the Insurance Agreement and certain events of bankruptcy. If any such event of default should occur and be continuing, the Bond Insurer may, among other things, notify the Trustee of such an event of default in writing, which would result in an "Event of Default" under the Loan Agreement and the Indenture. See "THE LOAN AGREEMENTS – Events of Default and Remedies" and "THE INDENTURES – Events of Default and Remedies."

The Bond Insurer's Credit Ratings

The financial strength of the Bond Insurer is rated "AAA" by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., "Aaa" by Moody's Investors Service, and "AAA" by Fitch Ratings. Each rating of the Bond Insurer should be evaluated independently. The ratings reflect the respective ratings agencies' current assessments of the insurance financial strength of the Bond Insurer. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the Bonds, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Bond Insurer does not guarantee the market price or investment value of the Bonds nor does it guarantee that the ratings on the Bonds will not be revised or withdrawn.

Neither the Bond Insurer nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to the Bond Insurer or the Bond Insurance Policies under the heading "THE BOND INSURANCE POLICIES." In addition, the Bond Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds.

THE LOAN AGREEMENTS

Loan of Proceeds

The Issuers will loan the proceeds of the sale of the Bonds to the Company, in accordance with the Loan Agreements and the Indentures, to pay a portion of the costs of redeeming the Refunded Bonds as described in the Indentures. The remaining costs of redeeming the Refunded Bonds will be paid by the Company.

Loan Payments

Payments under the Loan Agreement are due on or before January 1 and July 1 of each year, commencing January 1, 2006, and any other date that has been set as a date for redemption of any of the Bonds pursuant to the Indenture, in an amount which, together with other moneys available in the Bond fund created under the Indenture (the "Bond Fund"), will equal the amount then payable as principal of and interest on the Bonds. A Series of the 2005 First Mortgage Bonds will be assigned to the Trustee, concurrently with the issuance of the Bonds, to secure the Company's obligation under the Loan Agreement to repay the Loan. The 2005 First Mortgage

Bonds provide that payments thereunder will be deemed paid to the extent payments are made on the Bonds. In any event, however, the loan payments to be made under the Loan Agreement by the Company are required to be sufficient to pay the total amount due with respect to the principal of and interest on the Bonds when due. All payments under the Loan Agreement related to the Loan are being assigned to the Trustee, and the Loan Agreement provides that the Company will make such payments directly to the Trustee for the account of the Issuer and for deposit in the Bond Fund.

Term of Loan Agreement

The term of the Loan Agreement will continue until such time as all of the outstanding Bonds are fully paid (or provision has been made for such payment) pursuant to the Indenture, but the Loan Agreement may be terminated prior to such date if the Company prepays all of the Loan (see "THE BONDS – Redemption Provisions").

Maintenance and Modification

During the term of the Loan Agreement, the Company will use its best efforts to keep and maintain each Project in good repair and good operating condition so that the Project will continue to constitute a waste water or solid waste facility or air quality facility (as the case may be) for the purpose of the operation thereof.

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

Tax Exemption

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

Events of Default and Remedies

The Loan Agreement provides that the occurrence of one or more of the following events will constitute an "event of default."

- (a) The occurrence of an event of default described in paragraph (a) or (b) under "THE INDENTURES – Events of Default and Remedies";
- (b) Failure by the Company to observe and perform certain of its covenants, agreements or obligations under the Loan Agreement, other than its agreement to make loan payments when due, which continues for a period of 90 days after written notice by the Issuer or the Trustee, unless the Issuer and the Trustee agree in writing to an

extension of such time prior to its expiration; provided, however, that such time will be extended to such period as may be required if the Company is proceeding with due diligence to cure such default;

(c) The occurrence of a “completed default” as defined in the First Mortgage (see “FIRST MORTGAGE BONDS AND FIRST MORTGAGE – Events of Default”); and

(d) Written notice from the Bond Insurer to the Trustee that an event of default has occurred and is continuing under the Insurance Agreement.

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

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

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

(b) Take whatever legal action may appear necessary or desirable to collect the payments then due and thereafter to become due under the Loan Agreement or to enforce performance and observance of any covenant, agreement or obligation of the Company under the Loan Agreement.

Any amount collected pursuant to action taken upon the happening of an event of default will be paid into the Bond Fund or, if the Bonds have been fully paid (or provision therefor has been made in accordance with the provisions of the Indenture), to the Company.

Amendments to the Loan Agreement

The Indenture provides that the Loan Agreement may be amended without the consent of or notice to the owners of the Bonds only as may be required (i) by the provisions of the Loan Agreement or the Indenture; (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission therein; (iii) in connection with an amendment of the Indenture not requiring the consent of owners; or (iv) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the owners of the Bonds. The Loan Agreement may be amended, but only with the consent of the owners of all of the outstanding Bonds, to change the amounts or times as of which loan payments under the Loan Agreement are required to be made. Any other amendments to the Loan Agreement may be made only with the written approval or consent of the owners of not less than a majority in aggregate principal amount of the Bonds outstanding.

THE INDENTURES

2005 First Mortgage Bonds Held by the Trustee

The Trustee will attend such meetings of holders of 2005 First Mortgage Bonds under the First Mortgage, or deliver its proxy in connection therewith, as relate to matters with respect to which it is entitled to vote or consent. The Trustee, as the holder of the 2005 First Mortgage Bonds, may vote such 2005 First Mortgage Bonds in connection with any proposed amendment, change, modification, direction, waiver or consent (hereinafter referred to as a "course of action") to the First Mortgage; provided, however, that so long as the Bond Insurance Policies are in full force and effect and the Bond Insurer is not in default under the Indenture, (i) the Trustee shall not consent to any course of action without the prior written consent of the Bond Insurer, and (ii) the Trustee shall promptly notify the Bond Insurer of any notice which the Trustee receives from the First Mortgage Trustee and of any proposed amendment to the First Mortgage or any other proposed course of action, and (iii) the Bond Insurer shall be entitled to exercise all rights (including voting rights) in respect of the 2005 First Mortgage Bonds granted to the Trustee as holder thereof, and the Trustee shall accept notice from, and the direction of, the Bond Insurer in connection with any such exercise of rights.

Refunding Fund

The proceeds of the Bonds, other than accrued interest, will be deposited in the Refunding Fund created under the Indenture and will be used exclusively by the Trustee to pay a portion of the costs of redeeming the Refunded Bonds as described in the Indenture.

The Bond Fund

The Bond Fund, into which the payments derived under the Loan Agreement and the 2005 First Mortgage Bonds and certain other amounts specified in the Indenture will be deposited, will be maintained with the Trustee. While any Bonds are outstanding, moneys in the Bond Fund will be used solely for the payment of the principal of and interest on the Bonds.

Any amounts remaining in the Bond Fund, after all of the outstanding Bonds are deemed to have been paid and discharged under the provisions of the Indenture, and the fees, charges and expenses of the Trustee and any paying agents and all other amounts required to be paid under the Indenture have been paid, will be paid to the Company upon the expiration or sooner termination of the Loan Agreement.

Investments

Any moneys held as part of the Refunding Fund and the Bond Fund will be invested by the Trustee at the request and direction of the Company.

Events of Default and Remedies

The Indenture provides that the occurrence of one or more of the following events will constitute an event of default:

(a) Failure to pay any interest on any Bond when and as the same has become due and payable and for a period of one business day thereafter;

(b) Failure to pay the principal of any Bond when and as the same has become due and payable, whether at stated maturity or by acceleration or by redemption or otherwise;

(c) Failure by the Issuer to perform or observe any other covenant, agreement or obligation on the part of the Issuer contained in the Indenture or in the Bonds, which failure has continued for a period of 90 days (or such longer period as the Issuer and the Trustee shall agree) after written notice thereof given by the Trustee either in its discretion or at the written request of the holders of not less than 25% in aggregate principal amount of Bonds then outstanding, provided, that failure shall not constitute an Event of Default so long as the Issuer institutes curative action within the applicable period and diligently pursues that action to completion; and

(d) The occurrence and continuance of an event of default described in paragraph (c) or (d) under "THE LOAN AGREEMENTS — Events of Default and Remedies."

Upon the occurrence of any event of default described in paragraph (a), (b) or (d) above, and further upon the conditions that, (i) in accordance with the terms of the First Mortgage, the 2005 First Mortgage Bonds shall have been declared to be due and payable by reason of a "completed default" under the First Mortgage and (ii) the Trustee shall have received the prior written consent of the Bond Insurer to an acceleration of the Bonds, then the Bonds shall be declared by the Trustee to be due and payable immediately, and the Trustee shall give notice thereof in writing to the Issuer and the Company, and notice to holders of the Bonds in the same manner as a notice of redemption. Notwithstanding the above, any waiver of any completed default under the First Mortgage and a rescission and annulment of its consequences shall constitute a waiver of the corresponding event or events of default under the Indenture described in paragraph (a), (b) or (d) and a rescission and annulment of the consequences thereof, subject, however, to the receipt by the Trustee of the prior written consent of the Bond Insurer to the annulment of such acceleration of the Bonds, but no such waiver, rescission and annulment shall extend to or affect any subsequent event of default, or impair any right or remedy consequent thereon.

In addition, subject to the rights of the Bond Insurer described below, upon the happening and continuance of an event of default, the Trustee may pursue any other available remedy to enforce the payment of principal of and interest on the Bonds or to remedy any event of default under the Indenture. Subject to the rights of the Bond Insurer described below, the holders of a majority in aggregate principal amount of Bonds then outstanding will have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the appointment of a receiver or any other proceedings under the Indenture; provided that such direction may not be otherwise than in accordance with the provisions of law and of the Indenture, and provided that the Trustee must be indemnified to its satisfaction.

All moneys received under the Indenture by the Trustee or a receiver upon the occurrence of an event of default will be applied first to the payment of the costs and expenses of the proceedings resulting in the collection of such money and of the fees and expenses incurred by the Trustee, and the balance of such money will be deposited in the Bond Fund and applied to the payment of the principal of and interest on the Bonds in the manner and in the priorities set forth in the Indenture.

Subject to the rights of the Bond Insurer described below, no holder of any Bond will have any right to institute any suit, action or proceeding for the enforcement of the Indenture or for the execution of any power or trust under the Indenture or for the appointment of a receiver or any other remedy under the Indenture, unless (i) an event of default has occurred of which the Trustee has notice, (ii) the holders of not less than 25% in aggregate principal amount of the then outstanding Bonds have made written requests to the Trustee and have afforded the Trustee reasonable opportunity to proceed to exercise the powers or trusts granted by the Indenture and have offered to the Trustee satisfactory indemnity as provided in the Indenture, and (iii) the Trustee thereafter has failed to exercise its powers or trusts under the Indenture or to institute such action, suit or proceeding in its own name. Notwithstanding the foregoing, each holder of a Bond will have a right to enforce the payment of the principal of and interest on any Bond held or owned by him at and after the due date thereof at the place, from the sources and in the manner expressed in said Bond.

Rights of Bond Insurer

The Indenture grants certain rights to the Bond Insurer. In addition to those rights, the Bond Insurer shall, to the extent it makes payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy and, to evidence such subrogation, (a) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment by the Bond Insurer of interest thereon to the holders of such Bonds and (b) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee upon surrender of the Bonds by the holders of the Bonds thereof together with proof of the payment of principal thereof. Notwithstanding anything in the Indenture or the Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to the Bond Insurer to the extent that the Bond Insurer is a subrogee with respect thereto.

As long as the Bond Insurance Policy is in full force and effect with respect to the Bonds and the Bond Insurer is not in default thereunder: (a) any acceleration of the Bonds or any annulment thereof shall be subject to the prior written consent of the Bond Insurer; (b) the Bond Insurer shall receive (i) from the Trustee immediate notice of any payment default or any "completed default" under the First Mortgage, (ii) from the Trustee or the Issuer notice of any other event of default known to the Trustee or the Issuer within 30 days of the Trustee's or the Issuer's receipt of written notice thereof, and (iii) from the Trustee notice of its receipt of written notice of the redemption of any of the Bonds or of any advance refunding of the Bonds; (c) for all purposes of the Indenture governing events of default and remedies, except the giving of notice of default to holders of the Bonds, the Bond Insurer shall be deemed to be the sole holder

of the Bonds; (d) the Bond Insurer shall be included as a party in interest and as a party entitled to (i) notify the Issuer, the Trustee or any applicable receiver of the occurrence of an event of default under the Indenture and (ii) request the Trustee or receiver to intervene in judicial proceedings that affect the Bonds or the security therefore and the Trustee or receiver shall be required to accept notice of default from the Bond Insurer; (e) to the extent that Bond Insurer shall make payments of principal or interest on the Bonds, then the Bonds shall remain outstanding and shall not be considered paid by the Issuer, and the obligation of the Issuer to the holders of the Bonds shall continue to exist for the benefit of the Bond Insurer and the Bond Insurer shall be subrogated to the rights of the holder of the Bonds; and (f) any amendment or supplement to the Indenture or the Loan Agreement or other financing document relating to the Bonds shall be subject to the prior written consent of the Bond Insurer.

Supplemental Indentures

The Issuer and the Trustee may, without the consent of, or notice to, any holder of a Bond, enter into supplemental indentures for certain purposes specified in the Indenture which will not, in the opinion of the Issuer and the Trustee, be inconsistent with the Indenture. Exclusive of such supplemental indentures, the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding will have the right to consent to and approve any supplemental indenture, except that no supplemental indenture will permit:

- (a) An extension of the maturity of the principal or payment of interest on any Bond or a reduction in the principal amount of any Bond or the rate of interest or premium thereon without the consent of the holder of each Bond so affected; or
- (b) A privilege or priority of any Bond or Bonds over any other Bond or Bonds, or a reduction in the aggregate principal amount of the Bonds required for consent to a supplemental indenture, without the consent of the holders of all of the Bonds then outstanding.

Any supplemental indenture which affects the rights or obligations of the Company requires its consent.

Discharge of Lien

The lien created by the Indenture will be discharged when:

- (a) The Issuer pays or causes to be paid to or for the holders and owners of the Bonds the principal, and interest to become due at the time and in the manner stipulated; and
- (b) The Issuer has paid or caused to be paid all other sums of money due or to become due pursuant to the provisions of the Indenture and the Loan Agreement.

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

- (a) The Trustee and paying agents hold in trust sufficient moneys, or

(b) The Trustee holds in trust direct obligations of the United States certified by an independent accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient together with moneys referred to in (a) directly above, for the payment, at their maturity or redemption dates, of all payments of principal of and interest on such Bonds to the date of maturity or redemption, as the case may be, or if default in such payment has occurred on such date, then to the date of the tender of such payment; provided, that if any of such Bonds are to be redeemed prior to maturity, notice of such redemption must have been given or irrevocable provision satisfactory to the Trustee must have been made for the giving of such notice. Any moneys so held by the Trustee may be invested by the Trustee, but only in direct obligations of the United States, the maturities or redemption dates of which, at the option of the holder, are not later than, the time or times at which said moneys will be required for the aforesaid purposes. Any income or interest earned by, or increment to, the investments so held will, to the extent determined from time to time by the Trustee to be in excess of the amount required to be held by it for payment of the Bonds, be transferred at the time of such determination as provided in the Indenture for transfers of remaining amounts in the Bond Fund (see "THE INDENTURES – The Bond Fund").

In the event of non-presentment of Bonds, the moneys described in clauses (a) and (b) directly above relating to such Bonds will be held by the Trustee without liability for interest thereon in a separate account in the Bond Fund; provided that any funds which are so held by the Trustee and which remain unclaimed by the holder of the Bond for a period of four years from the date payable will be paid to the Company and the Trustee will have no further responsibility with respect to such moneys.

No Personal Liability of Issuer's Officials

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

The Trustee

Under the Indenture, the Trustee accepts the trusts imposed upon it, and agrees to observe and perform those trusts upon and subject to the terms and conditions of the Indenture. Except for any period during which an event of default of which the Trustee shall be deemed to have knowledge shall have occurred and be continuing, the Trustee (i) undertakes to perform only the duties specifically set forth in the Indenture and (ii) in the absence of bad faith on its part, may rely conclusively upon the accuracy of the statements and opinions furnished to it pursuant to the Indenture. During any period in which an event of default of which the Trustee shall be deemed to have notice shall have occurred and be continuing, the Trustee shall exercise the rights and powers vested in it by the Indenture and shall use the same degree of care and skill as a prudent man would use under the circumstances in the conduct of his own affairs. The Trustee shall not

be required to expend or risk its own funds in performing its duties under the Indenture and shall be entitled to compensation and the reimbursement of its expenses and shall have a lien therefor upon certain moneys held under the Indenture. The Indenture also contains provisions relating to the resignation and removal of the Trustee and the appointment of successor trustees and paying agents.

FIRST MORTGAGE BONDS AND FIRST MORTGAGE

General

All payments by the Company of principal of and interest on the 2005 First Mortgage Bonds will be made to the Trustee, as assignee of the Issuer, on or before the date that the corresponding payment is required to be made under the corresponding Bonds. The 2005 First Mortgage Bonds will mature on the date and bear interest at the same rate and payable on the same dates as the corresponding Bonds. Dates and amounts of the payments of principal and whether at maturity or upon redemption, on the 2005 First Mortgage Bonds will correspond to those applicable to the corresponding Bonds. The Forty-Third Supplemental Indenture creating the three Series of 2005 First Mortgage Bonds contains provisions for redemption of the 2005 First Mortgage Bonds that are consistent with those described above with respect to the Bonds. The articles cited below refer to Articles of the First Mortgage.

In addition to the amendments to the First Mortgage specifically described in this section, FIRST MORTGAGE BONDS AND FIRST MORTGAGE, the holders of the 2005 First Mortgage Bonds will be deemed to have consented to certain other technical amendments to the First Mortgage contained in the Forty-Second Supplemental Indenture dated September 1, 2003. These amendments will become effective when all of the First Mortgage Bonds issued prior to September 29, 2003 are no longer outstanding or the Company has received consents to effect these amendments under the First Mortgage.

Priority and Security

The 2005 First Mortgage Bonds will rank equally and ratably with all bonds at any time outstanding under the First Mortgage. As of June 30, 2005, the Company had an outstanding aggregate principal amount of \$587.1 million of First Mortgage Bonds. In the opinion of counsel for the Company, the First Mortgage constitutes a direct first mortgage lien subject only to liens for taxes and assessments, on substantially all the property owned by the Company, other than certain non-fixed property specifically excepted. It is also the opinion of such counsel that the lien of the First Mortgage will extend, subject to liens for taxes and assessments and to liens existing or placed on such property when acquired by the Company, to all property (other than the excepted classes and under certain circumstances various vehicles) acquired or constructed by the Company subsequent to the date of issuance of the 2005 First Mortgage Bonds, located in the jurisdictions in which the necessary recordings or filings have been accomplished. (*Granting Clauses* of the First Mortgage)

The First Mortgage provides that the Company will maintain the mortgaged property in working order and condition and equipped with suitable equipment and appliances; and that it will make regular charges to expense for the establishment of reasonably adequate reserves for

the depreciation and will make all needed and proper repairs, retirements, renewals and replacements of the mortgaged property; that the Company will not charge to its mortgaged property, plant and equipment accounts any expenditures that are properly chargeable to maintenance or repairs or to any other permitted expense account; and that the Company will promptly retire mortgaged property that has permanently ceased to be used or useful in its business. (*Article Eight, Section 4*)

When not in default, the Company may obtain the release of any of the mortgaged property (other than the electric properties substantially as an entirety, and other than prior lien bonds, which are controlled by the provisions of Article Nine of the First Mortgage) upon deposit with the First Mortgage Trustee of cash equivalent to the amount by which the value of the property to be released exceeds certain credits, including the cost or then fair value (whichever is less) to the Company of any property additions acquired or constructed prior to or concurrently with such release. (*Article Eleven, Section 3*) Money received by the First Mortgage Trustee upon any release may be withdrawn against property additions or against the deposit of bonds or prior lien bonds, or at the Company's request, may be applied to purchase or redeem bonds. (*Article Eleven, Section 5*)

"Property additions" means property acquired or constructed after September 30, 1945, to be used in the electric, natural gas, steam or water business. (*Article One, Section 4*) "Funded property" includes property additions used to satisfy requirements on bond issuances and obligations or bond retirements. (*Article One, Section 5*)

Issuance of Additional Bonds

Additional bonds may be issued without limit as to amount without the consent of the existing holders of First Mortgage Bonds (*Articles Two and Four*):

- (a) upon the basis of property additions which are not then funded property in a principal amount which, together with any prior lien bonds outstanding on such property additions, will not exceed 60% of the lesser of the cost or then fair value to the Company of such property additions (*Article Five*);
- (b) against deposits or retirement of prior lien bonds deducted in determining the amount of bonds issuable upon the basis of property additions (*Article Five*);
- (c) upon payment or retirement of other bonds issued under the First Mortgage or upon deposit with the First Mortgage Trustee of the money necessary for their purchase or payment, in principal amount equivalent to the bonds paid or retired, or for which money has been so deposited (*Article Six*); and
- (d) upon deposit with the First Mortgage Trustee of cash equal to the principal amount of the bonds to be issued; such cash may be withdrawn in lieu of bonds which the Company may be entitled to have authenticated and delivered to it. (*Article Seven and Article Eleven, Section 5*)

The issuance of additional First Mortgage Bonds is also limited by a net earnings test, under which no bonds may be issued upon the basis of property additions or under certain other

circumstances unless the net earnings of the Company for 12 consecutive calendar months in the 15 calendar months preceding the application for the issue of such bonds shall be at least two times annual interest charges on all bonds outstanding, on the additional bonds and on prior lien bonds outstanding which are not deposited with or made the basis of such application. The period over which the Company will calculate net earnings for purposes of the net earnings test will be 12 consecutive calendar months in the 18 calendar months preceding the application for the issue of First Mortgage Bonds when all of the First Mortgage Bonds issued prior to September 29, 2003 are no longer outstanding or we have received the requisite consents to effect such amendment under the First Mortgage. (*Article Five, Section 5*)

As of December 31, 2004, the amount (the lesser of cost or fair value) of property additions which the Company could use as a basis for the issuance of additional First Mortgage Bonds was approximately \$587.5 million. Under the property addition test, the Company would have been permitted at December 31, 2004 to issue approximately \$352.5 million of First Mortgage Bonds; the related net earnings test would not restrict the issuance of such bonds. In addition, at that date, approximately \$446.0 million of First Mortgage Bonds could have been issued as a result of prior First Mortgage Bond retirements. (*Article Five*) The 2005 First Mortgage Bonds will be issued upon the basis of such property additions or retirement of other bonds issued under the First Mortgage.

Modification of First Mortgage

The rights and obligations of the Company and of the holders of the bonds may be modified upon the written consent of the holders of at least 75% of the bonds then outstanding, but no such modification shall extend the maturity of or reduce the rate of interest on or otherwise modify the terms of payment of principal of or interest on bonds or permit the creation of any lien ranking prior to or equal with the lien of the First Mortgage on any of the mortgaged property. If any proposed modification shall affect the rights of holders of the bonds of one or more, but not all, series, then only holders of bonds of the series to be affected shall be required to consent to or shall have authority to approve such modification. Holders of the 2005 First Mortgage Bonds are deemed to have consented to an amendment to the First Mortgage to allow future modification upon the written consent of the holders of a majority, instead of 75%, of the First Mortgage Bonds then outstanding. Such amendment will become effective when all of the First Mortgage Bonds issued prior to September 29, 2003 are no longer outstanding or the Company has received the requisite consents to effect such amendment under the First Mortgage. Any waiver of a completed default shall be deemed to affect the bonds of all series, and, subject to the foregoing, any modification of the provisions of any sinking fund established in respect of a particular series shall be deemed to affect only the bonds of that series. The determination of the First Mortgage Trustee as to what series of bonds are affected by any modification shall be conclusive. (*Article Eighteen, Section 2*)

Events of Default

Among the events which constitute a "completed default" by the Company under the First Mortgage are the following: (a) default in the payment of the principal of any bond; (b) default for 90 days in the payment of interest on any bond; (c) default for 90 days in the payment of amounts required for the Improvement and Sinking Fund of any series; (d) certain

events in bankruptcy, insolvency or reorganization; and (e) default, for 90 days after notice to the Company from the First Mortgage Trustee, in the performance of any other covenant, agreement or condition contained in the First Mortgage. Upon the occurrence of any such completed default, the First Mortgage Trustee or the holders of not less than 25% in principal amount of the bonds of all series outstanding under the First Mortgage may declare the principal of, and any accrued interest on, all such bonds immediately due and payable, subject to the right of the holders of a majority in principal amount of all such bonds to annul such declaration if before any sale of the mortgaged property the default is cured. (*Article Twelve, Section 1*) The Company is required by law to furnish annually to the Trustee a certificate as to compliance with all conditions and covenants under the First Mortgage. (*Article Twelve, Section 13*)

No bondholder may institute any action, suit or proceeding for any remedy under the First Mortgage unless he shall have previously given to the First Mortgage Trustee written notice of a default by the Company and, in addition, (i) the holders of not less than 25% in principal amounts of the bonds outstanding under the First Mortgage shall have made a written request to the First Mortgage Trustee to exercise its powers under the First Mortgage or to institute such action, suit or proceeding in its own name, (ii) such holders shall have offered to the First Mortgage Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred thereby, and (iii) the First Mortgage Trustee shall have refused to exercise such powers or to institute such action in its own name or shall have failed to do so for an unreasonable time. Bondholders, however, have an absolute and unconditional right, without such notice to the First Mortgage Trustee, to enforce the payment of the principal of and the interest on their bonds at and after the maturity thereof. (*Article Twelve, Section 15*)

Other

The supplemental indentures creating certain other series of bonds provide for Improvement and Sinking Funds. There are no Improvement and Sinking Fund provisions applicable to the 2005 First Mortgage Bonds.

The First Mortgage restricts the payment of dividends on Common Stock of the Company under certain conditions. As of June 30, 2005, all earnings reinvested in the business of the Company were available for Common Stock dividends.

TAX EXEMPTION

In the opinions of Squire, Sanders & Dempsey L.L.P., Bond Counsel for the Ohio Bonds, and Harper, Ferguson & Davis, a division of Ogden Newell & Welch PLLC, Bond Counsel for the Kentucky Bonds, under existing law, the interest on each issue of the Ohio Bonds and the Kentucky Bonds, respectively, is excluded from gross income for federal income tax purposes under Section 103(a) of the Code, except on any Bond for any period during which it is held by a "substantial user" or a "related person" as those terms are used in Section 147(a) of the Code, and is not an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Code but may be subject to the corporate alternative minimum tax on a portion of such interest. In the opinion of Squire, Sanders & Dempsey L.L.P., interest on each issue of the Ohio Bonds and any profit made on the sale, exchange or other disposition thereof are exempt from the Ohio personal

income tax, the Ohio commercial activities tax, the net income base of the Ohio corporate franchise tax and municipal and school district income taxes in Ohio. In the opinion of Harper, Ferguson & Davis, a division of Ogden Newell & Welch PLLC, interest on the Kentucky Bonds is exempt from all Kentucky income tax and the Kentucky Bonds are exempt from ad valorem taxes in Kentucky.

Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds.

The foregoing opinions on tax matters will be based on and will assume the accuracy of certain representations and certifications and compliance with certain covenants of the Company and of each Issuer to be contained in the respective transcripts of proceedings and which are intended to evidence and assure the foregoing, including that the Bonds of each issue are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the Company and each Issuer. The opinion on tax matters of Bond Counsel for the Ohio Bonds will also be based on and assume the tax-exempt status of the Kentucky Bonds, which will not be independently verified by Bond Counsel for the Ohio Bonds. The opinion on tax matters of Bond Counsel for the Kentucky Bonds will also be based on and assume the tax-exempt status of the Ohio Bonds, which will not be independently verified by Bond Counsel for the Kentucky Bonds.

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

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

Under the Code, the exclusion of interest from gross income for federal income tax purposes can have certain adverse federal income tax consequences on items of income, deductions or credits for certain taxpayers, including among them financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding such consequences.

LEGAL MATTERS

Certain legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon are subject to the legal opinions of Squire, Sanders & Dempsey L.L.P., Bond Counsel for the Ohio Bonds, and Harper, Ferguson & Davis, a division of Ogden Newell & Welch PLLC, Bond Counsel for the Kentucky Bonds. A signed copy of those opinions, dated and speaking only as of the date of original delivery of the Bonds, will be delivered to the Underwriters at the time of such original delivery and the text of those opinions will be printed on the related Bonds. The proposed text of these opinions on the tax-exempt status of the Bonds is set forth in Appendices C, D, and E. In their capacity as Bond Counsel, Squire, Sanders & Dempsey L.L.P. and Harper, Ferguson & Davis have participated in the preparation of, and have reviewed those portions of, this Official Statement pertaining to the Issuers, the Bonds, the Loan Agreements, the Indenture, and the tax-exempt status of the Bonds. Each firm will render an opinion that the statements under the captions "THE ISSUERS" and "TAX EXEMPTION" fairly and accurately present the information purported to be shown and that the statements under the captions "THE BONDS," (except for information relating to DTC and the Book-Entry Only System and information and statements under "THE BONDS – Book-Entry Only System"), "THE LOAN AGREEMENTS" and "THE INDENTURES," insofar as such statements describe the Bonds, the Loan Agreements and the Indentures, fairly and accurately summarize the material provisions of those documents. Neither firm has been retained to pass upon any other information in this Official Statement, including the Appendices or in any other reports, financial information, offering or disclosure documents or other information pertaining to the Issuers, DTC, the Company, the Projects the Bond Insurer, the Bond Insurance Policy or the Bonds that may be prepared or made available by the Issuers, the Company or others to the prospective purchasers of the Bonds or to others. Legal matters in connection with the issuance of the Bonds will be passed upon for the Water Authority by Calfee, Halter & Griswold LLP, Cleveland, Ohio, counsel for the Water Authority, for the Air Authority by Forbes, Fields & Associates Co., L.P.A., Cleveland, Ohio, counsel for the Air Authority, and for the County by J.R. Schrand, Esq., County Attorney of the County. Neither Bond Counsel nor Counsel for any Issuer has participated in the preparation of, or reviewed, Appendix A hereto concerning the Company.

The Underwriters will receive opinions with respect to certain matters pertaining to the Company from Miggie E. Cramblit, Vice President, General Counsel and Corporate Secretary of the Company, and from Cadwalader, Wickersham & Taft LLP, Counsel for the Company. As to all matters based on the law of the State of Ohio, Cadwalader, Wickersham & Taft LLP will rely on the opinion of Ms. Cramblit. Certain legal matters will be passed upon for the Underwriters by Jones Day, Counsel for the Underwriters. From time to time, Jones Day provides legal services to the Company.

RATINGS

It is expected that Standard & Poor's will assign the Bonds a rating of "AAA" and Moody's will assign the Bonds a ratings of "Aaa" on the basis of the Bond Insurance Policies. Any desired further explanation of the significance of these ratings should be obtained from Moody's or Standard & Poor's, respectively. There is no assurance that such ratings will continue for any given period of time or that they will not be lowered or withdrawn entirely if, in

the judgment of the rating agency, circumstances so warrant. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Bonds.

UNDERWRITING

Under the terms of three separate bond purchase agreements, the Underwriters, Morgan Stanley & Co. Incorporated; KeyBanc Capital Markets, a division of McDonald Investments Inc.; and ABN AMRO Financial Services, Inc., have agreed, subject to the approval of certain legal matters by counsel and to certain other conditions, to purchase the Bonds at a price equal to 100% of the principal amount thereof and the Company has agreed to pay to the Underwriters a fee equal in amount to 0.425% of the principal amount of the Bonds. The Underwriters have agreed to purchase all of each issue of the Bonds if any of the Bonds of that issue are purchased. The purchase of each issue is not a condition for the purchase of any other issue of the Bonds. After the Bonds are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Underwriters, and the Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment accounts) and others at prices lower than the public offering price set forth on the cover page hereof. The Company has agreed to indemnify the Underwriters and the Issuers against certain civil liabilities, including liabilities under Federal securities laws.

CONTINUING DISCLOSURE

To the extent that (i) Rule 15c2-12 (the "Rule") of the Commission under the Exchange Act requires the underwriters (as defined in the Rule) of securities offered hereby (under this heading, if subject to the Rule, the "securities") to determine, as a condition to purchasing the securities, that the Company will covenant to the effect of this undertaking, and (ii) the Rule as so applied is authorized by a Federal law that as so construed is within the powers of Congress, the Company agrees with the record and beneficial owners from time to time of the outstanding securities to provide:

- (a) within 120 days after the end of each fiscal year, to each nationally recognized municipal securities information repository and to any State of Ohio or Commonwealth of Kentucky as appropriate information depository, certain financial information and operating data for the prior fiscal year; and
- (b) in a timely manner, to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board, and to any State of Ohio or Commonwealth of Kentucky as appropriate information depository, notice of any of the following events with respect to the securities, if material: (i) principal and interest payment delinquencies (ii) nonpayment related defaults; (iii) unscheduled draws on debt service reserves reflecting difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (vii) modifications to rights of holders of the Bonds; (viii) bond calls; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds; and (xi) rating changes.

MISCELLANEOUS

Appendix A to this Official Statement contains or incorporates by reference information concerning the Company, including certain financial information. Such information, the information contained under the caption "FIRST MORTGAGE BONDS AND FIRST MORTGAGE" and the other information in this Official Statement relating thereto has been furnished by the Company. The information contained under the caption "THE ISSUERS – The Water Authority" has been furnished by the Water Authority. The information contained under the caption "THE ISSUERS – The Air Authority" has been furnished by the Air Authority. The information under "THE ISSUERS – The County" has been furnished by the County. The information contained in the next to last sentence under "UNDERWRITING" has been furnished by the Underwriters. Although the Issuers have consented to the use of this Official Statement in connection with the initial issuance and sale of the Bonds, the Issuers have not participated in the preparation of this Official Statement and make no representation with respect to the accuracy or completeness hereof, except for the information furnished by them, as set forth in this paragraph.

Copies of the Loan Agreements, the Indentures and the Forty-Third Supplemental Indenture may be obtained from the Underwriters during the period of the offering or from the Company. The First Mortgage may be inspected at the principal corporate trust office of the First Mortgage Trustee, 101 Barclay Street, New York, New York. Requests to the Company should be directed to John Gillen, Senior Vice President and Chief Financial Officer, The Dayton Power and Light Company, 1065 Woodman Drive, Dayton, Ohio 45432 (telephone (937) 224-6000).

The use of this Official Statement has been duly authorized by each Issuer.

OHIO WATER DEVELOPMENT
AUTHORITY

By: /s/ Steven J. Grossman
Executive Director

OHIO AIR QUALITY DEVELOPMENT
AUTHORITY

By: /s/ Mark R. Shanahan
Executive Director

COUNTY OF BOONE, KENTUCKY

By: /s/ Gary W. Moore
County Judge/Executive

APPENDIX A

THE DAYTON POWER AND LIGHT COMPANY

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. Copies of such material can also be obtained from the Public Reference Section of the Commission at its principal office at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such material may also be obtained electronically at the Commission's website at <http://www.sec.gov> or it can be inspected at the offices of The New York Stock Exchange.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Commission, pursuant to the Exchange Act, by the Company are incorporated in this Official Statement by reference:

1. The Annual Report on Form 10-K for the year ended December 31, 2004.
2. The Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005 and June 30, 2005.

All documents filed by the Company pursuant to Section 13(a) or (c), 14 or 15(d) of the Exchange Act hereafter and prior to the termination of this offering shall be deemed to be incorporated by reference herein and to be a part hereof from the date of the filing of such documents.

The Company hereby undertakes to provide without charge to each person to whom a copy of this Official Statement has been delivered, on the written or oral request of any such person, a copy of any or all of the documents (without exhibits, other than exhibits specifically incorporated by reference into such documents) referred to above which have been or may be incorporated in this Official Statement by reference. Written or telephone requests for such copies should be directed to John Gillen, Senior Vice President and Chief Financial Officer, The Dayton Power and Light Company, 1065 Woodman Drive, Dayton, Ohio 45432 (telephone (937) 224-6000).

THE COMPANY

The Company is a wholly-owned subsidiary of DPL Inc. The Company is a public utility incorporated in 1911 under the laws of Ohio. It sells electricity to residential, commercial, industrial and governmental customers in a 6,000 square mile area of West Central Ohio.

Electricity for the Company's 24-county service area is primarily generated at eight coal-fired power plants and is distributed to more than 500,000 retail customers. The Company also purchases retail peak load requirements from DPL Energy, LLC, a wholly-owned subsidiary of DPL Inc. Principal industries served include automotive, food processing, paper, plastic manufacturing and defense. The Company's sales reflect the general economic conditions and seasonal weather patterns of the area. In addition, the Company sells any excess energy and capacity into the wholesale market.

The Company's principal executive and business office is located at 1065 Woodman Drive, Dayton, Ohio 45432 and its telephone number is (937) 224-6000.

SELECTED FINANCIAL INFORMATION

(Millions, except ratios and percentages)

	Six Months Ended June 30, 2005	Year ended December 31,		
		<u>2004</u>	<u>2003</u>	<u>2002</u>
	(Unaudited)			
Income Statement Data:				
Electric Revenues	\$596.5	\$1,192.2	\$1,183.4	\$1,175.8
Operating Expense.....	429.1	822.8	788.6	735.6
Operating Income	167.4	369.4	394.8	440.2
Income Before Income Taxes(a)	153.0	329.8	372.8	397.2
Net Income	89.2	209.0	239.4	245.6
Ratio of Earnings to Fixed Charges	8.26x	8.41x	8.17x	8.39x

	As of June 30, 2005(b)	
	(Unaudited)	
Capitalization:		
Common Shareholder's Equity.....	\$1,071.4	60.2%
Preferred Stock	22.9	1.3%
Long-Term Debt.....	685.9	38.5%
Total Capitalization	<u>\$1,780.2</u>	<u>100.0%</u>

(a) For the information provided for the years ended December 31, 2004, 2003, and 2002, this line item provides Income Before Income Taxes and Cumulative Effect of Accounting Change.

(b) The proposed issuance of the 2005 First Mortgage Bonds will have no effect on the Company's capital structure, as a like principal amount of First Mortgage Bonds will be retired in connection with the redemption of the Refunded Bonds.

INDEPENDENT REVIEW

The consolidated financial statements of the Company as of December 31, 2004 and 2003, and for each of the years in the two-year period ended December 31, 2004, and

management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm.

The statements as to matters of law and legal conclusions made in the documents which are incorporated in this Official Statement by reference with respect to regulation, environmental matters and litigation, and made herein under "FIRST MORTGAGE BONDS AND FIRST MORTGAGE," except insofar as such statements specify the amount of property additions available for the issuance of First Mortgage Bonds or the amount of earnings reinvested in the business available for payment of dividends, have been reviewed by Miggie E. Cramblit, Vice President, General Counsel and Corporate Secretary of the Company, and have been made in reliance upon her opinion and upon her authority as an expert.

APPENDIX B
SPECIMEN INSURANCE POLICY



Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Municipal Bond New Issue Insurance Policy

Issuer:	Policy Number:
	Control Number: 0010001
Bonds:	Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all



Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Municipal Bond New Issue Insurance Policy

principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.



President

Effective Date:

Authorized Representative

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.



Authorized Officer



Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Endorsement To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number: 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent



Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Endorsement
To Financial Guaranty Insurance Company
Insurance Policy

Policy Number:

Control Number: 0010001

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the term "Bondholder" shall not include the _____ [Conduit Obligor] (as such term is defined in the bond documentation).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent



Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Endorsement

To Financial Guaranty Insurance Company
Insurance Policy

Policy Number:

Control Number: 0010001

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the term "Due for Payment" shall also include, when referring to the principal of a Bond, any date on which the same shall have been duly called for mandatory redemption as a result of the interest on such Bond having been determined, as provided in the Bond documentation, to have become subject to federal income taxation.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

APPENDIX C

PROPOSED TEXT FOR OPINION FROM BOND COUNSEL FOR OHIO WATER BONDS

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Ohio Water Development Authority (the "Issuer") of \$41,300,000 principal amount of State of Ohio 4.80% Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series A (The Dayton Power and Light Company Project) dated as of August __, 2005 (the "Bonds"). The Bonds are being issued for the purpose of making a loan to assist The Dayton Power and Light Company (the "Company") in paying a portion of the costs of refunding the Issuer's outstanding \$9,000,000 State of Ohio Collateralized Pollution Control Revenue Bonds, 1977 Series A (The Dayton Power and Light Company Project) dated as of April 15, 1977, and the Issuer's outstanding \$32,300,000 State of Ohio Water Development Revenue Refunding Bonds, 1992 Series A (The Dayton Power and Light Company Project) dated as of August 15, 1992, which were issued to assist in the financing or refinancing of the Company's portion of the costs of acquiring, constructing and installing certain "waste water facilities" and "solid waste facilities" as defined in Sections 6121.01 and 6123.01 of the Ohio Revised Code, as more particularly described in the Trust Indenture dated as of August 1, 2005 (the "Indenture") between the Issuer and The Bank of New York, as trustee (the "Trustee"), and in the Loan Agreement dated as of August 1, 2005 (the "Agreement") between the Issuer and the Company. We have also examined executed counterparts of the Indenture and the Agreement and a conformed copy of an executed Bond.

Based on such examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Bonds, the Indenture and the Agreement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof are subject to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion.
2. The Bonds constitute special obligations of the State of Ohio, and the principal of and interest on the Bonds (collectively, "debt service") are payable solely from the revenues and other moneys assigned by the Indenture to secure that payment. Those revenues and other moneys include the payments required to be made by the Company under the Agreement, and the Company's obligation to make those payments is evidenced and secured by the Company's \$41,300,000 First Mortgage Bonds, 4.80% Pollution Control Series 2005-A Due 2034 (the "First Mortgage Bonds") issued under and secured by the First and Refunding Mortgage dated as of October 1, 1935 from the Company to Irving Trust Company (now The Bank of New York), as trustee, as amended and supplemented by various indentures supplemental thereto, including the Forty-Third Supplemental Indenture dated as of August 1, 2005 (collectively, the "Mortgage"). The Bonds do not constitute a debt or pledge of the faith and credit of the Issuer or the State of Ohio or any political subdivision thereof, and the holders or owners thereof have no right to have taxes levied by the General Assembly of the State of Ohio for the payment of debt service.
3. The interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"),

except interest on any Bond for any period during which it is held by a "substantial user" or a "related person" as those terms are used in Section 147(a) of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. The interest on the Bonds, and any profit made on their sale, exchange or other disposition, are exempt from the Ohio personal income tax, the Ohio commercial activities tax, the net income base of the Ohio corporate franchise tax, and municipal and school district income taxes in Ohio. We express no opinion as to any other tax consequences regarding the Bonds.

Under the Code, portions of the interest on the Bonds earned by certain corporations may be subject to a corporate alternative minimum tax, and interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

In giving the foregoing opinion, we have assumed and relied upon compliance with the covenants of the Issuer and the Company and the accuracy, which we have not independently verified, of the representations and certifications of the Issuer and of the Company contained in the Transcript. The accuracy of certain of those representations and certifications, and compliance by the Issuer and the Company with certain of those covenants, may be necessary for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain requirements with respect to the Bonds (or with certain requirements with respect to the Kentucky Bonds (as defined below) and certain other bonds issued by the Ohio Air Quality Development Authority concurrently with the issuance of the Bonds) subsequent to the issuance of the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

In giving the foregoing opinion with respect to the treatment of the interest on the Bonds and the status of the Bonds under the federal tax laws, we have also relied upon the opinion of Harper, Ferguson & Davis, a division of Ogden Newell & Welch PLLC, as to all matters concerning the status of the interest on the \$35,275,000 County of Boone, Kentucky Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series A (The Dayton Power and Light Company Project) (the "Kentucky Bonds") as excluded from gross income for federal income tax purposes under the Code and as to all matters concerning the due authorization, binding effect and enforceability of the Kentucky Bonds.

We have also relied upon the opinion of counsel for the Company contained in the Transcript as to all matters concerning the due authorization, execution and delivery by, and the binding effect upon and enforceability against, the Company of the Agreement, the Mortgage and the First Mortgage Bonds, the binding effect and priority of the lien of the Mortgage upon properties of the Company and the title of the Company to the properties which have been made the basis for the issuance of the First Mortgage Bonds and all other bonds outstanding under the Mortgage. We have also assumed for purposes of this opinion the due authorization, execution and delivery by, and the binding effect upon and the enforceability against, the Trustee of the Indenture.

We express no opinion as to the Statement of Insurance printed on the Bonds referring to the Bond Insurance Policy (as defined in the Indenture) issued by Financial Guaranty Insurance Company or as to that Bond Insurance Policy referred to in that Statement.

Respectfully submitted,

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APPENDIX D

PROPOSED TEXT FOR OPINION FROM BOND COUNSEL FOR OHIO AIR BONDS

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Ohio Air Quality Development Authority (the "Issuer") of \$137,800,000 principal amount of State of Ohio 4.80% Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series B (The Dayton Power and Light Company Project) dated as of August __, 2005 (the "Bonds"). The Bonds are being issued for the purpose of making a loan to assist The Dayton Power and Light Company (the "Company") in paying a portion of the costs of refunding the Issuer's outstanding \$27,800,000 State of Ohio Collateralized Air Quality Development Revenue Refunding Bonds, 1992 Series B (The Dayton Power and Light Company Project) dated as of August 15, 1992, and the Issuer's outstanding \$110,000,000 State of Ohio Air Quality Development Revenue Refunding Bonds, 1995 Series (The Dayton Power and Light Company Project) dated as of September 1, 1995, which were issued to assist in the refinancing of the Company's portion of the costs of acquiring, constructing and installing certain "air quality facilities" as defined in Section 3706.01 of the Ohio Revised Code, as more particularly described in the Trust Indenture dated as of August 1, 2005 (the "Indenture") between the Issuer and The Bank of New York, as trustee (the "Trustee"), and in the Loan Agreement dated as of August 1, 2005 (the "Agreement") between the Issuer and the Company. We have also examined executed counterparts of the Indenture and the Agreement and a conformed copy of an executed Bond.

Based on such examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Bonds, the Indenture and the Agreement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof are subject to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion.
2. The Bonds constitute special obligations of the State of Ohio, and the principal of and interest on the Bonds (collectively, "debt service") are payable solely from the revenues and other moneys assigned by the Indenture to secure that payment. Those revenues and other moneys include the payments required to be made by the Company under the Agreement, and the Company's obligation to make those payments is evidenced and secured by the Company's \$137,800,000 First Mortgage Bonds, 4.80% Pollution Control Series 2005-B Due 2034 (the "First Mortgage Bonds") issued under and secured by the First and Refunding Mortgage dated as of October 1, 1935 from the Company to Irving Trust Company (now The Bank of New York), as trustee, as amended and supplemented by various indentures supplemental thereto, including the Forty-Third Supplemental Indenture dated as of August 1, 2005 (collectively, the "Mortgage"). The Bonds do not constitute a debt or pledge of the faith and credit of the Issuer or the State of Ohio or any political subdivision thereof, and the holders or owners thereof have no right to have taxes levied by the General Assembly of the State of Ohio for the payment of debt service.

3. The interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), except interest on any Bond for any period during which it is held by a "substantial user" or a "related person" as those terms are used in Section 147(a) of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. The interest on the Bonds, and any profit made on their sale, exchange or other disposition, are exempt from the Ohio personal income tax, the Ohio commercial activities tax, the net income base of the Ohio corporate franchise tax, and municipal and school district income taxes in Ohio. We express no opinion as to any other tax consequences regarding the Bonds.

Under the Code, portions of the interest on the Bonds earned by certain corporations may be subject to a corporate alternative minimum tax, and interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

In giving the foregoing opinion, we have assumed and relied upon compliance with the covenants of the Issuer and the Company and the accuracy, which we have not independently verified, of the representations and certifications of the Issuer and of the Company contained in the Transcript. The accuracy of certain of those representations and certifications, and compliance by the Issuer and the Company with certain of those covenants, may be necessary for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain requirements with respect to the Bonds (or with certain requirements with respect to the Kentucky Bonds (as defined below) and certain other bonds issued by the Ohio Water Development Authority concurrently with the issuance of the Bonds) subsequent to the issuance of the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

In giving the foregoing opinion with respect to the treatment of the interest on the Bonds and the status of the Bonds under the federal tax laws, we have also relied upon the opinion of Harper, Ferguson & Davis, a division of Ogden Newell & Welch PLLC, as to all matters concerning the status of the interest on the \$35,275,000 County of Boone, Kentucky Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series A (The Dayton Power and Light Company Project) (the "Kentucky Bonds") as excluded from gross income for federal income tax purposes under the Code and as to all matters concerning the due authorization, binding effect and enforceability of the Kentucky Bonds.

We have also relied upon the opinion of counsel for the Company contained in the Transcript as to all matters concerning the due authorization, execution and delivery by, and the binding effect upon and enforceability against, the Company of the Agreement, the Mortgage and the First Mortgage Bonds, the binding effect and priority of the lien of the Mortgage upon properties of the Company and the title of the Company to the properties which have been made the basis for the issuance of the First Mortgage Bonds and all other bonds outstanding under the Mortgage. We have also assumed for purposes of this opinion the due authorization, execution and delivery by, and the binding effect upon and the enforceability against, the Trustee of the Indenture.

We express no opinion as to the Statement of Insurance printed on the Bonds referring to the Bond Insurance Policy (as defined in the Indenture) issued by Financial Guaranty Insurance Company or as to that Bond Insurance Policy referred to in that Statement.

Respectfully submitted,

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APPENDIX E

PROPOSED TEXT FOR OPINION FROM BOND COUNSEL FOR KENTUCKY BONDS

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the County of Boone, Kentucky (the "Issuer") of \$35,275,000 principal amount of County of Boone, Kentucky 4.70% Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series A (The Dayton Power and Light Company Project) dated as of August __, 2005 (the "Bonds"). The Bonds are being issued for the purpose of making a loan to assist The Dayton Power and Light Company (the "Company") in paying a portion of the costs of refunding the Issuer's outstanding \$35,275,000 County of Boone, Kentucky, Pollution Control Revenue Refunding Bonds, 1992 Series A (The Dayton Power and Light Company Project) dated as of November 15, 1992, which were issued to assist in the financing or refinancing of the Company's portion of the costs of acquiring, constructing and installing certain pollution control facilities as that term is defined in Kentucky Revised Statute 103.246 and also refers to "air and water pollution control facilities" and "solid waste disposal facilities" within the meaning of Section 103(b)(4)(E) and (F) of the Internal Revenue Code of 1954, as amended (the "Projects"), as more particularly described in the Trust Indenture dated as of August 1, 2005 (the "Indenture") between the Issuer and The Bank of New York, as trustee (the "Trustee"), and in the Loan Agreement dated as of August 1, 2005 (the "Agreement") between the Issuer and the Company. We have also examined executed counterparts of the Indenture and the Agreement and a conformed copy of an executed Bond.

Based on such examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Bonds, the Indenture and the Agreement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof are subject to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion.
2. The Bonds constitute special and limited obligations of the County of Boone, Kentucky, and the principal of and interest (collectively, "debt service") on the Bonds are payable solely from the revenues and other moneys assigned by the Indenture to secure that payment. Those revenues and other moneys include the payments required to be made by the Company under the Agreement, and the Company's obligation to make those payments is evidenced and secured by the Company's \$35,275,000 First Mortgage Bonds, 4.70% Pollution Control Series 2005-C Due 2028 (the "First Mortgage Bonds") issued under and secured by the First and Refunding Mortgage dated as of October 1, 1935 from the Company to Irving Trust Company (now The Bank of New York), as trustee, as amended and supplemented by various indentures supplemental thereto, including the Forty-Third Supplemental Indenture dated as of August 1, 2005 (collectively, the "Mortgage"). The Bonds do not constitute a debt or pledge of the faith and credit or taxing power of the Issuer, or the Commonwealth of Kentucky or any political subdivision thereof, and the holders or owners thereof have no right to have taxes levied by the Commonwealth of Kentucky or the Issuer for the payment of debt service on the Bonds.

3. The interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), except for interest on any Bond for any period during which it is held by a "substantial user" or a "related person" as those terms are used in Section 147(a) of the Code. Interest of the Bonds is not an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. The interest on the Bonds is excluded from gross income of the owners thereof for Kentucky income tax purposes and the Bonds are exempt from all ad valorem taxes in Kentucky. We express no opinion as to any other tax consequences regarding the Bonds.

4. Under the Code, portions of the interest earned by certain corporations may be subject to a corporate alternative minimum tax and interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

In giving the foregoing opinion, we have assumed and relied upon compliance with the covenants of the Issuer and the Company and the accuracy, which we have not independently verified, of the representations and certifications of the Issuer and of the Company contained in the Transcript. The accuracy of certain of those representations and certifications, and compliance by the Issuer and the Company with certain of those covenants, may be necessary for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain requirements with respect to the Bonds (or with certain requirements with respect to certain other bonds issued by the Ohio Air Quality Development Authority and the Ohio Water Development Authority (the "Ohio Bonds") concurrently with the issuance of the Bonds) subsequent to the issuance of the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

In giving the foregoing opinion with respect to the treatment of the interest on the Bonds and the status of the Bonds under the federal income tax laws, we have also relied upon the opinion of Squire, Sanders & Dempsey L.L.P. as to all matters concerning the status of the interest on the Ohio Bonds as excluded from gross income for federal income tax purposes under the Code and as to all matters concerning the due authorization, binding effect and enforceability of the Kentucky Bonds.

We have also relied upon the opinion of counsel for the Company contained in the Transcript as to all matters concerning the due authorization, execution and delivery by, and the binding effect upon and enforceability against, the Company of the Agreement, the Mortgage and the First Mortgage Bonds, the binding effect and priority of the lien of the Mortgage upon properties of the Company and the title of the Company to the properties which have been made the basis for the issuance of the First Mortgage Bonds and all other bonds outstanding under the Mortgage. We have also assumed for purposes of this opinion the due authorization, execution and delivery by, and the binding effect upon and the enforceability against, the Trustee of the Indenture.

We express no opinion as to the Statement of Insurance printed on the Bonds referring to the Bond Insurance Policy (as defined in the Indenture) issued by Financial Guaranty Insurance Company or as to that Bond Insurance Policy referred to in that Statement.

Respectfully submitted,

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THE DAYTON POWER AND LIGHT COMPANY

AND

THE BANK OF NEW YORK
(formerly Irving Trust Company)
Trustee

Forty-Third Supplemental Indenture

Dated as of August 1, 2005

THE DAYTON POWER AND LIGHT COMPANY
FORTY-THIRD SUPPLEMENTAL INDENTURE
DATED AS OF AUGUST 1, 2005

TABLE OF CONTENTS

	<u>Page</u>
Parties	1
Recitals	1
Granting Clauses	8
FIRST. REAL PROPERTY AND INTERESTS IN REAL PROPERTY	8
SECOND. ELECTRIC GENERATING PLANTS	8
THIRD. TRANSMISSION LINES	9
FOURTH. SUBSTATIONS AND SUBSTATION SITES.	9
FIFTH. ELECTRIC DISTRIBUTION SYSTEMS.	9
SIXTH. LIQUEFIED PETROLEUM GAS PRODUCTION AND STORAGE FACILITIES.....	9
SEVENTH. GAS DISTRIBUTION SYSTEMS.	10
EIGHTH. OFFICE AND DEPARTMENTAL BUILDINGS.....	10
NINTH. TELEPHONE LINES	10
TENTH. FRANCHISES.	10
ELEVENTH. OTHER REAL ESTATE AND APPURTENANCES.....	11
TWELFTH. PROPERTY HEREAFTER TO BECOME SUBJECT TO THE LIEN OF THE FIRST MORTGAGE AS AMENDED.	12
Habendum Clause	12
Subject Clause	13
Grant in Trust	13

ARTICLE ONE. BONDS OF THE 4.80% POLLUTION CONTROL SERIES 2005-A DUE 2034 AND ISSUE THEREOF.....	13
Sec. 1. Series and Form of New Water Bonds.....	13
Sec. 2. Issue of New Water Bonds.....	13
Sec. 3. Dates, Interest, etc., of New Water Bonds	13
Sec. 4. Denominations and Exchangeability of New Water Bonds; Temporary Bonds may be Authenticated and Delivered.....	14
Sec. 5. Mandatory Redemption of New Water Bonds and Redemption Price	15
Sec. 6. Extraordinary Optional Redemptin of New Water Bonds and Redemption Price.....	13
Sec. 7. Optional Redemption of New Water Bonds and Redemption Price	13
Sec. 8. Notice of Redemption of New Water Bonds	15
Sec. 9. New Water Bonds Deemed Paid in Certain Circumstances	15
Sec. 10. New Water Bonds Deemed Paid in Additional Circumstances	15
Sec. 11. Surrender of New Water Bonds in Certain Circumstances	16
Sec. 12. Application of Article Ten of First Mortgage as Amended	16
Sec. 13. Form of New Water Bonds	16
ARTICLE TWO. BONDS OF THE 4.80% POLLUTION CONTROL SERIES 2005-B DUE 2034 AND ISSUE THEREOF.....	13
Sec. 1. Series and Form of New Air Bonds	13
Sec. 2. Issue of New Air Bonds	13
Sec. 3. Dates, Interest, etc., of New Air Bonds	13
Sec. 4. Denominations and Exchangeability of New Air Bonds; Temporary Bonds may be Authenticated and Delivered.....	14
Sec. 5. Mandatory Redemption of New Air Bonds and Redemption Price.....	15
Sec. 6. Extraordinary Optional Redemption of New Air Bonds and Redemption Price.....	13
Sec. 7. Optional Redemption of New Air Bonds and Redemption Price	13
Sec. 8. Notice of Redemption of New Air Bonds	15
Sec. 9. New Air Bonds Deemed Paid in Certain Circumstances	15
Sec. 10. New Air Bonds Deemed Paid in Additional Circumstances	15
Sec. 11. Surrender of New Air Bonds in Certain Circumstances	16
Sec. 12. Application of Article Ten of First Mortgage as Amended	16
Sec. 13. Form of New Air Bonds	16
ARTICLE THREE. BONDS OF THE 4.70% POLLUTION CONTROL SERIES 2005-C DUE 2028 AND ISSUE THEREOF.....	13
Sec. 1. Series and Form of New Boone CountyBonds	13
Sec. 2. Issue of New Boone County Bonds	13
Sec. 3. Dates, Interest, etc., of New Boone County Bonds.....	13
Sec. 4. Denominations and Exchangeability of New Boone County Bonds; Temporary Bonds may be Authenticated and Delivered	14
Sec. 5. MandatoryRedemption of New Boone County Bonds and Redemption Price.....	15

Sec. 6. Extraordinary Optional Redemption of New Boone County Bonds and Redemption Price	13
Sec. 7. Optional Redemption of New Boone County Bonds and Redemption Price	13
Sec. 8. Notice of Redemption of New Boone County Bonds	15
Sec. 9. New Boone County Bonds Deemed Paid in Certain Circumstances	15
Sec. 10. New Boone County Bonds Deemed Paid in Additional Circumstances	15
Sec. 11. Surrender of New Boone County Bonds in Certain Circumstances	16
Sec. 12. Application of Article Ten of First Mortgage as Amended	16
Sec. 13. Form of New Boone County Bonds	16
ARTICLE FOUR. AMENDMENTS TO FIRST MORTGAGE AS AMENDED TO BECOME EFFECTIVE AT A LATER DATE OR DATES.....	26
Sec. 1. Amendments to First Mortgage	26
Sec. 2. Amendment to Section 3 of Article One of First Mortgage.....	27
Sec. 3. Amendment to Section 3 of Article One of First Mortgage.....	27
Sec. 4. Amendment to Section 7 of Article One of First Mortgage.....	27
Sec. 5. Amendment to Section 5 of Article Five of First Mortgage	30
Sec. 6. Amendment to Article Six of First Mortgage	30
Sec. 7. Amendment to Section 2 of Article Eight of First Mortgage.....	30
Sec. 8. Amendment to Article Ten of First Mortgage	30
Sec. 9. Amendment to Section 3 of Article Fifteen of First Mortgage.....	32
Sec. 10. Amendment to Section 2 of Article Sixteen of First Mortgage	33
Sec. 11. Amendment to Section 3 of Article Sixteen of First Mortgage	35
Sec. 12. Amendment to Section 4 of Article Sixteen of First Mortgage	35
Sec. 13. Amendment to Section 2 of Article Eighteen of First Mortgage.....	36
Sec. 14. Amendment to Section 3 of Article Twenty-One of First Mortgage.....	36
Sec. 15. General Provisions Regarding Supplemental Indentures Effecting Amendments to First Mortgage	37
ARTICLE FIVE. COVENANTS OF THE COMPANY.....	37
Sec. 1. Confirmation of Covenants by Company in First Mortgage	37
Sec. 2. Covenant of the Company and Legal Opinion as to Recording	37
ARTICLE SIX. MISCELLANEOUS.....	38
Sec. 1. Authentication and Delivery of New Bonds in Advance of the Recording of Forty-Third Supplemental Indenture	38
Sec. 2. Forty-Third Supplemental Indenture to Form Part of First Mortgage	38
Sec. 3. Definitions in First Mortgage Shall Apply to Forty-Third Supplemental Indenture	39
Sec. 4. Execution in Counterparts.....	39
Testimonium	S-1
Signatures.....	S-1
Acknowledgments.....	S-2

Exhibits

FORTY-THIRD SUPPLEMENTAL INDENTURE, dated as of August 1, 2005, between THE DAYTON POWER AND LIGHT COMPANY, a corporation of the State of Ohio (hereinafter sometimes called the Company), party of the first part, and THE BANK OF NEW YORK (formerly Irving Trust Company), a corporation of the State of New York (hereinafter sometimes called the Trustee), as Trustee, party of the second part.

WHEREAS, the Company has heretofore executed and delivered to Irving Trust Company (now The Bank of New York) a certain Indenture, dated as of October 1, 1935 (hereinafter sometimes called the First Mortgage), to secure the payment of the principal of and interest on an issue of bonds of the Company, unlimited in aggregate principal amount (hereinafter sometimes called the Bonds); and

WHEREAS, the Company has issued under the First Mortgage its Bonds of a series known as the First and Refunding Mortgage Bonds, 3½% Series Due 1960, authorized in unlimited aggregate principal amount, all of which have been redeemed or otherwise retired; and

WHEREAS, in Article Two of the First Mortgage it is provided in substance, among other things, that the Bonds may be issued in series, the Bonds of each series maturing on such dates and bearing interest at such rates, respectively, as the Board of Directors of the Company may determine prior to the authentication thereof; and

WHEREAS, the Company has heretofore executed and delivered to the Trustee forty-two supplemental Indentures numbered, dated and, except as set forth below, providing for their respective series of First Mortgage Bonds, all as set forth in the tabulation below:

<u>Supplemental Indenture</u>	<u>Dated As Of</u>	<u>Series Provided For</u>	<u>Principal Amount Outstanding</u>
First	March 1, 1937	3¼% Series Due 1962	None
Second	January 1, 1940	3% Series Due 1970	None
Third	October 1, 1945	2¾% Series Due 1975	None
Fourth	January 1, 1948	3% Series Due 1978	None
Fifth	December 1, 1948	3% Series A, Due 1978	None
Sixth	February 1, 1952	3¼% Series Due 1982	None
Seventh	September 1, 1954	3% Series Due 1984	None

<u>Supplemental Indenture</u>	<u>Dated As Of</u>	<u>Series Provided For</u>	<u>Principal Amount Outstanding</u>
Eighth	November 1, 1957	5% Series Due 1987	None
Ninth	March 1, 1960	5½% Series Due 1990	None
Tenth	June 1, 1963	4.45% Series Due 1993	None
Eleventh	May 1, 1967	5½% Series Due 1997	None
Twelfth	June 15, 1968	6¾% Series Due 1998	None
Thirteenth	October 1, 1969	8¼% Series Due 1999	None
Fourteenth	June 1, 1970	9½% Series Due 2000	None
Fifteenth	August 1, 1971	8½% Series Due 2001	None
Sixteenth	October 3, 1972	None issued	None
Seventeenth	November 1, 1973	8% Series Due 2003	None
Eighteenth	October 1, 1974	10¼% Series Due 1981	None
Nineteenth	August 1, 1975	10.70% Series Due 2005	None
Twentieth	November 15, 1976	8¾% Series Due 2006	None
Twenty-First	April 15, 1977	6.35% Series Due 2007	\$9,000,000
Twenty-Second	October 15, 1977	8½% Series Due 2007	None
Twenty-Third	April 1, 1978	8.95% Series Due 1998	None
Twenty-Fourth	November 1, 1978	9½% Series Due 2003	None
Twenty-Fifth	August 1, 1979	10¼% Series Due 1999	None

<u>Supplemental Indenture</u>	<u>Dated As Of</u>	<u>Series Provided For</u>	<u>Principal Amount Outstanding</u>
Twenty-Sixth	December 1, 1979	12½% Series Due 2009	None
Twenty-Seventh	February 1, 1981	14½% Series Due 1988	None
Twenty-Eighth	February 18, 1981	14½% Series Due 1988	None
Twenty-Ninth	September 1, 1981	17% Series Due 1991	None
Thirtieth	March 1, 1982	16¾% Series Due 2012	None
Thirty-First	November 1, 1982	11½% Series Due 2012-A	None
Thirty-Second	November 1, 1982	11½% Series Due 2012-B	None
Thirty-Third	December 1, 1985	9½% Series Due 2015	None
Thirty-Fourth	April 1, 1986	9% Series Due 2016	None
Thirty-Fifth	December 1, 1986	8¾% Series Due 2016	None
Thirty-Sixth	August 15, 1992	6.40% Pollution Control Series 1992-A Due 2027	\$32,300,000
		6.40% Pollution Control Series 1992-B Due 2027	\$27,800,000
Thirty-Seventh	November 15, 1992	6.50% Pollution Control Series 1992-C Due 2022	\$48,000,000
Thirty-Eighth	November 15, 1992	8.40% Series Due 2022	None
Thirty-Ninth	January 15, 1993	8.15% Series Due 2026	None

<u>Supplemental Indenture</u>	<u>Dated As Of</u>	<u>Series Provided For</u>	<u>Principal Amount Outstanding</u>
Fortieth	February 15, 1993	7½% Series Due 2024	None
Forty-First	February 1, 1999	None issued	None
Forty-Second	September 1, 2003	5.125% Series Due 2013	\$470,000,000

WHEREAS, said Eleventh Supplemental Indenture, which created the 5½% Series Due 1997, provided in its Article Three for certain amendments to the First Mortgage, as theretofore amended, each such amendment to become effective on the earliest date on which either (a) there shall not be any Bonds outstanding of Series Due 1975, Series Due 1978, Series A, Due 1978, Series Due 1982, Series Due 1984, or Series Due 1993, or (b) there shall have been executed and delivered a supplemental indenture or indentures embodying said amendment (either alone or with other amendments) consented to by the holders of seventy-five per centum (75%) in aggregate principal amount of the Bonds at the time outstanding of the series enumerated in the foregoing clause (a), or of each said series of which Bonds are then outstanding; and

WHEREAS, none of the Bonds of Series Due 1975, Series Due 1978, Series A, Due 1978, Series Due 1982, Series Due 1984, or Series Due 1993 remain outstanding and the amendments contained in said Eleventh Supplemental Indenture have become effective; and

WHEREAS, said Fifteenth Supplemental Indenture, which created the 8½% Series Due 2001, provided (a) in its Article Four for an amendment to the First Mortgage, as theretofore amended, to become effective on the date on which the amendments provided for by Section 3 of Article Three of said Eleventh Supplemental Indenture shall become effective and (b) in its Article Five for certain additional amendments to the First Mortgage, as theretofore amended, to become effective on the earliest date on which either (i) there shall not be any Bonds outstanding of Series Due 1975, Series Due 1978, Series A, Due 1978, Series Due 1982, Series Due 1984, Series Due 1993, Series Due 1997, Series Due 1998, Series Due 1999, or Series Due 2000, or (ii) there shall have been executed and delivered a supplemental indenture or indentures embodying said amendments (either alone or with other amendments) consented to by the holders of seventy-five per centum (75%) in aggregate principal amount of the Bonds at the time outstanding of the series enumerated in the foregoing clause (i), or of each said series of which Bonds are then outstanding; and

WHEREAS, none of the Bonds of Series Due 1975, Series Due 1978, Series A, Due 1978, Series Due 1982, Series Due 1984, Series Due 1993, Series Due 1997, Series Due 1998, Series Due 1999, or Series Due 2000 remain outstanding and the amendments contained in said Fifteenth Supplemental Indenture have become effective; and

WHEREAS, the First Mortgage as amended by the First through the Forty-Second Supplemental Indentures is hereinafter called the First Mortgage as amended; and

WHEREAS, it is provided in Article Seven of the First Mortgage as amended, among other things, that the Company may issue additional Bonds thereunder upon the deposit with the Trustee of cash equal to the principal amount of such additional Bonds to be issued; it is provided in Article Six of the First Mortgage as amended, among other things, that if Bonds are paid, retired, redeemed, canceled or surrendered to the Trustee for cancellation (except when canceled pursuant to certain provisions of the First Mortgage as amended), the Company may issue additional Bonds thereunder in principal amount equivalent to the principal amount of the Bonds so paid, retired, redeemed, canceled or surrendered to the Trustee for cancellation; it is provided in Article Five of the First Mortgage as amended, among other things, that the Company may issue additional Bonds thereunder upon the basis of property additions in accordance with and subject to the conditions, provisions and limitations set forth in said Article Five; and it is provided in Article Eighteen of the First Mortgage as amended, among other things, that the Company and the Trustee may from time to time enter into one or more indentures supplemental to the First Mortgage as amended for the purposes, among other things which may be therein set forth, to mortgage or pledge additional property under the First Mortgage as amended and to establish the terms and provisions of any series of Bonds other than the Series Due 1990, and

WHEREAS, the Company, pursuant to resolutions duly adopted by its Board of Directors at a meeting of said Board of Directors duly called and held, has determined under and in accordance with the provisions of the First Mortgage as amended and of this Forty-Third Supplemental Indenture to create three new series of Bonds to be known as its (a) First Mortgage Bonds, 4.80% Pollution Control Series 2005-A Due 2034 (hereinafter sometimes called the New Water Bonds), which shall be limited to the aggregate principal amount of \$41,300,000; (b) First Mortgage Bonds, 4.80% Pollution Control Series 2005-B Due 2034 (hereinafter sometimes called the New Air Bonds), which shall be limited to the aggregate principal amount of \$137,800,000; and (c) First Mortgage Bonds, 4.70% Pollution Control Series 2005-C Due 2028 (hereinafter sometimes called the New Boone County Bonds), which shall be limited to the aggregate principal amount of \$35,275,000 (such New Water Bonds, New Air Bonds and New Boone County Bonds being hereinafter called collectively the New Bonds); and

WHEREAS, the New Water Bonds are to be issued by the Company to the Ohio Water Development Authority (hereinafter called the Water Authority) to evidence and secure the obligations of the Company to repay the loan of the proceeds of the sale of the Water Project Bonds (as hereinafter defined) made by the Water Authority to the Company, pursuant to a certain Loan Agreement, dated as of August 1, 2005, between the Water Authority and the Company (hereinafter called the Water Pollution Control Agreement), to assist in the refinancing of the Company's portion of the cost of acquisition, construction and installation of certain waste water facilities and solid waste facilities (as such terms are defined and used in Sections 6121.01 and 6123.01, respectively, of the Ohio Revised Code) installed in connection with: Unit 2 of the Killen Generating Station located in Adams County, Ohio as to which the Company at the date hereof owns an undivided 67% interest as tenant in common with another public utility company, the O. H. Hutchings Generating Station located in Montgomery County, Ohio as to which the Company at the date hereof owns 100% of the station, and the J. M. Stuart Generating

Station located in Brown County, Ohio as to which the Company at the date hereof owns an undivided 35% interest as a tenant in common with two other public utility companies (such interests in said facilities being hereinafter called the Water Project); and

WHEREAS, the New Air Bonds are to be issued by the Company to the Ohio Air Quality Development Authority (hereinafter called the Air Authority) to evidence and secure the obligations of the Company to repay the loan of the proceeds of the sale of the Air Project Bonds (as hereinafter defined) made by the Air Authority to the Company, pursuant to a certain Loan Agreement, dated as of August 1, 2005, between the Air Authority and the Company (hereinafter called the Air Pollution Control Agreement), to assist in the refinancing of the Company's portion of the cost of acquisition, construction and installation of certain air quality facilities (as that term is defined and used in Section 3706.01 of the Ohio Revised Code) installed in connection with: Unit 2 of the Killen Generating Station located in Adams County, Ohio as to which the Company at the date hereof owns an undivided 67% interest as tenant in common with another public utility company, the Walter C. Beckjord Generating Station Unit 6 located in Clermont County, Ohio as to which the Company at the date hereof owns an undivided 50% interest as tenant in common with another public utility company, and the William H. Zimmer Generating Station located in Clermont County, Ohio as to which the Company at the date hereof owns an undivided 28.1% interest as tenant in common with two other public utility companies (such interests in said facilities being hereinafter called the Air Project); and

WHEREAS, the New Boone County Bonds are to be issued by the Company to the Boone County Board of Commissioners (hereinafter called Boone County) to evidence and secure the obligations of the Company to repay the loan of the proceeds of the sale of the Boone County Project Bonds (as hereinafter defined) made by Boone County to the Company, pursuant to a certain Loan Agreement, dated as of August 1, 2005, between Boone County and the Company (hereinafter called the Boone County Pollution Control Agreement), to assist in the refinancing of the Company's portion of the cost of acquisition, construction and installation of certain solid waste facilities installed in connection with Unit 2 of the Eastbend Generating Station located in Boone County, Kentucky as to which the Company at the date hereof owns an undivided 31% interest as tenant in common with another public utility company (such interests in said facilities being hereinafter called the Boone County Project); and

WHEREAS, the loan by the Water Authority in respect of the Water Project is to be funded by the proceeds derived from the sale by the Water Authority of State of Ohio Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series A (The Dayton Power and Light Company Project), in the aggregate principal amount of \$41,300,000 (hereinafter called the Water Project Bonds); and

WHEREAS, the loan by the Air Authority in respect of the Air Project is to be funded by the proceeds derived from the sale by the Air Authority of State of Ohio Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series B (The Dayton Power and Light Company Project), in the aggregate principal amount of \$137,800,000 (hereinafter called the Air Project Bonds); and

WHEREAS, the loan by Boone County in respect of the Boone County Project is to be funded by the proceeds derived from the sale by Boone County of County of Boone, Kentucky Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series A (The Dayton Power and Light Company Project), in the aggregate principal amount of \$35,275,000 (hereinafter called the Boone County Project Bonds); and

WHEREAS, the Water Project Bonds are to be issued under a certain Trust Indenture, dated as of August 1, 2005 (hereinafter called the Water Pollution Control Indenture), between the Water Authority and The Bank of New York, as Trustee (hereinafter in such capacity called the Water Project Bond Trustee), and the New Water Bonds are to be assigned by the Water Authority to the Water Project Bond Trustee as security for the payment of the principal of and interest on the Water Project Bonds and are to be delivered by the Company on behalf of the Water Authority directly to the Water Project Bond Trustee; and

WHEREAS, the Air Project Bonds are to be issued under a certain Trust Indenture, dated as of August 1, 2005 (hereinafter called the Air Pollution Control Indenture), between the Air Authority and The Bank of New York, as Trustee (hereinafter in such capacity called the Air Project Bond Trustee), and the New Air Bonds are to be assigned by the Air Authority to the Air Project Bond Trustee as security for the payment of the principal of and interest on the Air Project Bonds and are to be delivered by the Company on behalf of the Air Authority directly to the Air Project Bond Trustee; and

WHEREAS, the Boone County Project Bonds are to be issued under a certain Trust Indenture, dated as of August 1, 2005 (hereinafter called the Boone County Pollution Control Indenture), between Boone County and The Bank of New York, as Trustee (hereinafter in such capacity called the Boone County Project Bond Trustee), and the New Boone County Bonds are to be assigned by Boone County to the Boone County Project Bond Trustee as security for the payment of the principal of and interest on the Boone County Project Bonds and are to be delivered by the Company on behalf of Boone County directly to the Boone County Project Bond Trustee; and

WHEREAS, the New Bonds and the Trustee's certificate to be endorsed on all the New Bonds are to be respectively and substantially in the forms established hereby and approved by the aforesaid resolutions, which are substantially in the forms of Exhibits A, B and C hereto, as applicable; and

WHEREAS, at a meeting of the Board of Directors of the Company, the Board of Directors adopted a resolution that authorized officers of the Company to approve the form, terms and provisions of this Forty-Third Supplemental Indenture (including the forms of the New Bonds), and the execution by the Company of a supplemental indenture in such form and having substantially the same form, terms and the provisions as said Thirty-Six Supplemental Indenture; and

WHEREAS, all things necessary to make the New Bonds hereinafter described, when duly authenticated by the Trustee and issued by the Company, valid, binding and legal obligations of the Company, and to make this Indenture a valid and binding agreement supplemental to the First Mortgage as amended, have been done and performed.

NOW, THEREFORE, THIS INDENTURE WITNESSETH

that, in order further to secure the payment of all the Bonds at any time issued and outstanding under the First Mortgage as amended or this Forty-Third Supplemental Indenture according to their tenor, purport and effect, as well the interest thereon as the principal thereof, and further to secure the performance and observance of all the covenants and conditions therein and in the First Mortgage as amended and herein contained, and further to set forth the terms and conditions upon which the New Bonds are to be issued, secured and held, and for and in consideration of the premises and of the acceptance or purchase of the New Bonds by the holders or registered owners thereof, and of the sum of one dollar, lawful money of the United States of America, to the Company duly paid by the Trustee at or before the enrolling and delivery of this Forty-Third Supplemental Indenture, the receipt whereof is hereby acknowledged, the Company has executed and delivered this Forty-Third Supplemental Indenture, and has granted, bargained, sold, released, conveyed, assigned, transferred, pledged, set over and confirmed, and by these presents does grant, bargain, sell, release, convey, assign, transfer, pledge, set over and confirm unto the Trustee, and to its successor or successors in said trust, and to it and its and their assigns forever, and does hereby subject to the lien of the First Mortgage as heretofore and hereby amended all the following described properties (all of which properties are included in and constitute a part of the "mortgaged property" and the "mortgaged and pledged property" as such terms are used and defined in the First Mortgage as heretofore and hereby amended and whenever used in the First Mortgage as heretofore and hereby amended such terms include and refer to such properties), to wit:

FIRST.

REAL PROPERTY AND INTERESTS IN REAL PROPERTY.

All and singular, all real property and interests in real property acquired by the Company between September 1, 2003, the date of the Forty-Second Supplemental Indenture, and the date of this Forty-Third Supplemental Indenture, and owned by the Company at the latter date.

SECOND.

ELECTRIC GENERATING PLANTS.

All electric generating plants and stations of the Company acquired by it between September 1, 2003, the date of the Forty-Second Supplemental Indenture, and the date of this Forty-Third Supplemental Indenture, and owned by it at the latter date, including all power houses, buildings, structures and works, and the land on which the same are situated, and all other lands and easements, rights-of-way, permits, privileges, towers, poles, wires, machinery, equipment, appliances, appurtenances and supplies forming a part of such plants and stations, or any of them, or occupied, enjoyed or used in connection therewith.

THIRD.

TRANSMISSION LINES.

All electric overhead and underground transmission lines of the Company acquired by it between September 1, 2003, the date of the Forty-Second Supplemental Indenture, and the date of this Forty-Third Supplemental Indenture, and owned by it at the latter date, including towers, poles, pole lines, conduits, manholes, switching devices, insulators, and other structures, appliances, devices and equipment, and all the property forming a part thereof or appertaining thereto, and all service lines extending therefrom, together with all real property, rights-of-way, easements, permits, privileges, franchises, and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public way within as well as without the corporate limits of any municipal corporation.

FOURTH.

SUBSTATIONS AND SUBSTATION SITES.

All substations and switching stations of the Company acquired by it between September 1, 2003, the date of the Forty-Second Supplemental Indenture, and the date of this Forty-Third Supplemental Indenture, and owned by it at the latter date, for transforming or otherwise regulating electric current at any of its plants, together with all buildings, transformers, wires, cables, insulators, structures, appliances, devices, equipment and all other property, real or personal, forming a part of, or appertaining thereto, or used, occupied or enjoyed in connection with any of such substations and switching stations.

FIFTH.

ELECTRIC DISTRIBUTION SYSTEMS.

All electric distribution systems of the Company acquired by it between September 1, 2003, the date of the Forty-Second Supplemental Indenture, and the date of this Forty-Third Supplemental Indenture, and owned by it at the latter date, including substations, transformers, switchboards, towers, poles, wires, insulators, conduits, cables, manholes, appliances, devices, equipment and all other property, real or personal, forming a part of or appertaining thereto, or used, occupied or enjoyed in connection with such distribution systems or any of them, together with all rights-of-way, easements, permits, privileges, franchises, and rights in or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or public ways within as well as without the corporate limits of any municipal corporation.

SIXTH.

LIQUEFIED PETROLEUM GAS PRODUCTION AND STORAGE FACILITIES.

All additions to liquefied petroleum gas production plants and storage facilities of the Company acquired by it between September 1, 2003, the date of the Forty-Second Supplemental

Indenture, and the date of this Forty-Third Supplemental Indenture, and owned by it at the latter date, including all buildings, structures, underground storage caverns, and works, and the land on which the same are situated, and all other lands and easements, rights-of-way, permits, privileges, pipe lines, machinery, equipment, appliances, appurtenances and supplies forming a part of such plants and stations, or any of them, or occupied, enjoyed or used in connection therewith.

SEVENTH.

GAS DISTRIBUTION SYSTEMS.

All gas distribution systems of the Company acquired or constructed by it between September 1, 2003, the date of the Forty-Second Supplemental Indenture, and the date of this Forty-Third Supplemental Indenture, and owned by it at the latter date, for distribution of gas, including pipes, mains, conduits, meters, appliances, equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems, or any of them, together with all rights-of-way, easements, permits, privileges, franchises and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation.

EIGHTH.

OFFICE AND DEPARTMENTAL BUILDINGS.

All office and departmental buildings of the Company, including the real estate on which such structures stand, acquired by it between September 1, 2003, the date of the Forty-Second Supplemental Indenture, and the date of this Forty-Third Supplemental Indenture, and owned by it at the latter date, appertaining to, used, occupied or enjoyed in connection with the rendition of public utility service.

NINTH.

TELEPHONE LINES.

All telephone lines of the Company acquired by it between September 1, 2003, the date of the Forty-Second Supplemental Indenture, and the date of this Forty-Third Supplemental Indenture, and owned by it at the latter date, used or available for use in the operation of its properties or otherwise.

TENTH.

FRANCHISES.

All and singular the franchises, grants, immunities, privileges and rights of the Company granted to or acquired by it between September 1, 2003, the date of the Forty-Second Supplemental Indenture, and the date of this Forty-Third Supplemental Indenture, and to which it was entitled at the latter date, including all and singular the franchises, grants, immunities,

privileges and rights of the Company granted by all municipalities or political subdivisions, and all right, title and interest therein owned by the Company on the date of the execution of this Forty-Third Supplemental Indenture, and all renewals, extensions and modifications of said franchises, grants, immunities, privileges and rights, or any of them, and of all other franchises, grants, immunities, privileges and rights now subject to the lien of the First Mortgage as amended.

ELEVENTH.

OTHER REAL ESTATE AND APPURTENANCES.

A. All other real estate and interests in real estate and all other physical electric power and light, gas and other property owned by the Company at the date of execution of this Forty-Third Supplemental Indenture.

B. All other real estate and interests in real estate and all other physical electric power and light, gas and other property which the Company may hereafter acquire or construct.

C. All present and future appurtenances of the real estate and interests in real estate which now are, or hereafter shall be, subject to the lien of the First Mortgage as amended, and all plants, works, buildings, structures, fixtures, improvements, betterments and additions now owned, or hereafter acquired or constructed by the Company, upon any of the real estate which, or interests in which, now are or hereafter shall be subject to the lien of the First Mortgage as amended.

D. All corporate rights, privileges, immunities and franchises, powers, licenses, easements, leases, contracts and other rights and all renewals and extensions thereof held or acquired for use or used upon, or in connection with or appertaining to, any of the properties which now are or hereafter shall be subject to the lien of the First Mortgage as amended, or which the Company has or may have the right to exercise in respect of any of said properties.

E. All machinery, tools and equipment now owned or hereafter acquired by the Company, which now or hereafter belong or appertain to or are used in connection with the plants, works, transmission lines, distribution systems, buildings, structures and fixtures which now are or hereafter shall be subject to the lien of the First Mortgage as amended.

Together with all and singular the tenements, hereditaments and appurtenances belonging or in any way appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders, rents, issues, income and profits thereof, and all the estate, right, title, interest and claim whatsoever at law or in equity, which the Company now has or which it may hereafter acquire in and to the aforesaid property and every part and parcel thereof.

It is not intended to include in the lien of the First Mortgage as amended and this grant shall not be deemed to apply (1) to any revenues, earnings, rents, issues, income or profits of the mortgaged property, or any cash (except cash deposited with the Trustee pursuant to any of the provisions of the First Mortgage as heretofore and hereby amended), or any bills, notes or accounts receivable, contracts or choses in action, or any materials or supplies or construction equipment, or any merchandise, equipment or apparatus manufactured or acquired for the

purpose of sale or resale in the usual course of business, except in case of the happening of a completed default as defined in Section 1 of Article Twelve of the First Mortgage as heretofore and hereby amended, and following such completed default, in case the Trustee or a receiver or trustee shall enter upon and take possession of the mortgaged property, or (2) in any case, to any cars, trucks or other vehicles of any nature for the transportation of personnel, materials or equipment by any means which may have been acquired after the effective date of the amendment to this Clause made by or pursuant to the provisions of the Eleventh Supplemental Indenture, or to any bonds, notes, evidences of indebtedness, shares of stock or other securities, except such as may be specifically subjected to the lien of the First Mortgage as amended.

TWELFTH.

PROPERTY HEREAFTER TO BECOME SUBJECT TO THE LIEN OF THE FIRST MORTGAGE AS AMENDED.

A. Any and all property, real, personal and mixed, including franchises, grants, immunities, privileges and rights, which the Company may hereafter acquire or to which it may hereafter become entitled, excepting, however, the following property which is not intended to be subjected to the lien of the First Mortgage: (1) any revenues, earnings, rents, issues, income or profits of the mortgaged property, or any cash (except cash deposited with the Trustee pursuant to any of the provisions of the First Mortgage as heretofore and hereby amended), or any bills, notes or accounts receivable, contracts or choses in action, or any materials or supplies or construction equipment, or any merchandise, equipment or apparatus manufactured or acquired for the purpose of sale or resale in the usual course of business, except in case of the happening of a completed default as defined in Section 1 of Article Twelve of the First Mortgage as heretofore and hereby amended, and following such completed default, in case the Trustee or a receiver or trustee shall enter upon and take possession of the mortgaged property, or (2) in any case, any cars, trucks or other vehicles of any nature for the transportation of personnel, materials or equipment by any means, or any bonds, notes, evidences of indebtedness, shares of stock or other securities, except such as may be specifically subjected to the lien of the First Mortgage as amended.

B. Any and all property of every name and nature, including shares of stock, bonds, other securities or obligations and cars, trucks or other vehicles for the transportation of personnel, materials or equipment by any means, which, from time to time after the execution of this Forty-Third Supplemental Indenture, by delivery or by writing of any kind for the purposes hereof, shall have been conveyed, mortgaged, pledged, assigned or transferred by, or by anyone on behalf of, the Company to the Trustee, which is hereby authorized to receive any property at any and all times, as and for additional security, and also, when and as provided in the First Mortgage as amended as and for substituted security, for the payment of the Bonds to be issued under the First Mortgage as amended, and to hold and apply any and all such property subject to the terms hereof and of the First Mortgage as amended.

TO HAVE AND TO HOLD all such 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, as to property hereby conveyed, to liens for taxes, assessments and other charges levied or to be levied by the State of Ohio and any of the subdivisions thereof for the years 2004 and 2005 and thereafter and, as to any property hereafter acquired by the Company and which may become subject to the lien of the First Mortgage as amended, to any lien or charge thereon existing at the time of the acquisition thereof by the Company;

IN TRUST NEVERTHELESS, upon and subject to the terms, conditions and stipulations hereinafter and in the First Mortgage as amended set forth, for the equal and proportionate benefit and security of the holders from time to time of the Bonds and interest coupons issued and to be issued under the First Mortgage as amended and this and other indentures supplemental thereto, without preference, priority or distinction as to lien or otherwise of any of the Bonds and coupons over any others by reason of priority in time of issue, sale or negotiation thereof or otherwise howsoever, and for the uses and purposes and upon and subject to the terms, conditions, provisions and agreements in the Bonds and hereinafter and in the First Mortgage as amended expressed and declared.

ARTICLE ONE.

BONDS OF THE 4.80% POLLUTION CONTROL SERIES 2005-A DUE 2034 AND ISSUE THEREOF.

SECTION 1. There shall be a series of Bonds designated "4.80% Pollution Control Series 2005-A Due 2034", each of which shall bear the descriptive title First Mortgage Bond. The aggregate principal amount of the New Water Bonds which may be outstanding under the First Mortgage as amended and this Forty-Third Supplemental Indenture shall be limited to \$41,300,000, except as provided in Section 9 of Article Two of the First Mortgage as amended.

SECTION 2. Upon the execution and delivery of this Forty-Third Supplemental Indenture and upon delivery of \$41,300,000 aggregate principal amount of the New Water Bonds, executed by the Company, and upon compliance by the Company with the provisions of Article Five, Article Six or Article Seven or any or all of said Articles, as the case may be, of the First Mortgage as amended, the Trustee shall, without awaiting the filing or recording of this Forty-Third Supplemental Indenture, authenticate the New Water Bonds and deliver the New Water Bonds as provided in said Article Five, Article Six or Article Seven.

SECTION 3. The New Water Bonds shall be dated as provided in Section 3 of Article Two of the First Mortgage as amended; shall mature on January 1, 2034; and shall bear interest from August 17, 2005 as provided in said Section 3 of Article Two at the rate of four and eighty hundredths per centum (4.80%) per annum until paid or redeemed as hereinafter provided, payable on January 1, 2006 and thereafter semi-annually on each January 1 and July 1, and on the maturity date, to the Bondholders in whose names such New Water Bonds are registered at the close of business on the Business Day immediately preceding such January 1 or July 1, except that if the Company shall default in the payment of any installment of interest on any New Water Bonds, such interest in default shall be paid to the Bondholders in whose names the New Water Bonds are

registered at the close of business on a date established for the payment of such defaulted interest by the Company in any lawful manner. The New Water Bonds shall be payable as to both principal and interest in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts, at the office or agency of the Company in the Borough of Manhattan, The City of New York. The amount of interest payable for any period will be computed on the basis of a 360-day year consisting of twelve 30-day months. In the event that any date on which principal or interest is payable on the New Water Bonds is not a Business Day (as defined below), the payment of the principal or interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on the date the payment was originally payable. "Business Day" means any day, other than a Saturday or Sunday, or a day on which banking institutions or trust companies in The City of New York are generally authorized or required by law, regulation or executive order to remain closed or a day on which the corporate trust office of the Trustee is closed for business.

SECTION 4. The New Water Bonds shall be issued in denominations of \$5,000 and any integral multiple of \$5,000.

Whenever any New Water Bond or New Water Bonds shall be surrendered at the office or agency of the Company in said Borough of Manhattan for exchange for a New Water Bond or New Water Bonds of other authorized denomination or denominations, the Company shall execute, and the Trustee shall authenticate and deliver, upon cancellation of the New Water Bond or New Water Bonds so surrendered, a New Water Bond or New Water Bonds of such other authorized denomination or denominations of like aggregate principal amount as the Bondholder making the exchange shall have requested and shall be entitled to receive. On presentation of any New Water Bond which is to be redeemed pursuant to the provisions of Section 5 of this Article One in part only, the Company shall execute, and the Trustee shall authenticate and deliver, a New Water Bond or New Water Bonds in principal amount equal to the unredeemed portion of the New Water Bond so presented.

The Company shall not be required to (a) register a transfer of, or exchange, any New Water Bond during a period of fifteen (15) days next preceding any selection of New Water Bonds to be redeemed or (b) register a transfer of, or exchange, any New Water Bond which shall have been selected for redemption in whole or in part.

A service charge will not be made for any registration of transfer or exchange of New Water Bonds, but the Company may require payment of a sum sufficient to cover any stamp tax or other governmental charge payable in connection therewith.

Until definitive New Water Bonds shall be ready for delivery, the Company may execute and, upon request of the Company, the Trustee shall authenticate and deliver, in lieu of such definitive New Water Bonds but subject to the same provisions, limitations and conditions except as to the denominations thereof, temporary printed or lithographed New Water Bonds as provided in Section 8 of Article Two of the First Mortgage as amended. Such temporary New Water Bonds shall be exchangeable for definitive New

Water Bonds, when ready for delivery, in the manner provided in the First Mortgage as amended, and shall in all other respects be subject to and entitled to the benefits of the terms and provisions and lien of this Forty-Third Supplemental Indenture, and the terms and provisions and lien of the First Mortgage as amended as therein provided.

SECTION 5. The New Water Bonds shall be subject to mandatory redemption by the Company prior to maturity at any time in whole or in part at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, upon receipt by the Trustee of notice from the Water Project Bond Trustee to the effect that (a) the Company is required to deliver moneys to the Water Project Bond Trustee for the redemption of the Water Project Bonds in whole or in part, as the case may be, as provided in Section 6.3 of the Water Pollution Control Agreement and (b) an equivalent principal amount of the Water Project Bonds are being concurrently called for redemption. Said notice shall specify the redemption date of such New Water Bonds (which redemption date shall be the same date as the redemption date specified in said notice for the Water Project Bonds being currently redeemed). Any such redemption shall be made upon the notice and in the manner provided in this Article One, subject to the provisions of the First Mortgage as amended.

SECTION 6. The New Water Bonds shall be subject to redemption, at the option of the Company, prior to maturity at any time, in whole or in part, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, upon receipt by the Trustee of an officers' certificate to the effect that (a) the Company has given notice to the Water Project Bond Trustee that the Company is exercising its option to direct the redemption of Water Project Bonds in whole or in part, as provided in Section 6.2 of the Water Pollution Control Agreement and (b) an equivalent principal amount of New Water Project Bonds are being concurrently called for redemption. Such officers' certificate shall have attached to it a copy of said notice to the Water Project Bond Trustee and shall specify the redemption date of such New Water Bonds (which redemption date shall be not less than 45 days (unless a shorter period shall be acceptable to the Trustee) after the date of the mailing of such certificate and shall be the same date as the redemption date specified in said attached notice for the Water Project Bonds being concurrently redeemed). Any such redemption shall be made upon the notice, which may be conditional as provided in Section 8 of this Article One, and in the manner provided in this Article One, subject to the provisions of the First Mortgage as amended.

SECTION 7. The New Water Bonds shall also be subject to redemption prior to maturity, at the option of the Company, in whole or in part, at anytime on or after July 1, 2015, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

Prior to any such redemption, the Trustee shall have received an officers' certificate to the effect that (a) the Company has given notice to the Water Project Bond Trustee that the Company is exercising its option to deliver moneys to the Water Project Bond Trustee for the redemption of Water Project Bonds in whole or in part, as the case may be, as provided in Section 6.1 of the Water Pollution Control Agreement and (b) an

equivalent principal amount of Water Project Bonds are being concurrently called for redemption. Such officers' certificate shall specify the principal amount of New Water Bonds to be redeemed, shall have attached to it a copy of said notice to the Water Project Bond Trustee and shall specify the redemption date of such New Water Bonds (which redemption date shall be not less than 45 days (unless a shorter time period shall be acceptable to the Trustee) after the date of the mailing of such certificate and shall be the same date as the redemption date specified in said attached notice for the Water Project Bonds being concurrently redeemed). Any such redemption shall be made upon the notice, which may be conditional as provided in Section 8 of this Article One, and in the manner provided in this Article One, subject to the provisions of the First Mortgage as amended.

SECTION 8. Subject to the provisions of the First Mortgage as amended, written notice of redemption of the New Water Bonds pursuant to any of Sections 5, 6 or 7 of this Article One shall be given by the Trustee by mailing, first class postage prepaid, or delivering by hand to the registered owner of such New Water Bonds to be redeemed a notice of such redemption at its last address as it shall appear upon the books of the Company for the registration and transfer of such New Water Bonds. Any notice of redemption pursuant to said Sections 5, 6 or 7 shall be mailed or delivered by hand as least 30 days and not earlier than 60 days before the redemption date; provided, however, that the registered owner or owners of all New Water Bonds may consent in writing to a shorter notice period, and such consent, if filed with the Trustee, shall be binding upon the Company and such registered owners and their transferees. In the case of any notice of redemption of New Water Bonds pursuant to said Sections 6 or 7, such notice shall state that such redemption is conditional to the same extent and with the same effect, if any, as the notice of redemption of the Water Project Bonds being concurrently redeemed.

SECTION 9. In the event any Water Project Bonds shall be purchased by the Company and surrendered by the Company to the Water Project Bond Trustee for cancellation or shall be otherwise surrendered to the Water Project Bond Trustee for cancellation pursuant to the Water Pollution Control Indenture (except upon exchange for other Water Project Bonds), New Water Bonds equivalent in principal amount to the Water Project Bonds so surrendered shall be deemed to have been paid, but only when and to the extent that (a) such payment of the principal amount of such New Water Bonds shall be noted by an agency of the Company on the schedule of payments on such New Water Bonds and (if such agency is not the Trustee) written notice by such agency of such notation shall have been received by the Trustee or (b) such New Water Bonds shall have been surrendered to and cancelled by the Trustee as provided in Section 11 of this Article One.

SECTION 10. In the event and to the extent the principal of or interest on any Water Project Bonds shall be paid out of funds held by the Water Project Bond Trustee or out of any other funds or shall otherwise be deemed to be paid, an equal amount of principal or interest, as the case may be, payable with respect to an aggregate principal amount of New Water Bonds equal to an aggregate principal amount of such Water Project Bonds shall be deemed to have been paid, but, in the case of such payment of

principal of such New Water Bonds, only when and to the extent that (a) such payment of the principal amount thereof shall be noted by any agency of the Company on the schedule of payments on such New Water Bonds and (if such agency is not the Trustee) written notice by such agency of such notation shall have been received by the Trustee or (b) such New Water Bonds shall have been surrendered to and cancelled by the Trustee as provided in Section 11 of this Article One.

SECTION 11. When payment of any principal amount of a New Water Bond is made as provided in Section 9 or 10 of this Article One, the registered owner thereof shall surrender it to an agency of the Company for notation and notification or to the Trustee for cancellation as provided in such Section. All New Water Bonds deemed to have been paid in full as provided in Section 9 or 10 of this Article One shall be surrendered to the Trustee for cancellation and the Trustee shall forthwith cancel the same. In the event that part of a New Water Bond shall be deemed to have been paid as provided in said Section 9 or 10, the registered owner may at its option surrender such New Water Bond to the Trustee for cancellation, in which event the Trustee shall cancel such New Water Bond and the Company shall execute and the Trustee shall authenticate and deliver, without charge to the registered owner, New Water Bonds in such authorized denominations as shall be specified by the registered owner in an aggregate principal amount equal to the unpaid balance of the principal amount of such surrendered New Water Bond.

SECTION 12. Except as in this Forty-Third Supplemental Indenture otherwise provided with respect to any matter or question, the provisions of Article Ten of the First Mortgage as amended shall be applicable in the case of the redemption of all or any part of the New Water Bonds at any time outstanding. The term "officers' certificate as used in this Article One shall mean a certificate signed by the President or a Vice President and any other Vice President, the Treasurer, Assistant Treasurer, the Secretary or Assistant Secretary or any other officer of the Company.

SECTION 13. The New Water Bonds shall be in fully registered form only. The form of the New Water Bonds, and of the Trustee's certificate of authentication thereon, shall be substantially as set forth in Exhibit A.

ARTICLE TWO.

BONDS OF THE 4.80% POLLUTION CONTROL SERIES 2005-B DUE 2034 AND ISSUE THEREOF.

SECTION 1. There shall be a series of Bonds designated "4.80% Pollution Control Series 2005-B Due 2034", each of which shall bear the descriptive title First Mortgage Bond. The aggregate principal amount of New Air Bonds which may be outstanding under the First Mortgage as amended and this Forty-Third Supplemental

Indenture shall be limited to \$137,800,000, except as provided in Section 9 of Article Two of the First Mortgage as amended.

SECTION 2. Upon the execution and delivery of this Forty-Third Supplemental Indenture and upon delivery of \$137,800,000 aggregate principal amount of the New Air Bonds, executed by the Company, and upon compliance by the Company with the provisions of Article Five, Article Six or Article Seven or any or all of said Articles, as the case may be, of the First Mortgage as amended, the Trustee shall, without awaiting the filing or recording of this Forty-Third Supplemental Indenture, authenticate the New Air Bonds and deliver the New Air Bonds as provided in said Article Five, Article Six or Article Seven.

SECTION 3. The New Air Bonds shall be dated as provided in Section 3 of Article Two of the First Mortgage as amended; shall mature on January 1, 2034; and shall bear interest from August 17, 2005 as provided in said Section 3 of Article Two at the rate of four and eighty hundredths per centum (4.80%) per annum until paid or redeemed as hereinafter provided, payable on January 1, 2006 and thereafter semi-annually on each January 1 and July 1, and on the maturity date, to the Bondholders in whose names such New Air Bonds are registered at the close of business on the Business Day immediately preceding such January 1 or July 1, except that if the Company shall default in the payment of any installment of interest on any New Air Bonds, such interest in default shall be paid to the Bondholders in whose names the New Air Bonds are registered at the close of business on a date established for the payment of such defaulted interest by the Company in any lawful manner. The New Air Bonds shall be payable as to both principal and interest in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts, at the office or agency of the Company in the Borough of Manhattan, The City of New York. The amount of interest payable for any period will be computed on the basis of a 360-day year consisting of twelve 30-day months. In the event that any date on which principal or interest is payable on the New Air Bonds is not a Business Day (as defined below), the payment of the principal or interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on the date the payment was originally payable. "Business Day" means any day, other than a Saturday or Sunday, or a day on which banking institutions or trust companies in The City of New York are generally authorized or required by law, regulation or executive order to remain closed or a day on which the corporate trust office of the Trustee is closed for business.

SECTION 4. The New Air Bonds shall be issued in denominations of \$5,000 and any integral multiple of \$5,000.

Whenever any New Air Bond or New Air Bonds shall be surrendered at the office or agency of the Company in said Borough of Manhattan for exchange for a New Air Bond or New Air Bonds of other authorized denomination or denominations, the Company shall execute, and the Trustee shall authenticate and deliver, upon cancellation of the New Air Bond or New Air Bonds so surrendered, a New Air Bond or New Air Bonds of such other authorized denomination or denominations of like aggregate

principal amount as the Bondholder making the exchange shall have requested and shall be entitled to receive. On presentation of any New Air Bond which is to be redeemed pursuant to the provisions of Section 5 of this Article Two in part only, the Company shall execute, and the Trustee shall authenticate and deliver, a New Air Bond or New Air Bonds in principal amount equal to the unredeemed portion of the New Air Bond so presented.

The Company shall not be required to (a) register a transfer of, or exchange, any New Air Bond during a period of fifteen (15) days next preceding any selection of New Air Bonds to be redeemed or (b) register a transfer of, or exchange, any New Air Bond which shall have been selected for redemption in whole or in part.

A service charge will not be made for any registration of transfer or exchange of New Air Bonds, but the Company may require payment of a sum sufficient to cover any stamp tax or other governmental charge payable in connection therewith.

Until definitive New Air Bonds shall be ready for delivery, the Company may execute and, upon request of the Company, the Trustee shall authenticate and deliver, in lieu of such definitive New Air Bonds but subject to the same provisions, limitations and conditions except as to the denominations thereof, temporary printed or lithographed New Air Bonds as provided in Section 8 of Article Two of the First Mortgage as amended. Such temporary New Air Bonds shall be exchangeable for definitive New Air Bonds, when ready for delivery, in the manner provided in the First Mortgage as amended, and shall in all other respects be subject to and entitled to the benefits of the terms and provisions and lien of this Forty-Third Supplemental Indenture, and the terms and provisions and lien of the First Mortgage as amended as therein provided.

SECTION 5. The New Air Bonds shall be subject to mandatory redemption by the Company prior to maturity at any time in whole or in part at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, upon receipt by the Trustee of notice from the Air Project Bond Trustee to the effect that (a) the Company is required to deliver moneys to the Air Project Bond Trustee for the redemption of the Air Project Bonds in whole or in part, as the case may be, as provided in Section 6.3 of the Air Pollution Control Agreement and (b) an equivalent principal amount of Air Project Bonds are being concurrently called for redemption. Said notice shall specify the redemption date of such New Air Bonds (which redemption date shall be the same date as the redemption date specified in said notice for the Air Project Bonds being currently redeemed). Any such redemption shall be made upon the notice and in the manner provided in this Article Two, subject to the provisions of the First Mortgage as amended.

SECTION 6. The New Air Bonds shall be subject to redemption, at the option of the Company, prior to maturity at any time, in whole or in part, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, upon receipt by the Trustee of an officers' certificate to the effect that (a) the Company has given notice to the Air Project Trustee that the Company is exercising its option to direct the redemption of Air Project Bonds in whole or in part, as provided in

Section 6.2 of the Air Pollution Control Agreement and (b) an equivalent principal amount of New Air Project Bonds are being concurrently called for redemption. Such officers' certificate shall have attached to it a copy of said notice to the Air Project Bond Trustee and shall specify the redemption date of such New Air Bonds (which redemption date shall be not less than 45 days (unless a shorter period shall be acceptable to the Trustee) after the date of the mailing of such certificate and shall be the same date as the redemption date specified in said attached notice for the Air Project Bonds being concurrently redeemed). Any such redemption shall be made upon the notice, which may be conditional as provided in Section 8 of this Article Two, and in the manner provided in this Article Two, subject to the provisions of the First Mortgage as amended.

SECTION 7. The New Air Bonds shall also be subject to redemption prior to maturity, at the option of the Company, in whole or in part, at anytime on or after July 1, 2015, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

Prior to any such redemption, the Trustee shall have received an officers' certificate to the effect that (a) the Company has given notice to the Trustee that the Company is exercising its option to deliver moneys to the Air Project Bond Trustee for the redemption of Air Project Bonds in whole or in part, as the case may be, as provided in Section 6.1 of the Air Pollution Control Agreement and (b) an equivalent principal amount of Air Project Bonds are being concurrently called for redemption. Such officers' certificate shall specify the principal amount of the New Air Bonds to be redeemed, shall have attached to it a copy of said notice to the Air Project Bond Trustee and shall specify the redemption date of such New Air Bonds (which redemption date shall be not less than 45 days (unless a shorter period shall be acceptable to the Trustee) after the date of the mailing of such certificate and shall be the same date as the redemption date specified in said attached notice for the Air Project Bonds being concurrently redeemed). Any such redemption shall be made upon the notice, which may be conditional as provided in Section 8 of this Article Two, and in the manner provided in this Article Two, subject to the provisions of the First Mortgage as amended.

SECTION 8. Subject to the provisions of the First Mortgage as amended, written notice of redemption of the New Air Bonds pursuant to any of Sections 5, 6 or 7 of this Article Two shall be given by the Trustee by mailing, first class postage prepaid, or delivering by hand to the registered owner of such New Air Bonds to be redeemed a notice of such redemption at its last address as it shall appear upon the books of the Company for the registration and transfer of such New Air Bonds. Any notice of redemption pursuant to said Sections 5, 6 or 7 shall be mailed or delivered by hand as least 30 days and not earlier than 60 days before the redemption date; provided, however, that the registered owner or owners of all New Air Bonds may consent in writing to a shorter notice period, and such consent, if filed with the Trustee, shall be binding upon the Company and such registered owners and their transferees. In the case of any notice of redemption of New Air Bonds pursuant to said Sections 6 or 7, such notice shall state that such redemption is conditional to the same extent and with the same effect, if any, as the notice of redemption of the Air Project Bonds being concurrently redeemed.

SECTION 9. In the event any Air Project Bonds shall be purchased by the Company and surrendered by the Company to the Air Project Bond Trustee for cancellation or shall be otherwise surrendered to the Air Project Bond Trustee for cancellation pursuant to the Air Pollution Control Indenture (except upon exchange for other Air Project Bonds), New Air Bonds equivalent in principal amount to the Air Project Bonds so surrendered shall be deemed to have been paid, but only when and to the extent that (a) such payment of the principal amount of such New Air Bonds shall be noted by an agency of the Company on the schedule of payments on such New Air Bonds and (if such agency is not the Trustee) written notice by such agency of such notation shall have been received by the Trustee or (b) such New Air Bonds shall have been surrendered to and cancelled by the Trustee as provided in Section 11 of this Article Two.

SECTION 10. In the event and to the extent the principal of or interest on any Air Project Bonds shall be paid out of funds held by the Air Project Bond Trustee or out of any other funds or shall otherwise be deemed to be paid, an equal amount of principal or interest, as the case may be, payable with respect to an aggregate principal amount of New Air Bonds equal to an aggregate principal amount of such Air Project Bonds shall be deemed to have been paid, but, in the case of such payment of principal of such New Air Bonds, only when and to the extent that (a) such payment of the principal amount thereof shall be noted by any agency of the Company on the schedule of payments on such New Air Bonds and (if such agency is not the Trustee) written notice by such agency of such notation shall have been received by the Trustee or (b) such New Air Bonds shall have been surrendered to and cancelled by the Trustee as provided in Section 11 of this Article Two.

SECTION 11. When payment of any principal amount of a New Air Bond is made as provided in Section 9 or 10 of this Article Two, the registered owner thereof shall surrender it to an agency of the Company for notation and notification or to the Trustee for cancellation as provided in such Section. All New Air Bonds deemed to have been paid in full as provided in Section 9 or 10 of this Article Two shall be surrendered to the Trustee for cancellation and the Trustee shall forthwith cancel the same. In the event that part of a New Air Bond shall be deemed to have been paid as provided in said Section 9 or 10, the registered owner may at its option surrender such New Air Bond to the Trustee for cancellation, in which event the Trustee shall cancel such New Air Bond and the Company shall execute and the Trustee shall authenticate and deliver, without charge to the registered owner, New Air Bonds in such authorized denominations as shall be specified by the registered owner in an aggregate principal amount equal to the unpaid balance of the principal amount of such surrendered New Air Bond.

SECTION 12. Except as in this Forty-Third Supplemental Indenture otherwise provided with respect to any matter or question, the provisions of Article Ten of the First Mortgage as amended shall be applicable in the case of the redemption of all or any part of the New Air Bonds at any time outstanding. The term "officers' certificate as used in this Article Two shall mean a certificate signed by the President or a Vice President and any other Vice President, the Treasurer, Assistant Treasurer, the Secretary or Assistant Secretary or any other officer of the Company.

SECTION 13. The New Air Bonds shall be in fully registered form only. The form of the New Air Bonds, and of the Trustee's certificate of authentication thereon, shall be substantially as set forth in Exhibit B.

ARTICLE THREE.

BONDS OF THE 4.70% POLLUTION CONTROL SERIES 2005-C DUE 2028 AND ISSUE THEREOF.

SECTION 1. There shall be a series of Bonds designated "4.70% Pollution Control Series 2005-C Due 2028", each of which shall bear the descriptive title First Mortgage Bond. The aggregate principal amount of the New Boone County Bonds which may outstanding under the First Mortgage as amended and this Forty-Third Supplemental Indenture shall be limited to \$35,275,000, except as provided in Section 9 of Article Two of the First Mortgage as amended.

SECTION 2. Upon the execution and delivery of this Forty-Third Supplemental Indenture and upon delivery of \$35,275,000 aggregate principal amount of the New Boone County Bonds, executed by the Company, and upon compliance by the Company with the provisions of Article Five, Article Six or Article Seven or any or all of said Articles, as the case may be, of the First Mortgage as amended, the Trustee shall, without awaiting the filing or recording of this Forty-Third Supplemental Indenture, authenticate the New Boone County Bonds and deliver the New Boone County Bonds as provided in said Article Five, Article Six or Article Seven.

SECTION 3. The New Boone County Bonds shall be dated as provided in Section 3 of Article Two of the First Mortgage as amended; shall mature on January 1, 2028; and shall bear interest from August 17, 2005 as provided in said Section 3 of Article Two at the rate of four and seventy hundredths per centum (4.70%) per annum until paid or redeemed as hereinafter provided, payable on January 1, 2006 and thereafter semi-annually on each January 1 and July 1, and on the maturity date, to the Bondholders in whose names such New Boone County Bonds are registered at the close of business on the Business Day immediately preceding such January 1 or July 1, except that if the Company shall default in the payment of any installment of interest on any New Boone County Bonds, such interest in default shall be paid to the Bondholders in whose names the New Boone County Bonds are registered at the close of business on a date established for the payment of such defaulted interest by the Company in any lawful manner. The New Boone County Bonds shall be payable as to both principal and interest in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts, at the office or agency of the Company in the Borough of Manhattan, The City of New York. The amount of interest payable for any period will be computed on the basis of a 360-day year consisting of twelve 30-day months. In the event that any date on which principal or interest is payable on the New Boone County Bonds is not a Business Day (as defined below), the payment of the principal or interest payable on such date will be made on the next succeeding day which

is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on the date the payment was originally payable. "Business Day" means any day, other than a Saturday or Sunday, or a day on which banking institutions or trust companies in The City of New York are generally authorized or required by law, regulation or executive order to remain closed or a day on which the corporate trust office of the Trustee is closed for business.

SECTION 4. The New Boone County Bonds shall be issued in denominations of \$5,000 and any integral multiple of \$5,000.

Whenever any New Boone County Bond or New Boone County Bonds shall be surrendered at the office or agency of the Company in said Borough of Manhattan for exchange for a New Boone County Bond or New Boone County Bonds of other authorized denomination or denominations, the Company shall execute, and the Trustee shall authenticate and deliver, upon cancellation of the New Boone County Bond or New Boone County Bonds so surrendered, a New Boone County Bond or New Boone County Bonds of such other authorized denomination or denominations of like aggregate principal amount as the Bondholder making the exchange shall have requested and shall be entitled to receive. On presentation of any New Boone County Bond which is to be redeemed pursuant to the provisions of Section 5 of this Article Three in part only, the Company shall execute, and the Trustee shall authenticate and deliver, a New Boone County Bond or New Boone County Bonds in principal amount equal to the unredeemed portion of the New Boone County Bond so presented.

The Company shall not be required to (a) register a transfer of, or exchange, any New Boone County Bond during a period of fifteen (15) days next preceding any selection of New Boone County Bonds to be redeemed or (b) register a transfer of, or exchange, any New Boone County Bond which shall have been selected for redemption in whole or in part.

A service charge will not be made for any registration of transfer or exchange of New Boone County Bonds, but the Company may require payment of a sum sufficient to cover any stamp tax or other governmental charge payable in connection therewith.

Until definitive New Boone County Bonds shall be ready for delivery, the Company may execute and, upon request of the Company, the Trustee shall authenticate and deliver, in lieu of such definitive New Boone County Bonds but subject to the same provisions, limitations and conditions except as to the denominations thereof, temporary printed or lithographed New Boone County Bonds as provided in Section 8 of Article Two of the First Mortgage as amended. Such temporary New Boone County Bonds shall be exchangeable for definitive New Boone County Bonds, when ready for delivery, in the manner provided in the First Mortgage as amended, and shall in all other respects be subject to and entitled to the benefits of the terms and provisions and lien of this Forty-Third Supplemental Indenture, and the terms and provisions and lien of the First Mortgage as amended as therein provided.

SECTION 5. The New Boone County Bonds shall be subject to mandatory redemption by the Company prior to maturity at any time in whole or in part at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, upon receipt by the Trustee of notice from the Boone County Project Bond Trustee to the effect that (a) the Company is required to deliver moneys to the Boone County Project Bond Trustee for the redemption of the Boone County Project Bonds in whole or in part, as the case may be, as provided in Section 6.3 of the Boone County Pollution Control Agreement and (b) an equivalent principal amount of Boone County Project Bonds are being concurrently called for redemption. Said notice shall specify the redemption date of such New Boone County Bonds (which redemption date shall be the same date as the redemption date specified in said notice for the Boone County Project Bonds being currently redeemed). Any such redemption shall be made upon the notice and in the manner provided in this Article Three, subject to the provisions of the First Mortgage as amended.

SECTION 6. The New Boone County Bonds shall be subject to redemption, at the option of the Company, prior to maturity at any time, in whole or in part, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, upon receipt by the Trustee of an officers' certificate to the effect that (a) the Company has given notice to the Boone County Project Bond Trustee that the Company is exercising its option to direct the redemption of Boone County Project Bonds in whole or in part, as provided in Section 6.2 of the Boone County Pollution Control Agreement and (b) an equivalent principal amount of New Boone County Project Bonds are being concurrently called for redemption. Such officers' certificate shall have attached to it a copy of said notice to the Boone County Project Bond Trustee and shall specify the redemption date of such applicable New Boone County Bonds (which redemption date shall be not less than 45 days (unless a shorter period shall be acceptable to the Trustee) after the date of the mailing of such certificate and shall be the same date as the redemption date specified in said attached notice for the Boone County Project Bonds being concurrently redeemed). Any such redemption shall be made upon the notice, which may be conditional as provided in Section 8 of this Article Three, and in the manner provided in this Article Three, subject to the provisions of the First Mortgage as amended.

SECTION 7. The New Boone County Bonds shall also be subject to redemption prior to maturity, at the option of the Company, in whole or in part, at anytime on or after July 1, 2015, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

Prior to any such redemption, the Trustee shall have received an officers' certificate to the effect that (a) the Company has given notice to the Boone County Bond Trustee that the Company is exercising its option to deliver moneys to the Boone County Bond Trustee for the redemption of Boone County Project Bonds in whole or in part, as the case may be, as provided in Section 6.1 of the Boone County Pollution Control Agreement and (b) an equivalent principal amount of Boone County Project Bonds are being concurrently called for redemption. Such officers' certificate shall specify the principal amount of the New Boone County Bonds to be redeemed, shall have attached to

it a copy of said notice to the applicable Boone County Project Bond Trustee and shall specify the redemption date of such New Boone County Bonds (which redemption date shall be not less than 45 days (unless a shorter period shall be acceptable to the Trustee) after the date of the mailing of such certificate and shall be the same date as the redemption date specified in said attached notice for the Boone County Project Bonds being concurrently redeemed). Any such redemption shall be made upon the notice, which may be conditional as provided in Section 8 of this Article Three, and in the manner provided in this Article Three, subject to the provisions of the First Mortgage as amended.

SECTION 8. Subject to the provisions of the First Mortgage as amended, written notice of redemption of the New Boone County Bonds pursuant to any of Sections 5, 6 or 7 of this Article Three shall be given by the Trustee by mailing, first class postage prepaid, or delivering by hand to the registered owner of such New Boone County Bonds to be redeemed a notice of such redemption at its last address as it shall appear upon the books of the Company for the registration and transfer of such New Boone County Bonds. Any notice of redemption pursuant to said Sections 5, 6 or 7 shall be mailed or delivered by hand as least 30 days and not earlier than 60 days before the redemption date; provided, however, that the registered owner or owners of all New Boone County Bonds may consent in writing to a shorter notice period, and such consent, if filed with the Trustee, shall be binding upon the Company and such registered owners and their transferees. In the case of any notice of redemption of New Boone County Bonds pursuant to said Sections 6 or 7, such notice shall state that such redemption is conditional to the same extent and with the same effect, if any, as the notice of redemption of the Boone County Project Bonds being concurrently redeemed.

SECTION 9. In the event any Boone County Project Bonds shall be purchased by the Company and surrendered by the Company to the Boone County Project Bond Trustee for cancellation or shall be otherwise surrendered to the Boone County Project Bond Trustee for cancellation pursuant to the Boone County Pollution Control Indenture (except upon exchange for other Boone County Project Bonds), New Boone County Bonds equivalent in principal amount to the Boone County Bonds so surrendered shall be deemed to have been paid, but only when and to the extent that (a) such payment of the principal amount of such New Boone County Bonds shall be noted by an agency of the Company on the schedule of payments on such New Boone County Bonds and (if such agency is not the Trustee) written notice by such agency of such notation shall have been received by the Trustee or (b) such New Boone County Bonds shall have been surrendered to and cancelled by the Trustee as provided in Section 11 of this Article Three.

SECTION 10. In the event and to the extent the principal of or interest on any Boone County Project Bonds shall be paid out of funds held by the Boone County Project Bond Trustee or out of any other funds or shall otherwise be deemed to be paid, an equal amount of principal or interest, as the case may be, payable with respect to an aggregate principal amount of New Boone County Bonds equal to an aggregate principal amount of such Boone County Project Bonds shall be deemed to have been paid, but, in the case of such payment of principal of such New Boone County Bonds, only when and to the

extent that (a) such payment of the principal amount thereof shall be noted by any agency of the Company on the schedule of payments on such New Boone County Bonds and (if such agency is not the Trustee) written notice by such agency of such notation shall have been received by the Trustee or (b) such New Boone County Bonds shall have been surrendered to and cancelled by the Trustee as provided in Section 11 of this Article Three.

SECTION 11. When payment of any principal amount of a New Boone County Bond is made as provided in Section 9 or 10 of this Article Three, the registered owner thereof shall surrender it to an agency of the Company for notation and notification or to the Trustee for cancellation as provided in such Section. All New Boone County Bonds deemed to have been paid in full as provided in Section 9 or 10 of this Article Three shall be surrendered to the Trustee for cancellation and the Trustee shall forthwith cancel the same. In the event that part of a New Boone County Bond shall be deemed to have been paid as provided in said Section 9 or 10, the registered owner may at its option surrender such New Boone County Bond to the Trustee for cancellation, in which event the Trustee shall cancel such New Boone County Bond and the Company shall execute and the Trustee shall authenticate and deliver, without charge to the registered owner, New Boone County Bonds in such authorized denominations as shall be specified by the registered owner in an aggregate principal amount equal to the unpaid balance of the principal amount of the such surrendered New Boone County Bond.

SECTION 12. Except as in this Forty-Third Supplemental Indenture otherwise provided with respect to any matter or question, the provisions of Article Ten of the First Mortgage as amended shall be applicable in the case of the redemption of all or any part of the New Boone County Bonds at any time outstanding. The term officers' certificate as used in this Article Three shall mean a certificate signed by the President or a Vice President and any other Vice President, the Treasurer, Assistant Treasurer, the Secretary or Assistant Secretary or any other officer of the Company.

SECTION 13. The New Boone County Bonds shall be in fully registered form only. The form of the New Boone County Bonds, and of the Trustee's certificate of authentication thereon, shall be substantially as set forth in Exhibit C.

ARTICLE FOUR.

AMENDMENTS TO FIRST MORTGAGE AS AMENDED TO BECOME EFFECTIVE AT A LATER DATE OR DATES.

SECTION 1. The Company, and the holders of any New Bonds by their acceptance and holding thereof, hereby consent and agree that each of the amendments provided for by the following Sections 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14 of this Article Four shall become effective on the earliest date on which either (a) there shall not be any Bonds outstanding of 6.35% Series Due 2007, Pollution Control Series 1992-A Due 2027, Pollution Control Series 1992-B Due 2027, Pollution Control Series 1992-C Due 2022 and 5.125% Series Due 2013 or (b) there shall have been executed and delivered a supplemental indenture or indentures embodying said amendment (either

alone or with other amendments) consented to by the holders of seventy-five per centum (75%) in aggregate principal amount of the Bonds at the time outstanding of the series enumerated in the foregoing clause (a), all in conformity with the provisions of Article Eighteen of the First Mortgage as amended.

SECTION 2. Effective on a date fixed as provided in Section 1 of this Article Four, the following definition shall be added to Section 3 of Article One of the First Mortgage as amended after the definition of the term "resolution" reading as follows:

"The term "Board of Directors" shall mean the board of directors of the Company or any committee thereof duly authorized by resolution duly adopted by said board of directors to act in respect of matters relating to this Indenture."

SECTION 3. Effective on a date fixed as provided in Section 1 of this Article Four, the phrase "Board of Directors or the Executive Committee" shall be replaced by the phrase "Board of Directors" in each and every place where such phrase appears in the First Mortgage as amended.

SECTION 4. Effective on a date fixed as provided in Section 1 of this Article Four, Section 7 of Article One of the First Mortgage as amended shall be restated in its entirety to read as follows:

"The term "net earnings certificate", shall mean a certificate signed by the Chairman of the Board or Chief Executive Officer or President or a Vice President of the Company and an accountant, who unless, required to be independent, may be an officer or employee of the Company, stating:

(A) the adjusted net earnings of the Company for a period of twelve (12) consecutive calendar months within the eighteen (18) calendar months immediately preceding the first day of the month in which the application for the authentication and delivery under this Indenture of Bonds then applied for is made, being and specifying:

(1) its operating revenues, which may include revenues collected by the Company subject to possible refund at a future date, with the principal divisions thereof;

(2) its operating expenses, with the principal divisions thereof, including, without limitation, all expenses and accruals for repairs and maintenance and all appropriations out of income for property retirement in respect of all property owned by the Company;

(3) the amount remaining after deducting the amount required to be stated in such certificate by clause (2) of this Section from the amount required to be stated therein by clause (1) of this Section;

(4) its rental revenues (net) not otherwise included in such certificate;

(5) the sum of the amounts required to be stated in such certificate by clauses (3) and (4) of this Section;

(6) its other income or loss (net);

(7) the amount, if any, by which the amount of other income or loss (net) required to be stated in such certificate by clause (6) of this Section exceeds, without regard to whether such net amount constitutes income or loss, ten per centum (10%) of the amount required to be stated in such certificate by clause (5) of this Section;

(8) the amount remaining after reducing the amount required to be stated in such certificate by clause (6) of this Section by the amount required to be stated therein by clause (7) of this Section; and

(9) the adjusted net earnings of the Company for such period of twelve (12) consecutive calendar months (being the sum of the amounts required to be stated in such certificate by clauses (5) and (8) of this Section);

(B) the annual interest requirements, being the interest requirements, if any, for twelve (12) months upon:

(1) all Bonds outstanding hereunder at the date of such certificate, except any for the payment of which the Bonds applied for are to be issued; provided that, if any such series of outstanding Bonds bears interest at a variable rate, then the interest on such series of Bonds shall be computed at the average annual rate in effect for such series during the period of twelve (12) consecutive calendar months (or any portion thereof in which Bonds of such series are outstanding) being used for the calculation of adjusted net earnings; and if such outstanding Bonds have been issued after the end of such twelve (12) consecutive calendar months, then computed at the initial rate upon issuance;

(2) all Bonds then applied for in pending applications, including the application in connection with which such certificate is made, computed at the initial rate upon issuance;

(3) the principal amount of all other indebtedness (except indebtedness for the payment of which the Bonds applied for are to be issued and indebtedness for the purchase, payment or redemption of which moneys in the necessary amount shall have been deposited with or be held by the Trustee or the trustee or other holder of a lien prior to the lien of this Indenture upon property subject to the lien of this Indenture with irrevocable direction so to apply the same; provided that, in the case of redemption, the notice required therefor shall have been given or have been provided for to the satisfaction of the Trustee), outstanding in the hands of the public on the date of such certificate and secured by a lien prior to the lien of this Indenture upon property subject to the lien of this Indenture, if said indebtedness has been assumed by the Company or if the Company customarily pays the interest upon the principal thereof.

In calculating such adjusted net earnings, all the Company's expenses for taxes (other than income, profits and other taxes measured by, or dependent on, net income), assessments, rentals and insurance shall be included in its operating expenses, or otherwise deducted from its revenues and income; provided, however, that no expenses or provisions for interest on any of its indebtedness or for the amortization of debt discount, premium and expense, or loss on reacquired debt, amortization of property (other than depreciation or other similar provisions for property retirement), or for other amortization, or for any other extraordinary charge to income of whatever kind or nature, or for refunds of revenues previously collected by the Company subject to possible refund, or for any improvement or sinking fund or other device for the retirement of any indebtedness, shall be required to be included in operating expenses to be deducted from, or shall be otherwise required to be deducted from, its revenues or its other income and no extraordinary items of any kind or nature shall be included in calculating such adjusted net earnings.

If any of the property of the Company owned by it at the time of the making of any net earnings certificate shall have been acquired during or after any period for which adjusted net earnings of the Company are to be computed, the adjusted net earnings of such property (computed in the manner in this Section provided for the computation of the adjusted net earnings of the Company) during such period or such part of such period as shall have preceded the acquisition thereof, to the extent that the same have not otherwise been included and unless such property shall have been acquired in exchange or substitution for property the earnings of which have been included, may, at the option of the Company, be included in the adjusted net earnings of the Company for all purposes of this Indenture, and shall be included if such property has been operated as a separate unit or if the earnings therefrom are readily ascertainable.

In any case where a net earnings certificate is required as a condition precedent to the authentication and delivery of Bonds, such certificate shall also be made and signed by an independent public accountant, if the aggregate principal amount of Bonds then applied for plus the aggregate principal amount of Bonds authenticated and delivered hereunder since the commencement of the then current calendar year (other than those with respect to which a net earnings certificate is not required, or with respect to which a net earnings certificate made and signed by an independent public accountant has previously been furnished to the Trustee) is ten per centum (10%) or more of the aggregate principal amount of the Bonds at the time outstanding hereunder; but no net earnings certificate need be made and signed by any person other than the Chairman of the Board or Chief Executive Officer or President or a Vice President and an accountant, as to dates or periods not covered by annual reports required to be filed by the Company, in the case of conditions precedent which depend upon a state of facts as of a date or dates or for a period or periods different from that required to be covered by such annual reports.

Each such certificate shall include the statements required by Section 1 of Article Twenty hereof.

The phrase "appropriations out of income for property retirement", and other phrases, of similar import shall be deemed to include not only charges made upon a retirement accounting theory but also charges made on any depreciation or other accounting theory intended to provide for retirement of property.

Unless otherwise specifically provided with respect to a series of Bonds, if interest on any Bonds outstanding hereunder is payable solely in the coin or currency of a foreign nation, then the annual interest requirements for such Bonds shall be based upon the estimated value (on a date within 10 days prior to the date of the application for the authentication and delivery under this Indenture of Bonds in connection with which such net earnings certificate is delivered) of such foreign coin or currency in The City of New York, New York, in the written opinion of an independent appraiser or other expert delivered to the Trustee."

SECTION 5. Effective on a date fixed as provided in Section 1 of this Article Four, Section 5 of Article Five of the First Mortgage as amended shall be restated in its entirety to read as follows:

"No Bonds shall be authenticated and delivered upon the basis of property additions unless, as shown by a net earnings certificate, the adjusted net earnings of the Company for the twelve consecutive calendar months' period therein referred to shall have been in the aggregate at least equivalent to twice the annual interest requirements as shall be specified, pursuant to the provisions of subdivision (B) of Section 7 of Article One hereof, in such net earnings certificate."

SECTION 6. Effective on a date fixed as provided in Section 1 of this Article Four, Article Six of the First Mortgage as amended shall be amended by deleting a parenthetical appearing after the phrase "sinking fund provisions of any indenture supplemental hereto" and before the phrase ", the Trustee shall authenticate and deliver additional Bonds."

SECTION 7. Effective on a date fixed as provided in Section 1 of this Article Four, Section 2 of Article Eight of the First Mortgage as amended shall be amended to delete the second paragraph of such Section 2.

SECTION 8. Effective on a date fixed as provided in Section 1 of this Article Four, Article Ten of the First Mortgage as amended shall be amended as follows:

(a) Section 2 of Article Ten shall be amended by deleting the second, third and fourth sentences thereof and inserting in lieu thereof the following:

"Notice of redemption shall be mailed to each holder of the Bonds to be redeemed, at the address of such holder as it appears in the registry books, not less than 30 nor more than 60 days prior to the date of redemption. Failure duly to mail such notice to the owner or holder of any Bond designated for redemption in whole or in part shall not affect the validity of the proceedings for the redemption of any other Bond.

With respect to any notice of redemption of the Bonds at the election of the Company such notice may state that such redemption shall be conditional upon the receipt by the paying agent or agents for such Bonds, on or prior to the date fixed for such redemption, of money sufficient to pay the principal of and premium, if any, and interest, if any, on such Bonds and that if such money shall not have been so received such notice shall be of no force or effect and the Company shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such money is not so received, the redemption shall not be made and within a reasonable time thereafter notice shall be given, in the manner in which the notice of redemption was given, that such money was not so received and such redemption was not required to be made, and the paying agent or agents for the Bonds otherwise to have been redeemed shall promptly return to the holders thereof any of such Bonds which had been surrendered for payment upon such redemption.

Notice of redemption of the Bonds to be redeemed at the election of the Company, and any notice of non-satisfaction of a condition for redemption as aforesaid, shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company. Notice of any mandatory redemption of the Bonds shall be given by the Trustee in the name and at the expense of the Company."

(b) The first paragraph of Section 3 of Article Ten shall be restated in its entirety to read as follows:

"Notice of redemption having been given as aforesaid, and the conditions, if any, set forth in such notice having been satisfied, the Bonds or portions thereof so to be redeemed shall, on the date of redemption, become due and payable at the redemption price therein specified, and from and after such date (unless, in the case of an unconditional notice of redemption, the Company shall default in the payment of the redemption price and accrued interest, if any) such Bonds or portions thereof, if interest-bearing, shall cease to bear interest. Upon surrender of any such Bond for redemption in accordance with such notice, such Bond or portion thereof shall be paid by the Company at the redemption price, together with accrued interest, if any, to the date of redemption; provided, however, that no such surrender shall be a condition to such payment if so specified with respect to such Bond in a supplemental indenture establishing the terms of such Bond."

(c) Clause (b) of the second paragraph of Section 3 of Article Ten shall be restated in its entirety to read as follows:

"(b) furnish to the Trustee a Treasurer's Certificate stating that notice of redemption of such Bonds on a specified date has been given as heretofore provided, or that arrangements have been made insuring to the satisfaction of the Trustee that the notice will be given or, in lieu of such arrangements, shall deliver to the Trustee a written instrument executed by the Company and expressed to be

irrevocable, authorizing the Trustee to cause the mailing of such notice for and on behalf of the Company, and”

(d) Clause (c) of Section 3 of Article Ten shall be amended by deleting the word “publications” in the fourth line thereof and inserting the phrase “mailing of notice of redemption.”

(e) Section 5 of Article Ten shall be amended in its entirety to read as follows:

“SECTION 5. Except as may be otherwise provided in any indenture supplemental hereto, at any time, upon the written request of the Company, expressed by a Treasurer’s Certificate, the Trustee shall, to the extent that such Bonds are available for such purchase, apply all or any part of the cash held by it under any provision of this Indenture (except moneys deposited for the payment or redemption of a particular series of Bonds) to the purchase of Bonds then outstanding hereunder of such series as the Company may designate. Before making any such purchase the Trustee may, and upon request of the Company shall, by notice published once in one daily newspaper of general circulation in the Borough of Manhattan, The City of New York, customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays, advertise for written proposals (to be received by it on or before a specified date) to sell to it on or before a subsequent specified date Bonds of the series designated by the Company then outstanding hereunder, and the Trustee, to the extent, as nearly as is possible, of such funds then in its hands and requested by the Company to be so applied, shall purchase the Bonds so offered at the price or prices most favorable to the Company, and reasonable notice shall be mailed by the Trustee to the holder or holders of the Bonds whose proposals shall have been accepted. The Trustee shall, upon request of the Company, invite offers of Bonds for sale to it in any other usual manner. The Trustee, upon request of the Company, shall reject any or all proposals in whole or in part if on the same day after opening said proposals the Company has notified the Trustee that the Trustee can purchase the requisite amount of such Bonds or any part thereof at a price more favorable to the Company than it could by accepting said proposals. All offers by holders shall be subject to acceptance of a proposal thereof unless otherwise expressed in the offers and all advertisements for written proposals shall so state.”

SECTION 9. Effective on a date fixed as provided in Section 1 of this Article Four, Section 3 of Article Fifteen of the First Mortgage as amended shall be restated its entirety to read as follows:

“SECTION 3. Unless, in the case of a consolidation, merger, conveyance or other transfer contemplated by Section 1 of this Article Fifteen, the indenture or instrument of assumption that may be executed by the successor corporation as in Sections 1 and 2 of this Article Fifteen

provided, or in Article Eighteen expressly provided otherwise, neither this Indenture nor such indenture or instrument of assumption shall become or be, or be required to become or be, a lien upon any of the properties:

(a) owned by the successor corporation or any other party to such transaction (other than the Company) immediately prior to the time of effectiveness of such transaction or

(b) acquired by the successor corporation at or after the time of effectiveness of such transaction,

except, in either case, properties acquired from the Company in or as a result of such transaction and improvements, extensions and additions to such properties and renewals, replacements and substitutions of or for any part or parts thereof."

SECTION 10. Effective on a date fixed as provided in Section 1 of this Article Four, Section 2 of Article Sixteen of the First Mortgage as amended shall be restated in its entirety to read as follows:

"SECTION 2. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 4 of this Article Sixteen.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 4 of this Article Sixteen 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 an instrument in writing filed with the Trustee and signed by the holders of a majority in principal amount of the Bonds then outstanding, and a copy of such instrument shall be delivered to the Company.

(d) If at any time:

- (1) the Trustee shall fail to comply with Section 7 of this Article Sixteen after written request therefor by the Company or by any holder who has been a bona fide holder for at least six months, or
- (2) the Trustee shall cease to be eligible under Section 5 of this Article Sixteen or Section 310(a) of the Trust Indenture Act

and shall fail to resign after written request therefor by the Company or by any such holder, or

- (3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or 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, in any such case, (x) the Company by a resolution of its Board of Directors may remove the Trustee with respect to all Bonds or (y), any holder who has been a bona fide holder 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 with respect to all Bonds and the appointment of a successor Trustee or Trustees.

If an instrument of acceptance by a successor Trustee required by Section 4 of this Article Sixteen shall not have been delivered to the Trustee within 30 days after the giving of such notice of removal, the Trustee being removed may petition any court of competent jurisdiction for 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 (other than as contemplated by clause (y) in subsection (d) or this Section), the Company, by resolution of its Board of Directors, shall promptly appoint a successor Trustee or Trustees and shall comply with the applicable requirements of Section 4 of this Article Sixteen. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by an instrument in writing filed with the retiring Trustee and signed by the holders of a majority in principal amount of the Bonds then outstanding, and a copy of such instrument shall be delivered to the Company, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 4 of this Article Sixteen, become the successor Trustee and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the holders and accepted appointment in the manner required by Section 4 of this Article Sixteen, any holder who has been a bona fide holder of a Bond for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) So long as no event which is, or after notice or lapse of time, or both, would become, a completed default shall have occurred and be continuing, and except with respect to a Trustee appointed by the holders of a majority in principal amount of the Bonds then outstanding pursuant to subsection (e) of this Section, if the Company shall have delivered to the Trustee (i) resolutions of its Board of Directors appointing a successor Trustee, effective as of a date specified therein, and (ii) an instrument of acceptance of such appointment, effective as of such date, by such successor Trustee in accordance with Section 4 of this Article Sixteen, the Trustee shall be deemed to have resigned as contemplated in subsection (b) of this Section, the successor Trustee shall be deemed to have been appointed by the Company pursuant to subsection (e) of this Section and such appointment shall be deemed to have been accepted as contemplated in Section 4 of this Article Sixteen, all as of such date, and all other provisions of this Section and Section 4 of this Article Sixteen shall be applicable to such resignation, appointment and acceptance except to the extent inconsistent with this subsection (f).

(g) The Company shall mail notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all holders of Bonds at the address of such holder as it appears in the registry books. Each notice shall include the name of the successor Trustee and the address of its corporate trust office."

SECTION 11. Effective on a date fixed as provided in Section 1 of this Article Four, Section 3 of Article Sixteen of the First Mortgage as amended shall be restated in its entirety to read as follows:

"SECTION 3. 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 the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds."

SECTION 12. Effective on a date fixed as provided in Section 1 of this Article Four, Section 4 of Article Sixteen of the First Mortgage as amended shall be restated in its entirety to read as follows:

“SECTION 4. (a) In case of the appointment hereunder of a successor Trustee, every such successor Trustee so appointed 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 and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of all sums owed to it, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien to secure the amounts due to such retiring Trustee provided for in Section 1 of this Article Sixteen.

(b) Upon request of any such successor Trustee, the Company shall execute any instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in subsection (a) of this Section.

(c) 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.”

SECTION 13. Effective on a date fixed as provided in Section 1 of this Article Four, Section 2 of Article Eighteen of the First Mortgage as amended shall be amended to (i) replace the phrase “at least seventy-five per centum (75%)” with the phrase “a majority” in all places where such phrase appears therein, (ii) delete the first sentence of the second paragraph thereof and replace it with the sentence reading as follows:

“If at any time the Company shall request the Trustee to enter into any supplemental indenture pursuant to the provisions of this Section, the Company shall cause notice of the proposed execution of such supplemental indenture to be mailed to the registered owners of any Bonds entitled to approve or consent thereto at their addresses appearing on the bond registry books.”;

and (iii) delete the words “first publication” from the second line of the third paragraph thereof and replace it with the words “the mailing”.

SECTION 14. Effective on a date fixed as provided in Section 1 of this Article Four, Section 3 of Article Twenty-One of the First Mortgage as amended shall be restated in its entirety to read as follows:

“SECTION 3. Any money deposited with the Trustee or any paying agent, or then held by the Company, in trust for the payment of the principal of

and premium, if any, or interest, if any, on any Bond and remaining unclaimed for two years after such principal and premium, if any, or interest, if any, has become due and payable shall to the extent permitted by law be paid to the Company upon a written request of the Company, or, if then held by the Company, shall be discharged from such trust; and, upon such payment or discharge, the holder of such Bond shall, as an unsecured general creditor and not as the holder of an outstanding Bond, look only to the Company for payment of the amount so due and payable and remaining unpaid unless the applicable law provides otherwise, and all liability of the Trustee or such paying agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such paying agent, before being required to make any such payment to the Company, may at the expense of the Company cause to be mailed, on one occasion only, notice to such holder that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such mailing, any unclaimed balance of such money then remaining will be paid to the Company.”

SECTION 15. Any supplemental indentures may contain such other provisions as may be necessary or appropriate to carry into effect the purposes of the amendments provided for by this Article Four or as may be otherwise appropriate and permissible under the provisions of Article Eighteen of the First Mortgage as amended to accomplish the purposes of said amendments. To the extent permitted by Article Eighteen of the First Mortgage as amended, any supplemental indenture may terminate or modify specified obligations of the Company to the holders of the Bonds of a particular series and such amendment will only require the consent by holders of seventy-five per centum (75%) in aggregate principal amount of the Bonds outstanding of said series. Said amendments may effect the purposes herein contemplated either by adding provisions to, or eliminating provisions from, the First Mortgage as amended, or by both adding and eliminating provisions, or may accomplish said purposes in any other appropriate manner.

No further consent of the holders of New Bonds shall be required to effect any of the amendments provided for in, or permitted by, this Article Four.

ARTICLE FIVE.

COVENANTS OF THE COMPANY.

SECTION 1. All covenants and agreements by the Company in the First Mortgage as heretofore and hereby amended are hereby confirmed.

SECTION 2. Promptly after the execution and delivery of this Forty-Third Supplemental Indenture, the Company will take such action with respect to the recording,

filing, re-recording and re-filing of the First Mortgage as amended and this Forty-Third Supplemental Indenture as may be necessary to make effective the lien intended to be created hereby, and will furnish to the Trustee an opinion of counsel selected by the Company and satisfactory to the Trustee (who may be of counsel to the Company) either (a) stating that in the opinion of such counsel such action has been taken with respect to the recording, filing, re-recording and re-filing of the First Mortgage as amended and this Forty-Third Supplemental Indenture as to make effective the lien intended to be created thereby, and reciting the details of such action, or (b) stating that in the opinion of such counsel no such action is necessary to make such lien effective.

ARTICLE SIX.

MISCELLANEOUS.

SECTION 1. The New Bonds may be authenticated and delivered by the Trustee and issued by the Company in advance of the recording or filing of this Forty-Third Supplemental Indenture.

SECTION 2. The provisions of this Forty-Third Supplemental Indenture shall become effective immediately upon the execution and delivery hereof, except that the provisions of Article Four of this Forty-Third Supplemental Indenture modifying and amending the First Mortgage as amended shall become effective on the date or dates fixed as provided in said Article Four. From and after the initial issue of the New Bonds, this Forty-Third Supplemental Indenture shall form a part of the First Mortgage and all the terms and conditions herein contained shall be deemed to be part of the terms of the First Mortgage, as fully and with the same effect as if all the terms and provisions of this Forty-Third Supplemental Indenture, including the provisions which determine the dates on which the amendments herein made shall become effective, had been set forth in the First Mortgage as originally executed. Except as modified or amended by this Forty-Third Supplemental Indenture, the First Mortgage as amended shall remain and continue in full force and effect in accordance with the terms and provisions thereof, and all the covenants, conditions, terms and provisions of the First Mortgage, as heretofore modified and amended and as further modified and amended by this Forty-Third Supplemental Indenture, shall be applicable with respect to the New Bonds, except insofar as such covenants, conditions, terms and provisions are limited and applicable only to the Bonds of another or other series, or are expressed to continue only so long as Bonds of another or other series are outstanding, and all the covenants, conditions, terms and provisions of the First Mortgage as amended with respect to the Trustee shall remain in full force and effect and be applicable to the Trustee under this Forty-Third Supplemental Indenture in the same manner as though set out herein at length. All representations and recitals contained in this Forty-Third Supplemental Indenture and in the New Bonds (save only the Trustee's certificates upon said New Bonds) are made by and on behalf of the Company, and the Trustee is in no way responsible therefor or for any statement therein contained.

SECTION 3. The terms defined in Article One of the First Mortgage as heretofore and hereby amended, when used in this Forty-Third Supplemental Indenture, shall, respectively, have the meanings set forth in said Article One.

SECTION 4. This Forty-Third Supplemental Indenture may be simultaneously executed in several counterparts and each counterpart shall be an original instrument.

IN WITNESS WHEREOF, THE DAYTON POWER AND LIGHT COMPANY has caused this instrument to be signed on its behalf by its President or a Vice President and its corporate seal to be hereunto affixed and attested by its Secretary or an Assistant Secretary, in the City of Dayton, Ohio, and THE BANK OF NEW YORK has caused this instrument to be signed on its behalf by a Vice President or an Assistant Vice President and its corporate seal to be hereunto affixed and attested by a Vice President, Assistant Vice President or an Assistant Treasurer, in The City of New York, New York, as of the day and year first above written.

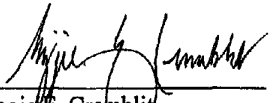
THE DAYTON POWER AND LIGHT
COMPANY

By


John J. Gillen
Senior Vice President
and Chief Financial Officer

[SEAL]

Attest:

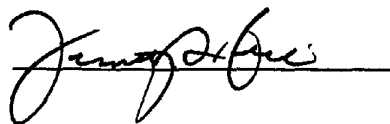

Miggie E. Cramblit

Vice President, General Counsel and Corporate Secretary

Signed and acknowledged in our presence by

The Dayton Power and Light Company.


Mary C. Mitchell


James P. [unclear]

THE BANK OF NEW YORK,

as Trustee

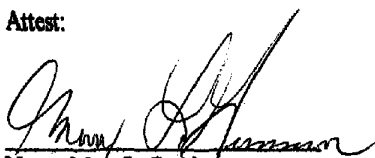
By



Patricia Gallagher
Vice President

[SEAL]

Attest:



Name: Mary LaGumina
Title: Vice President

Signed and acknowledged in our presence by
The Bank of New York.



BEATA HRYNIEWICKA



REMO J. REALE
VICE PRESIDENT

STATE OF OHIO,) ss.:
COUNTY OF MONTGOMERY,)

On this 17th day of August, 2005, personally appeared before me, a Notary Public within and for said County in the State aforesaid, John J. Gillen, and Miggie E. Cramblit, to me known and known to me to be, respectively, the Senior Vice President and Chief Financial Officer and the Vice President, General Counsel and Corporate Secretary of THE DAYTON POWER AND LIGHT COMPANY, one of the corporations which executed the foregoing instrument, who severally acknowledged that they did sign and seal said instrument as such Senior Vice President and Chief Financial Officer and Vice President, General Counsel and Corporate Secretary for and on behalf of said corporation and that the same is their free act and deed as such Senior Vice President and Chief Financial Officer and Vice President, General Counsel and Corporate Secretary, respectively, and the free and corporate act and deed of said corporation; and said John J. Gillen, being by me duly sworn, did depose and say: that he resides in Delaware County, Pennsylvania; that he is the Senior Vice President and Chief Financial Officer of THE DAYTON POWER AND LIGHT COMPANY, one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

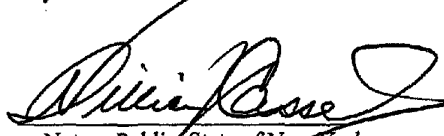
[SEAL]

STATE OF NEW YORK,)
COUNTY OF NEW YORK,) ss.:

On this 17th day of August, 2005, personally appeared before me, a Notary Public within and for said County in the State aforesaid, Patricia Gallagher and Mary LaGumina, to me known and known to me to be, respectively, a Vice President and a Vice President of THE BANK OF NEW YORK, one of the corporations which executed the foregoing instrument, who severally acknowledged that they did sign and seal said instrument as such Vice President and Vice President for and on behalf of said corporation and that the same is their free act and deed as such Vice President and Vice President, respectively, and the free and corporate act and deed of said corporation; and said Patricia Gallagher being by me duly sworn, did depose and say: that she resides in NEW YORK NY; that she is a Vice President of THE BANK OF NEW YORK, one of the corporations described in and which executed the above instrument; that she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of such corporation; and that she signed his name thereto by like order.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

[SEAL]


Notary Public, State of New York
No. 01CA 5027729
Qualified in Bronx County
Certificate filed in New York County
Commission Expires MAY 18, 2006

This instrument prepared by

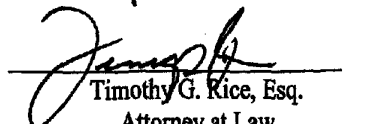

Timothy G. Rice, Esq.
Attorney at Law
The Dayton Power and Light Company
1065 Woodman Drive
Dayton, Ohio 45432

EXHIBIT A
[FORM OF NEW WATER BOND]

No. § _____

THE DAYTON POWER AND LIGHT COMPANY
(Incorporated under the laws of the State of Ohio)

First Mortgage Bond,
4.80% Pollution Control Series 2005-A Due 2034
Due January 1, 2034

THE DAYTON POWER AND LIGHT COMPANY, a corporation of the State of Ohio (hereinafter called the Company), for value received, hereby promises to pay to _____ or registered assigns, on January 1, 2034, at the office or agency of the Company in the Borough of Manhattan, The City of New York, _____ Dollars in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts, and to pay to the registered owner hereof interest thereon from the interest payment date to which interest has been paid last preceding the date hereof (unless the date hereof is an interest payment date to which interest has been paid, in which case from the date hereof, or unless the date hereof is prior to January 1, 2006, in which case from August 17, 2005), at the rate of Four and Eighty Hundredths per centum (4.80%) per annum in like coin or currency, payable at said office or agency semiannually on January 1 and July 1 in each year, and at maturity, until the Company's obligation with respect to the payment of such principal shall have been discharged, such interest to be paid to the person who shall have been the registered owner hereof at the close of business on the Business Day (as defined in Section 3 of Article One of the Forty-Third Supplemental Indenture referred to below) immediately preceding such January 1 or July 1, as the case may be (subject to certain exceptions provided in the Forty-Third Supplemental Indenture referred to herein). The amount of interest payable for any period will be computed on the basis of a 360-day year consisting of twelve 30-day months. In the event that any date on which principal or interest is payable on this Bond is not a Business Day, the payment of the principal or interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on the date the payment was originally payable.

This Bond is one of an issue of First Mortgage Bonds (hereinafter called the Bonds) of the Company issued and to be issued in series under and pursuant to and equally secured by an

indenture of mortgage and deed of trust dated as of October 1, 1935, executed by the Company to Irving Trust Company, as Trustee (now The Bank of New York), as said indenture has been amended and supplemented as hereinafter stated, and is one of a series of said First Mortgage Bonds, which series is designated as the First Mortgage Bonds, 4.80% Pollution Control Series 2005-A Due 2034, of the Company (hereinafter called the New Water Bonds) created and described in a Forty-Third Supplemental Indenture dated as of August 1, 2005, executed by the Company to The Bank of New York, as Trustee. Subsequent to the execution and delivery of said indenture of mortgage and deed of trust there have been executed and delivered forty-three indentures supplemental thereto, including said Forty-Third Supplemental Indenture dated as of August 1, 2005, supplementing and amending as therein set forth certain provisions thereof. Said indenture of mortgage and deed of trust and such supplemental indentures collectively are hereinafter sometimes called the "Indenture".

For a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the Bonds and of the Trustee therein and thereto, the duties and immunities of the Trustee, and the terms and conditions upon which the Bonds are issued and secured, reference is hereby made to the Indenture. The rights and obligations of the Company and of the holders and registered owners of the Bonds of this issue may be modified or amended at the request of the Company by an indenture or indentures supplemental to the Indenture, executed pursuant to the consent in writing of the holders or registered owners of at least 75% in principal amount of the Bonds then outstanding affected by such modification or amendment, all in the manner and subject to the limitations set forth in the Indenture, any consent by the holder or registered owner of any Bond being conclusive and binding upon such holder or registered owner and upon all future holders and owners of such Bond, irrespective of whether or not any notation of such consent is made upon such Bond; provided that no such modification or amendment by such supplemental indenture shall extend the maturity of, or reduce the rate of interest on, or otherwise modify the terms of payment of the principal or interest of, this Bond, which obligations are absolute and unconditional, nor permit the creation of any lien ranking prior to or equal with the lien of the Indenture on any of the mortgaged property. The New Water Bonds are to be issued by the Company to the Ohio Water Development Authority (hereinafter called the Water Authority) to evidence and secure the obligations of the Company to repay the loan of the proceeds of the sale of the Water Project Bonds (as hereinafter defined) made by the Water Authority to the Company, pursuant to a certain Loan Agreement, dated as of August 1, 2005, between the Water Authority and the Company, to assist in the refinancing of the Company's portion of the cost of acquisition, construction and installation of certain waste water facilities and solid waste facilities (as such terms are defined and used in Sections 6121.01 and 6123.01, respectively, of the Ohio Revised Code) installed in connection with Unit 2 of the Killen Generating Station located in Adams County, Ohio as to which the Company at the date of the Forty-Third Supplemental Indenture owned an undivided 67% interest as tenant in common with another public utility company, the O. H. Hutchings Generating Station located in Montgomery County, Ohio as to which the Company at the date hereof owns 100% of the station, and the J. M. Stuart Generating Station located in Brown County, Ohio as to which the Company at the date hereof owns an undivided 35% interest as a tenant in common with two other public utilities (such interests in said facilities being hereinafter called the Water Project). The loan by the Water Authority in respect of the Water Project is to be funded by the proceeds derived from the sale by the Water Authority of State of Ohio Collateralized Water Development Revenue Refunding Bonds, 2005 Series A (The Dayton Power and Light Company Project) in

the aggregate principal amount of \$41,300,000 (hereinafter called the Water Project Bonds). The Water Project Bonds are to be issued under a certain Trust Indenture, dated as of August 1, 2005 (hereinafter called the Water Pollution Control Indenture), between the Water Authority and The Bank of New York, as Trustee (hereinafter in such capacity called the Water Project Bond Trustee) and the New Water Bonds are to be assigned by the Water Authority to the Water Project Bond Trustee as security for the payment of the principal of and interest on the Water Project Bonds and are to be delivered by the Company on behalf of the Water Authority directly to the Water Project Bond Trustee.

In the event any Water Project Bonds shall be surrendered to the Water Project Bond Trustee for cancellation pursuant to the Water Pollution Control Indenture (except upon exchange for other Water Project Bonds), New Water Bonds equivalent in principal amount to such Water Project Bonds shall be deemed to have been paid, but only when and to the extent (a) so noted on the schedule of payments hereon by an agency of the Company and (if such agency is not the Trustee) written notice by such agency of such notation has been received by the Trustee or (b) such New Water Bond is surrendered to and canceled by the Trustee as provided in the next paragraph; and in the event and to the extent the principal of or interest on any Water Project Bonds shall be paid or deemed to be paid, an equal amount of principal or interest, as the case may be, payable with respect to an aggregated principal amount of New Water Bonds equal to the aggregate principal amount of such Water Project Bonds shall be deemed to have been paid, but, in the case of such payment of principal, only when and to the extent (i) so noted on the schedule of payments hereon by an agency of the Company and (if such agency is not the Trustee) written notice by such agency of such notation has been received by the Trustee or (ii) such New Water Bond is surrendered to and canceled by the Trustee as provided in the next paragraph. When any such payment of principal of this Bond is made, it shall be surrendered by the registered owner hereof to an agency of the Company for such notation and notification or to the Trustee for cancellation.

In the event that this Bond shall be deemed to have been paid in full, this Bond shall be surrendered to the Trustee for cancellation. In the event that this Bond shall be deemed to have been paid in part, this Bond may, at the option of the registered owner, be surrendered to the Trustee for cancellation, in which event the Trustee shall cancel this Bond and the Company shall execute and the Trustee shall authenticate and deliver New Water Bonds in authorized denominations in aggregate principal amount equal to the unpaid balance of the principal amount of this Bond.

The New Water Bonds are subject to mandatory redemption by the Company prior to maturity at any time in whole or in part as provided in Section 5 of Article One of the Forty-Third Supplemental Indenture at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

The New Water Bonds are subject to optional redemption by the Company prior to maturity at any time in whole or in part as provided in Section 6 of Article One of the Forty-Third Supplemental Indenture at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

The New Water Bonds are subject to optional redemption by the Company prior to maturity, in whole or in part by lot as provided in Section 7 of Article One of the Forty-Third Supplemental Indenture, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

Any redemption of the New Water Bonds shall be made after written notice to the registered owner of such New Water Bonds, sent by the Trustee by mail, first class postage prepaid, or hand delivered at least 30 days and not earlier than 60 days before the redemption date, unless a shorter notice period is consented to in writing by the registered owner or owners of all New Water Bonds and such consent is filed with the Trustee, and shall be made in the manner provided in Article One of the Forty-Third Supplemental Indenture, subject to the provisions of the First Mortgage as amended.

The principal hereof may be declared or may become due on the conditions, in the manner and at the time set forth in the Indenture, upon the happening of a completed default as provided in the Indenture.

This Bond may be exchanged for a like principal amount of other New Water Bonds, or transferred as prescribed in the Indenture by the registered owner hereof in person, or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York, upon surrender and cancellation of this Bond and thereupon a new registered New Water Bond or New Water Bonds without coupons for a like principal amount and of authorized denominations will be issued in exchange therefore as provided in the Indenture. The Company and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal and interest due hereon and for all other purposes.

No service charge will be made for any such exchange or transfer of New Water Bonds, but the Company may require payment of a sum sufficient to cover any stamp tax or other governmental charge payable in connection therewith.

The New Water Bonds are issuable as registered Bonds without coupons in denominations of \$5,000 and any integral multiple of \$5,000.

No recourse shall be had for the payment of the principal of or interest on, this Bond, or under or upon any obligation, covenant or agreement contained in the Indenture, against any incorporator, or any past, present, or future subscriber to capital stock, shareholder, officer or director, as such, of the Company or of any predecessor or successor corporation, either directly or through the Company or any predecessor or successor corporation, under any present or future rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, shareholders, officers and directors being released by the registered owner hereof by the acceptance of this Bond and being likewise waived and released by the terms of the Indenture.

This Bond shall not become valid or obligatory for any purpose until The Bank of New York, the Trustee under the Indenture, or its successor thereunder, shall have signed the form of certificate endorsed hereon.

IN WITNESS WHEREOF, The Dayton Power and Light Company has caused this Bond to be executed in its name by the manual or facsimile signature of its President or any Vice President and its corporate seal to be hereunto affixed or a facsimile thereof reproduced hereon and attested by the manual or facsimile signature of its Corporate Secretary or an Assistant Corporate Secretary.

Dated:

THE DAYTON POWER AND LIGHT COMPANY,

By: _____
Senior Vice President
and Chief Financial Officer

Attest: _____
Vice President, General Counsel
and Corporate Secretary

TRUSTEE'S CERTIFICATE

This Bond is one of the Bonds of the Series designated therein, described in the within-mentioned Indenture.

THE BANK OF NEW YORK, as Trustee

By: _____
Authorized Signatory

SCHEDULE OF PAYMENTS

<u>Principal Payment</u>	<u>Unpaid Principal Amount</u>	<u>Interest Payment</u>	<u>Agency of the Company Making Notation</u>	<u>Authorized Officer</u>	<u>Title</u>
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EXHIBIT B
[FORM OF NEW AIR BOND]

No.

\$ _____

THE DAYTON POWER AND LIGHT COMPANY
(Incorporated under the laws of the State of Ohio)

First Mortgage Bond,
4.80% Pollution Control Series 2005-B Due 2034
Due January 1, 2034

THE DAYTON POWER AND LIGHT COMPANY, a corporation of the State of Ohio (hereinafter called the Company), for value received, hereby promises to pay to _____ or registered assigns, on January 1, 2034, at the office or agency of the Company in the Borough of Manhattan, The City of New York, _____ Thousand Dollars in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts, and to pay to the registered owner hereof interest thereon from the interest payment date to which interest has been paid last preceding the date hereof (unless the date hereof is an interest payment date to which interest has been paid, in which case from the date hereof, or unless the date hereof is prior to January 1, 2006, in which case from August 17, 2005), at the rate of Four and Eighty Hundredths per centum (4.80%) per annum in like coin or currency, payable at said office or agency semiannually on January 1 and July 1 in each year, and at maturity, until the Company's obligation with respect to the payment of such principal shall have been discharged, such interest to be paid to the person who shall have been the registered owner hereof at the close of business on the Business Day (as defined in Section 3 of Article Two of the Forty-Third Supplemental Indenture referred to below) immediately preceding such January 1 or July 1, as the case may be (subject to certain exceptions provided in the Forty-Third Supplemental Indenture referred to herein). The amount of interest payable for any period will be computed on the basis of a 360-day year consisting of twelve 30-day months. In the event that any date on which principal or interest is payable on this Bond is not a Business Day, the payment of the principal or interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on the date the payment was originally payable.

This Bond is one of an issue of First Mortgage Bonds (hereinafter called the Bonds) of the Company issued and to be issued in series under and pursuant to and equally secured by an

indenture of mortgage and deed of trust dated as of October 1, 1935, executed by the Company to Irving Trust Company, as Trustee (now The Bank of New York), as said indenture has been amended and supplemented as hereinafter stated, and is one of a series of said First Mortgage Bonds, which series is designated as the First Mortgage Bonds, 4.80% Pollution Control Series 2005-B Due 2034, of the Company (hereinafter called the New Air Bonds) created and described in a Forty-Third Supplemental Indenture dated as of August 1, 2005, executed by the Company to The Bank of New York, as Trustee. Subsequent to the execution and delivery of said indenture of mortgage and deed of trust there have been executed and delivered forty-three indentures supplemental thereto, including said Forty-Third Supplemental Indenture dated as of August 1, 2005, supplementing and amending as therein set forth certain provisions thereof. Said indenture of mortgage and deed of trust and such supplemental indentures collectively are hereinafter sometimes called the "Indenture".

For a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the Bonds and of the Trustee therein and thereto, the duties and immunities of the Trustee, and the terms and conditions upon which the Bonds are issued and secured, reference is hereby made to the Indenture. The rights and obligations of the Company and of the holders and registered owners of the Bonds of this issue may be modified or amended at the request of the Company by an indenture or indentures supplemental to the Indenture, executed pursuant to the consent in writing of the holders or registered owners of at least 75% in principal amount of the Bonds then outstanding affected by such modification or amendment, all in the manner and subject to the limitations set forth in the Indenture, any consent by the holder or registered owner of any Bond being conclusive and binding upon such holder or registered owner and upon all future holders and owners of such Bond, irrespective of whether or not any notation of such consent is made upon such Bond; provided that no such modification or amendment by such supplemental indenture shall extend the maturity of, or reduce the rate of interest on, or otherwise modify the terms of payment of the principal or interest of, this Bond, which obligations are absolute and unconditional, nor permit the creation of any lien ranking prior to or equal with the lien of the Indenture on any of the mortgaged property. The New Air Bonds are to be issued by the Company to the Ohio Air Quality Development Authority (hereinafter called the Air Authority) to evidence and secure the obligations of the Company to repay the loan of the proceeds of the sale of the Air Project Bonds (as hereinafter defined) made by the Air Authority to the Company, pursuant to a certain Loan Agreement, dated as of August 1, 2005, between the Air Authority and the Company, to assist in the refinancing of the Company's portion of the cost of refinancing of the Company's portion of the cost of acquisition, construction and installation of certain air quality facilities (as that term is defined and used in Section 3706.01 of the Ohio Revised Code) installed in connection with: Unit 2 of the Killen Generating Station located in Adams County, Ohio as to which the Company at the date hereof owns an undivided 67% interest as tenant in common with another public utility company, the Walter C. Beckjord Generating Station Unit 6 located in Clermont County, Ohio as to which the Company at the date hereof owns an undivided 50% interest as tenant in common with another public utility company, and the William H. Zimmer Generating Station located in Clermont County, Ohio as to which the Company at the date hereof owns an undivided 28.1% interest as tenant in common with two other public utility companies (such interests in said facilities being hereinafter called the Air Project). The loan by the Air Authority in respect of the Air Project is to be funded by the proceeds derived from the sale by the Air Authority of State of Ohio Collateralized Air Quality Development Revenue Refunding Bonds, 2005 Series B (The Dayton

Power and Light Company Project) in the aggregate principal amount of \$137,800,000 (hereinafter called the Air Project Bonds). The Air Project Bonds are to be issued under a certain Trust Indenture, dated as of August 1, 2005 (hereinafter called the Air Pollution Control Indenture), between the Air Authority and The Bank of New York, as Trustee (hereinafter in such capacity called the Air Project Bond Trustee) and the New Air Bonds are to be assigned by the Air Authority to the Air Project Bond Trustee as security for the payment of the principal of and interest on the Air Project Bonds and are to be delivered by the Company on behalf of the Air Authority directly to the Air Project Bond Trustee.

In the event any Air Project Bonds shall be surrendered to the Air Project Bond Trustee for cancellation pursuant to the Air Pollution Control Indenture (except upon exchange for other Air Project Bonds), New Air Bonds equivalent in principal amount to such Air Project Bonds shall be deemed to have been paid, but only when and to the extent (a) so noted on the schedule of payments hereon by an agency of the Company and (if such agency is not the Trustee) written notice by such agency of such notation has been received by the Trustee or (b) such New Air Bond is surrendered to and canceled by the Trustee as provided in the next paragraph; and in the event and to the extent the principal of or interest on any Air Project Bonds shall be paid or deemed to be paid, an equal amount of principal or interest, as the case may be, payable with respect to an aggregated principal amount of New Air Bonds equal to the aggregate principal amount of such Air Project Bonds shall be deemed to have been paid, but, in the case of such payment of principal, only when and to the extent (i) so noted on the schedule of payments hereon by an agency of the Company and (if such agency is not the Trustee) written notice by such agency of such notation has been received by the Trustee or (ii) such New Air Bond is surrendered to and canceled by the Trustee as provided in the next paragraph. When any such payment of principal of this Bond is made, it shall be surrendered by the registered owner hereof to an agency of the Company for such notation and notification or to the Trustee for cancellation.

In the event that this Bond shall be deemed to have been paid in full, this Bond shall be surrendered to the Trustee for cancellation. In the event that this Bond shall be deemed to have been paid in part, this Bond may, at the option of the registered owner, be surrendered to the Trustee for cancellation, in which event the Trustee shall cancel this Bond and the Company shall execute and the Trustee shall authenticate and deliver New Air Bonds in authorized denominations in aggregate principal amount equal to the unpaid balance of the principal amount of this Bond.

The New Air Bonds are subject to mandatory redemption by the Company prior to maturity at any time in whole or in part as provided in Section 5 of Article Two of the Forty-Third Supplemental Indenture at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

The New Air Bonds are subject to optional redemption by the Company prior to maturity at any time in whole or in part as provided in Section 6 of Article Two of the Forty-Third Supplemental Indenture at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

The New Air Bonds are subject to optional redemption by the Company prior to maturity in whole or in part by lot as provided in Section 7 of Article Two of the Forty-Third Supplemental

Indenture, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

Any redemption of the New Air Bonds shall be made after written notice to the registered owner of such New Air Bonds, sent by the Trustee by mail, first class postage prepaid, or hand delivered at least 30 days and not earlier than 60 days before the redemption date, unless a shorter notice period is consented to in writing by the registered owner or owners of all New Air Bonds and such consent is filed with the Trustee, and shall be made in the manner provided in Article Two of the Forty-Third Supplemental Indenture, subject to the provisions of the First Mortgage as amended.

The principal hereof may be declared or may become due on the conditions, in the manner and at the time set forth in the Indenture, upon the happening of a completed default as provided in the Indenture.

This Bond may be exchanged for a like principal amount of other New Air Bonds, or transferred as prescribed in the Indenture by the registered owner hereof in person, or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York, upon surrender and cancellation of this Bond and thereupon a new registered New Air Bond or New Air Bonds without coupons for a like principal amount and of authorized denominations will be issued in exchange therefore as provided in the Indenture. The Company and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal and interest due hereon and for all other purposes.

No service charge will be made for any such exchange or transfer of New Air Bonds, but the Company may require payment of a sum sufficient to cover any stamp tax or other governmental charge payable in connection therewith.

The New Air Bonds are issuable as registered Bonds without coupons in denominations of \$5,000 and any integral multiple of \$5,000.

No recourse shall be had for the payment of the principal of or interest on, this Bond, or under or upon any obligation, covenant or agreement contained in the Indenture, against any incorporator, or any past, present, or future subscriber to capital stock, shareholder, officer or director, as such, of the Company or of any predecessor or successor corporation, either directly or through the Company or any predecessor or successor corporation, under any present or future rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, shareholders, officers and directors being released by the registered owner hereof by the acceptance of this Bond and being likewise waived and released by the terms of the Indenture.

This Bond shall not become valid or obligatory for any purpose until The Bank of New York, the Trustee under the Indenture, or its successor thereunder, shall have signed the form of certificate endorsed hereon.

IN WITNESS WHEREOF, The Dayton Power and Light Company has caused this Bond to be executed in its name by the manual or facsimile signature of its President or any Vice President and its corporate seal to be hereunto affixed or a facsimile thereof reproduced hereon and attested by the manual or facsimile signature of its Corporate Secretary or an Assistant Corporate Secretary.

Dated:

THE DAYTON POWER AND LIGHT COMPANY,

By: _____
Senior Vice President
and Chief Financial Officer

Attest: _____
Vice President, General Counsel
and Corporate Secretary

TRUSTEE'S CERTIFICATE

This Bond is one of the Bonds of the Series designated therein, described in the within-mentioned Indenture.

THE BANK OF NEW YORK, as Trustee

By: _____
Authorized Signatory

SCHEDULE OF PAYMENTS

<u>Principal Payment</u>	<u>Unpaid Principal Amount</u>	<u>Interest Payment</u>	<u>Agency of the Company Making Notation</u>	<u>Authorized Officer</u>	<u>Title</u>
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EXHIBIT C

[FORM OF NEW BOONE COUNTY BOND]

No.

\$ _____

THE DAYTON POWER AND LIGHT COMPANY
(Incorporated under the laws of the State of Ohio)

First Mortgage Bond,
4.70% Pollution Control Series 2005-C Due 2028
Due January 1, 2028

THE DAYTON POWER AND LIGHT COMPANY, a corporation of the State of Ohio (hereinafter called the Company), for value received, hereby promises to pay to _____ or registered assigns, on January 1, 2028, at the office or agency of the Company in the Borough of Manhattan, The City of New York, _____ Dollars in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts, and to pay to the registered owner hereof interest thereon from the interest payment date to which interest has been paid last preceding the date hereof (unless the date hereof is an interest payment date to which interest has been paid, in which case from the date hereof, or unless the date hereof is prior to January 1, 2006, in which case from August 17, 2005), at the rate of Four and Seventy Hundredths per centum (4.70%) per annum in like coin or currency, payable at said office or agency semiannually on January 1 and July 1 in each year, and at maturity, until the Company's obligation with respect to the payment of such principal shall have been discharged, such interest to be paid to the person who shall have been the registered owner hereof at the close of business on the Business Day (as defined in Section 3 of Article Three of the Forty-Third Supplemental Indenture referred to below) immediately preceding such January 1 or July 1, as the case may be (subject to certain exceptions provided in the Forty-Third Supplemental Indenture referred to herein). The amount of interest payable for any period will be computed on the basis of a 360-day year consisting of twelve 30-day months. In the event that any date on which principal or interest is payable on this Bond is not a Business Day, the payment of the principal or interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on the date the payment was originally payable.

This Bond is one of an issue of First Mortgage Bonds (hereinafter called the Bonds) of the Company issued and to be issued in series under and pursuant to and equally secured by an

indenture of mortgage and deed of trust dated as of October 1, 1935, executed by the Company to Irving Trust Company, as Trustee (now The Bank of New York), as said indenture has been amended and supplemented as hereinafter stated, and is one of a series of said First Mortgage Bonds, which series is designated as the First Mortgage Bonds, 4.70% Pollution Control Series 2005-C Due 2028, of the Company (hereinafter called the New Boone County Bonds) created and described in a Forty-Third Supplemental Indenture dated as of August 1, 2005, executed by the Company to The Bank of New York, as Trustee. Subsequent to the execution and delivery of said indenture of mortgage and deed of trust there have been executed and delivered forty-three indentures supplemental thereto, including said Forty-Third Supplemental Indenture dated as of August 1, 2005, supplementing and amending as therein set forth certain provisions thereof. Said indenture of mortgage and deed of trust and such supplemental indentures collectively are hereinafter sometimes called the "Indenture".

For a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the Bonds and of the Trustee therein and thereto, the duties and immunities of the Trustee, and the terms and conditions upon which the Bonds are issued and secured, reference is hereby made to the Indenture. The rights and obligations of the Company and of the holders and registered owners of the Bonds of this issue may be modified or amended at the request of the Company by an indenture or indentures supplemental to the Indenture, executed pursuant to the consent in writing of the holders or registered owners of at least 75% in principal amount of the Bonds then outstanding affected by such modification or amendment, all in the manner and subject to the limitations set forth in the Indenture, any consent by the holder or registered owner of any Bond being conclusive and binding upon such holder or registered owner and upon all future holders and owners of such Bond, irrespective of whether or not any notation of such consent is made upon such Bond; provided that no such modification or amendment by such supplemental indenture shall extend the maturity of, or reduce the rate of interest on, or otherwise modify the terms of payment of the principal or interest of, this Bond, which obligations are absolute and unconditional, nor permit the creation of any lien ranking prior to or equal with the lien of the Indenture on any of the mortgaged property. The New Boone County Bonds are to be issued by the Company to Boone County, Kentucky (hereinafter called Boone County) to evidence and secure the obligations of the Company to repay the loan of the proceeds of the sale of the Boone County Project Bonds (as hereinafter defined) made by Boone County to the Company, pursuant to a certain Loan Agreement, dated as of August 1, 2005, between Boone County and the Company, to assist in the refinancing of the Company's portion of the cost of refinancing of the Company's portion of the cost of acquisition, construction and installation of certain solid waste facilities installed in connection with Unit 2 of the East Bend Generating Station located in Boone County, Kentucky as to which the Company at the date hereof owns an undivided 31% interest as tenant in common with another public utility company (such interest in said facilities being hereinafter called the Boone County Project). The loan by Boone County in respect of the Boone County Project is to be funded by the proceeds derived from the sale by the County of Boone, Kentucky Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series A (The Dayton Power and Light Company Project) in the aggregate principal amount of \$35,275,000 (hereinafter called the Boone County Project Bonds). The Boone County Project Bonds are to be issued under a certain Trust Indenture, dated as of August 1, 2005 (hereinafter called the Boone County Pollution Control Indenture), between Boone County and The Bank of New York, as Trustee (hereinafter in such capacity called the Boone County Project Bond Trustee) and the New Boone County Bonds are

to be assigned by Boone County to the Boone County Project Bond Trustee as security for the payment of the principal of and interest on the Boone County Project Bonds and are to be delivered by the Company on behalf of Boone County directly to the Boone County Project Bond Trustee.

In the event any Boone County Project Bonds shall be surrendered to the Boone County Project Bond Trustee for cancellation pursuant to the Boone County Pollution Control Indenture (except upon exchange for other Boone County Project Bonds), New Boone County Bonds equivalent in principal amount to such Boone County Project Bonds shall be deemed to have been paid, but only when and to the extent (a) so noted on the schedule of payments hereon by an agency of the Company and (if such agency is not the Trustee) written notice by such agency of such notation has been received by the Trustee or (b) such New Boone County Bond is surrendered to and canceled by the Trustee as provided in the next paragraph; and in the event and to the extent the principal of or interest on any Boone County Project Bonds shall be paid or deemed to be paid, an equal amount of principal or interest, as the case may be, payable with respect to an aggregated principal amount of New Boone County Bonds equal to the aggregate principal amount of such Boone County Project Bonds shall be deemed to have been paid, but, in the case of such payment of principal, only when and to the extent (i) so noted on the schedule of payments hereon by an agency of the Company and (if such agency is not the Trustee) written notice by such agency of such notation has been received by the Trustee or (ii) such New Boone County Bond is surrendered to and canceled by the Trustee as provided in the next paragraph. When any such payment of principal of this Bond is made, it shall be surrendered by the registered owner hereof to an agency of the Company for such notation and notification or to the Trustee for cancellation.

In the event that this Bond shall be deemed to have been paid in full, this Bond shall be surrendered to the Trustee for cancellation. In the event that this Bond shall be deemed to have been paid in part, this Bond may, at the option of the registered owner, be surrendered to the Trustee for cancellation, in which event the Trustee shall cancel this Bond and the Company shall execute and the Trustee shall authenticate and deliver New Boone County Bonds in authorized denominations in aggregate principal amount equal to the unpaid balance of the principal amount of this Bond.

The New Boone County Bonds are subject to mandatory redemption by the Company prior to maturity at any time in whole or in part as provided in Section 5 of Article Three of the Forty-Third Supplemental Indenture at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

The New Boone County Bonds are subject to optional redemption by the Company prior to maturity at any time in whole or in part as provided in Section 6 of Article Three of the Forty-Third Supplemental Indenture at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

The New Boone County Bonds are subject to optional redemption by the Company prior to maturity in whole or in part by lot as provided in Section 7 of Article Three of the Forty-Third Supplemental Indenture, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

Any redemption of the New Boone County Bonds shall be made after written notice to the registered owner of such New Boone County Bonds, sent by the Trustee by mail, first class postage prepaid, or hand delivered at least 30 days and not earlier than 60 days before the redemption date, unless a shorter notice period is consented to in writing by the registered owner or owners of all New Boone County Bonds and such consent is filed with the Trustee, and shall be made in the manner provided in Article Three of the Forty-Third Supplemental Indenture, subject to the provisions of the First Mortgage as amended.

The principal hereof may be declared or may become due on the conditions, in the manner and at the time set forth in the Indenture, upon the happening of a completed default as provided in the Indenture.

This Bond may be exchanged for a like principal amount of other New Boone County Bonds, or transferred as prescribed in the Indenture by the registered owner hereof in person, or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York, upon surrender and cancellation of this Bond and thereupon a new registered New Boone County Bond or New Boone County Bonds without coupons for a like principal amount and of authorized denominations will be issued in exchange therefore as provided in the Indenture. The Company and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal and interest due hereon and for all other purposes.

No service charge will be made for any such exchange or transfer of New Boone County Bonds, but the Company may require payment of a sum sufficient to cover any stamp tax or other governmental charge payable in connection therewith.

The New Boone County Bonds are issuable as registered Bonds without coupons in denominations of \$5,000 and any integral multiple of \$5,000.

No recourse shall be had for the payment of the principal of or interest on, this Bond, or under or upon any obligation, covenant or agreement contained in the Indenture, against any incorporator, or any past, present, or future subscriber to capital stock, shareholder, officer or director, as such, of the Company or of any predecessor or successor corporation, either directly or through the Company or any predecessor or successor corporation, under any present or future rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, shareholders, officers and directors being released by the registered owner hereof by the acceptance of this Bond and being likewise waived and released by the terms of the Indenture.

This Bond shall not become valid or obligatory for any purpose until The Bank of New York, the Trustee under the Indenture, or its successor thereunder, shall have signed the form of certificate endorsed hereon.

IN WITNESS WHEREOF, The Dayton Power and Light Company has caused this Bond to be executed in its name by the manual or facsimile signature of its President or any Vice President and its corporate seal to be hereunto affixed or a facsimile thereof reproduced hereon and

attested by the manual or facsimile signature of its Corporate Secretary or an Assistant Corporate Secretary.

Dated:

THE DAYTON POWER AND LIGHT COMPANY,

By: _____
Senior Vice President
and Chief Financial Officer

Attest: _____
Vice President, General Counsel
and Corporate Secretary

TRUSTEE'S CERTIFICATE

This Bond is one of the Bonds of the Series designated therein, described in the within-mentioned Indenture.

THE BANK OF NEW YORK, as Trustee

By: _____
Authorized Signatory

SCHEDULE OF PAYMENTS

<u>Principal Payment</u>	<u>Unpaid Principal Amount</u>	<u>Interest Payment</u>	<u>Agency of the Company Making Notation</u>	<u>Authorized Officer</u>	<u>Title</u>
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LOAN AGREEMENT

between

THE COUNTY OF BOONE, KENTUCKY

and

THE DAYTON POWER AND LIGHT COMPANY

\$35,275,000
County of Boone, Kentucky
Collateralized Pollution Control
Revenue Refunding Bonds, 2005 Series A
(The Dayton Power and Light Company Project)

Dated

as of

August 1, 2005

INDEX

(This Index is not a part of the Agreement
but rather is for convenience of reference only.)

	<u>Page</u>
ARTICLE I	
DEFINITIONS	1
SECTION 1.1 USE OF DEFINED TERMS.....	1
SECTION 1.2 DEFINITIONS	1
SECTION 1.3 INTERPRETATION.....	6
SECTION 1.4 CAPTIONS AND HEADINGS	7
ARTICLE II	
REPRESENTATIONS.....	7
SECTION 2.1 REPRESENTATIONS OF THE ISSUER.....	7
SECTION 2.2 NO WARRANTY BY ISSUER OF CONDITION OR SUITABILITY OF THE PROJECT	7
SECTION 2.3 REPRESENTATIONS AND COVENANTS OF THE COMPANY.....	7
ARTICLE III	
COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS.....	10
SECTION 3.1 ACQUISITION, CONSTRUCTION AND INSTALLATION	10
SECTION 3.2 PROJECT DESCRIPTION	10
SECTION 3.3 ISSUANCE OF THE BONDS; APPLICATION OF PROCEEDS.....	10
SECTION 3.4 INVESTMENT OF FUND MONEYS.....	11
SECTION 3.5 REBATE FUND.....	11
ARTICLE IV	
LOAN BY ISSUER; LOAN PAYMENTS; ADDITIONAL PAYMENTS; AND FIRST MORTGAGE BONDS.....	12
SECTION 4.1 LOAN REPAYMENT; DELIVERY OF FIRST MORTGAGE BONDS	12
SECTION 4.2 ADDITIONAL PAYMENTS	12
SECTION 4.3 PLACE OF PAYMENTS	13
SECTION 4.4 OBLIGATIONS UNCONDITIONAL	13
SECTION 4.5 ASSIGNMENT OF REVENUES, AGREEMENT AND FIRST MORTGAGE BONDS	13
SECTION 4.6 FIRST MORTGAGE BONDS	13
ARTICLE V	
ADDITIONAL AGREEMENTS AND COVENANTS	14
SECTION 5.1 RIGHT OF ACCESS	14
SECTION 5.2 MAINTENANCE	14
SECTION 5.3 REMOVAL OF PORTIONS OF THE PROJECT FACILITIES	14
SECTION 5.4 OPERATION OF PROJECT FACILITIES	15
SECTION 5.5 INSURANCE	15
SECTION 5.6 WORKERS' COMPENSATION COVERAGE	15
SECTION 5.7 DAMAGE; DESTRUCTION AND EMINENT DOMAIN	15
SECTION 5.8 COMPANY TO MAINTAIN ITS CORPORATE EXISTENCE; CONDITIONS UNDER WHICH EXCEPTIONS PERMITTED.....	16
SECTION 5.9 INDEMNIFICATION.....	16
SECTION 5.10 COMPANY NOT TO ADVERSELY AFFECT EXCLUSION OF INTEREST ON BONDS FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES	17
SECTION 5.11 USE OF PROJECT FACILITIES.....	17
SECTION 5.12 ASSIGNMENT BY COMPANY	17
SECTION 5.13 BOND INSURANCE POLICY	18

ARTICLE VI	REDEMPTION	19
SECTION 6.1	OPTIONAL REDEMPTION.....	19
SECTION 6.2	EXTRAORDINARY OPTIONAL REDEMPTION.....	19
SECTION 6.3	MANDATORY REDEMPTION.....	20
SECTION 6.4	NOTICE OF REDEMPTION.....	21
SECTION 6.5	ACTIONS BY ISSUER	21
SECTION 6.6	CONCURRENT DISCHARGING OF FIRST MORTGAGE BONDS	21
ARTICLE VII	EVENTS OF DEFAULT AND REMEDIES.....	21
SECTION 7.1	EVENTS OF DEFAULT	21
SECTION 7.2	REMEDIES ON DEFAULT	22
SECTION 7.3	NO REMEDY EXCLUSIVE	23
SECTION 7.4	AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES	23
SECTION 7.5	NO WAIVER	23
SECTION 7.6	NOTICE OF DEFAULT	23
SECTION 7.7	SURVIVAL	23
ARTICLE VIII	MISCELLANEOUS.....	24
SECTION 8.1	TERM OF AGREEMENT.....	24
SECTION 8.2	AMOUNTS REMAINING IN FUNDS	24
SECTION 8.3	NOTICES	24
SECTION 8.4	EXTENT OF COVENANTS OF THE ISSUER; NO PERSONAL LIABILITY	24
SECTION 8.5	BINDING EFFECT	24
SECTION 8.6	AMENDMENTS AND SUPPLEMENTS.....	25
SECTION 8.7	EXECUTION COUNTERPARTS.....	25
SECTION 8.8	SEVERABILITY.....	25
SECTION 8.9	GOVERNING LAW.....	25
SECTION 8.10	CONTINUING DISCLOSURE	25
SECTION 8.11	THIRD-PARTY BENEFICIARY	25

Exhibit A - Project Description

LOAN AGREEMENT

THIS LOAN AGREEMENT is made and entered into as of August 1, 2005 between the COUNTY OF BOONE, KENTUCKY, (the "Issuer"), a de jure county and a political subdivision of the Commonwealth of Kentucky, and THE DAYTON POWER AND LIGHT COMPANY (the "Company"), a public utility and corporation duly organized and validly existing under the laws of the State of Ohio and duly qualified to do business in Kentucky. Capitalized terms used in the following recitals are used as defined in Article I of this Agreement.

Pursuant to the Act, the Issuer has determined to issue, sell and deliver the Bonds and to lend the proceeds derived from the sale thereof to the Company to assist in the refunding of the Refunded Bonds, as defined below. The Refunded Bonds were originally issued to provide funds to make a loan to the Company to assist in the refunding of the Series 1979 Bonds as defined below which were originally issued to provide funds to make a loan to the Company to assist in the financing of its portion of the costs of the Series 1979 Project as defined below.

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

NOW THEREFORE, in consideration of the premises and the mutual representations and agreements hereinafter contained, the Issuer and the Company agree as follows (provided that any obligation of the Issuer created by or arising out of this Agreement shall never constitute a general debt of the Issuer or give rise to any pecuniary liability of the Issuer or a charge upon its general credit or taxing powers but shall be payable solely and only from and out of the Revenues, including Loan Payments made pursuant to the First Mortgage Bonds):

ARTICLE I

DEFINITIONS

Section 1.1 Use of Defined Terms. In addition to the words and terms defined elsewhere in this Agreement or by reference to another document, the words and terms set forth in Section 1.2 hereof shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.2 Definitions. As used herein:

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

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

"Administration Expenses" means the compensation (which compensation shall not be greater than that typically charged in similar circumstances); and which shall not be limited by any provision of law in regard to the compensation of a trustee of any express trust) and reimbursement of reasonable expenses, disbursements and advances incurred or made by or on

behalf of the Trustee, the Registrar, any Paying Agent and any Authenticating Agent (including the reasonable compensation and the expenses and disbursements of its counsel and of all other persons not regularly in its employ), and shall also include all fees, charges, expenses, advances, compensation and reimbursements and all other amounts due the Trustee, the Registrar and any Paying Agent or Authenticating Agent under or pursuant to Section 6.03 of the Indenture.

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

“Authenticating Agent” means the Authenticating Agent as defined in the Indenture.

“Bond Fund” means the Bond Fund created in the Indenture.

“Bond Insurance Agreement” means the Insurance Agreement entered into between the Company and the Bond Insurer in connection with the issuance of the Bond Insurance Policy.

“Bond Insurance Policy” or “Policy” means the municipal bond insurance policy issued by the Bond Insurer that guarantees payment of principal of and interest on the Bonds.

“Bond Insurer” means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto.

“Bond Ordinance” means the ordinance of the Issuer adopted on June 21, 2005, providing for the issuance of the Bonds and approving this Agreement, the Indenture and related matters, as amended or supplemented from time to time.

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

“Bonds” means the \$35,275,000 Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series A (The Dayton Power and Light Company Project), issued by the Issuer pursuant to the Bond Ordinance and the Indenture.

“Bonds Outstanding” or “Outstanding Bonds” means Outstanding Bonds as defined in the Indenture.

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

“Company Mortgage” means the First and Refunding Mortgage, dated as of October 1, 1935, between the Company and the Company Mortgage Trustee, as amended, modified or supplemented from time to time.

“Company Mortgage Trustee” means The Bank of New York (formerly Irving Trust Company) as trustee under the Company Mortgage, and its successors and assigns.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement between the Company and the Trustee dated as of July 1, 2005, as the same may be amended from time to time in accordance with the terms thereof.

“Eligible Investments” means Eligible Investments as defined in the Indenture.

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

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

“First Mortgage Bonds” means the \$35,275,000 aggregate principal amount of First Mortgage Bonds, 4.70% Pollution Control Series 2005-C Due 2028, issued under the Supplemental Mortgage Indenture.

“Force Majeure” means any of the causes, circumstances or events described as constituting Force Majeure in Section 7.1 hereof.

“Government Obligations” means Government Obligations as defined in the Indenture.

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

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

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

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

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

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

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

“Notice Address” means:

- (a) As to the Issuer: County of Boone, Kentucky
2950 Washington Street
Burlington, Kentucky 41005
Attention: County Judge/Executive
- (b) As to the Company: The Dayton Power and Light Company
1065 Woodman Drive
Dayton, Ohio 45432
Attention: Treasurer
- (c) As to the Trustee: The Bank of New York
385 Rifle Camp Road, 3rd Floor
West Paterson, New Jersey 07424
Attention: Corporate Trust Administration

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

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

“Original Bonds” means the \$48,000,000 principal amount of “County of Boone, Kentucky, Pollution Control Revenue (The Dayton Power and Light Company Project) 1979 Series A”, dated October 1, 1979.

“Original Bonds Indenture” means the Trust Indenture between the Issuer and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company), as trustee, dated as of October 1, 1979.

“Original Bonds Loan Agreement” means the means the Loan Agreement between the Issuer and the Company dated as of October 1, 1979.

“Original Purchaser” means the Original Purchaser of the Bonds as defined in the Indenture.

“Paying Agent” means the Paying Agent as defined in the Indenture.

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

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

"Prior Bonds" means collectively, the Original Bonds and the Refunded Bonds.

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

"Project Description" means the description of the Project Facilities attached hereto as Exhibit A, as the same may be amended in accordance with this Agreement.

"Project Purposes" means the purposes of Pollution Control Facilities as described in the Act and as particularly described in Exhibit A hereto.

"Project Site" means the East Bend Generating Station, owned as tenants in common by the Company and The Cincinnati Gas & Electric Company, located within the corporate boundaries of the Issuer, within the State.

"Rebate Fund" means the Rebate Fund created in the Indenture.

"Refunded Bonds" means \$35,275,000 principal amount of "County of Boone, Kentucky, Collateralized Pollution Control Revenue Refunding Bonds, 1992 Series A (The Dayton Power and Light Company Project)", dated November 15, 1992, being a portion of an issue now outstanding in the aggregate principal amount of \$48,000,000.

"Refunded Bonds Indenture" means the Indenture of Trust dated as of November 15, 1992, by and between the Issuer and The Bank of New York, in respect of the Refunded Bonds.

"Refunded Bonds Loan Agreement" means the Loan Agreement in connection with Pollution Control Facilities dated as of November 15, 1992, by and between the Issuer and the Company, in respect of the Refunded Bonds.

"Refunded Bonds Trustee" means The Bank of New York, as Trustee under the Refunded Bonds Indenture.

"Refunding Fund" means the Refunding Fund created in the Indenture.

"Register" means the books kept and maintained for the registration and transfer of Bonds pursuant to Section 3.05 of the Indenture.

"Registrar" means the Registrar as defined in the Indenture.

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

“State” means the Commonwealth of Kentucky.

“Station Unit” means the East Bend Generating Station Unit 2.

“Supplemental Mortgage Indenture” means the Forty-Third Supplemental Indenture, dated as of August 1, 2005, between the Company and the Company Mortgage Trustee, as amended or supplemented from time to time.

“Trustee” means The Bank of New York, New York, New York, a corporation duly organized and validly existing under the laws of the State of New York, as trustee under the Indenture, until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter “Trustee” shall mean the successor Trustee. “Principal Office” of the Trustee shall mean the principal corporate trust office of the Trustee, which office at the date of issuance of the Bonds is located at its Notice Address.

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

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

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

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

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

ARTICLE II

REPRESENTATIONS

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

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

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

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Ohio, and is duly qualified to do business in the State, with power and authority (corporate and other) to own its properties and conduct its business, to execute and deliver this Agreement, the Supplemental Mortgage Indenture, the First Mortgage Bonds and the Continuing Disclosure Agreement, and to perform its obligations under this Agreement, the Company Mortgage, the Supplemental Mortgage Indenture, the First Mortgage Bonds and the Continuing Disclosure Agreement.

(b) This Agreement, the Supplemental Mortgage Indenture, the Company Mortgage and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the Company; the First Mortgage Bonds have been duly authorized, executed, issued and delivered; and this Agreement, the Supplemental Mortgage Indenture, the Company Mortgage, the First Mortgage Bonds and the Continuing Disclosure Agreement constitute valid and legally binding obligations of the Company, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights, to laws relating to or affecting the enforcement of the security provided by the Company Mortgage and to general equity principles.

(c) The execution, delivery and performance by the Company of this Agreement, the Supplemental Mortgage Indenture and the Continuing Disclosure Agreement and the consummation of the transactions contemplated hereby and thereby will not violate any provision of law or regulation applicable to the Company, or of any writ or decree of any court or governmental instrumentality, or of the Articles of Incorporation, as amended, or Code of Regulations, as amended, of the Company, or of any mortgage, indenture, contract, agreement or other undertaking to which the Company is a party or which purports to be binding upon the Company or upon any of its assets.

(d) Substantially all (at least 90%) of the proceeds of the Original Bonds were used to provide air and water pollution control facilities and solid waste disposal facilities within the meaning of Sections 103(b)(4)(E) and (F) of the 1954 Code, the original use of which facilities commenced with the Company and all of the proceeds of the Original Bonds have been spent for the Project or to pay costs of issuance of the Original Bonds. The proceeds of the Bonds (other than any accrued interest thereon) will be used exclusively to refund the Refunded Bonds and none of the proceeds of the Bonds will be used to pay for any costs of issuance of the Bonds. The principal amount of the Bonds does not exceed the outstanding principal amount of the Refunded Bonds. All of the proceeds of the Bonds will be used to retire the Refunded Bonds not later than 90 days after the date of issuance of the Bonds. The proceeds of the Refunded Bonds (other than any accrued interest thereon) were used exclusively to refund the Original Bonds and none of the proceeds of the Refunded Bonds was used to pay for any costs of issuance of the Refunded Bonds. The principal amount of the Refunded Bonds did not exceed the outstanding principal amount of the Original Bonds. All of the proceeds of the Refunded Bonds were used to retire the Original Bonds not later than 90 days after the date of issuance of the Refunded Bonds. The Original Bonds were issued prior to August 16, 1986.

(e) Either the acquisition and construction of the Project financed with the Original Bonds was not commenced (within the meaning of Treasury Regulations §1.103-8(a)(5)) prior to the adoption of the resolution of the Issuer evidencing the intent of the Issuer to issue the Original Bonds (being February 17, 1976), or, any proceeds of the corresponding Refunded Bonds used to pay costs incurred prior to the adoption of such corresponding resolution have been treated for purposes of this Agreement as having been used to provide working capital (not land or depreciable property) to the Company.

(f) It has caused the Project to be substantially completed. The Project constitutes Pollution Control Facilities under the Act and is consistent with the purposes of the Act. The Project is being, and the Company will cause the Project to be, operated and maintained in such manner to conform with all applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, which permits, variances and orders have not been withdrawn or otherwise suspended, and to be consistent with the Act.

(g) It has used or operated or has caused to be used or operated, and presently intends to use or operate or cause to be used or operated the Project Facilities in a manner consistent with the Project Purposes until the date on which the Bonds have been fully paid and knows of no reason why the Project Facilities will not be so operated. Except for the June 12, 1981 sale of a portion of the Company's undivided interest in the Project to The Cincinnati Gas and Electric Company, co-owner and operator of the Project, which sale was not contemplated, expected or planned when the Refunded Bonds were issued, the Company has not sold and does not intend to sell or otherwise dispose of the Project or any portion thereof.

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

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

(j) No portion of the proceeds of the Prior Bonds has been used and no portion of the proceeds of the Bonds will be used to acquire existing property or any interest therein unless the first use of such property was by the Company and was pursuant to and followed such acquisition.

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

(l) The Prior Bonds were not, and the Bonds will not be, "federally guaranteed" within the meaning of Section 149(b) of the Code.

(m) It is not anticipated that as of the date hereof, there will be created any "sinking fund", within the meaning of Section 1.148-1(c)(2) of the Treasury Regulations, with respect to the Bonds; however, in the event that any such sinking fund is deemed to have been created, moneys therein will be invested in compliance with Section 148 of the Code.

(n) On the respective dates of issuance and delivery of the Prior Bonds, the Company reasonably expected that all of the proceeds thereof would be used to carry out the governmental purposes of each such issue within the 3-year period beginning on the date each such issue was issued and none of the proceeds of each such issue, if any, were invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

(o) The respective average maturities of the Prior Bonds and the issue including the Bonds do not exceed 120% of the respective average reasonably expected economic life of the facilities financed by the proceeds thereof and the issue including the Bonds (determined under Section 147(b) of the Code).

(p) The information furnished by the Company and used by the Issuer in preparing the certifications and statements pursuant to Sections 148 and 149(e) of the Code or their statutory predecessors with respect to the Prior Bonds was accurate and complete as of the respective dates of issuance thereof, and the information furnished by the Company and used by the Issuer in preparing the certification pursuant to Section 148 of the Code and in preparing the information statement pursuant to Section 149(e) of the Code, both referred to in the Bond Ordinance, will be accurate and complete as of the date of issuance of the Bonds.

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

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

ARTICLE III

COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS

Section 3.1 Acquisition, Construction and Installation. The Company represents that it and any other public utility companies which own any undivided interests in the Project Facilities with the Company as tenants-in-common have caused the Project Facilities to be acquired, constructed and installed on the Project Site, substantially in accordance with the Project Description and in conformance with all applicable zoning, planning, building and other similar regulations of all governmental authorities having jurisdiction over the Project and all permits, variances and orders issued in respect of the Project by EPA, and that the proceeds derived from the Original Bonds, including any investment thereof, were expended in accordance with the Original Bonds Indenture and the Original Bonds Loan Agreement.

Section 3.2 Project Description. The Project Description may be changed from time to time by, or with the consent of, the Company provided that any such change shall also be filed with the Issuer and provided further that no change in the Project Description shall materially change the function of the Project Facilities unless the Trustee shall have received (i) an Engineer's certificate that such changes will not impair the significance or character of the Project Facilities as Pollution Control Facilities and (ii) an Opinion of Bond Counsel or ruling of the Internal Revenue Service to the effect that such amendment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 3.3 Issuance of the Bonds; Application of Proceeds. To provide funds to make the Loan to the Company to assist the Company in the refunding of the Refunded Bonds, concurrently with the delivery to the Trustee of the First Mortgage Bonds as provided in Section 4.1 hereof, the Issuer will issue, sell and deliver the Bonds to the Original Purchaser. The Bonds

will be issued pursuant to the Indenture in the aggregate principal amount, will bear interest, will mature and will be subject to redemption as set forth therein. The Company hereby approves the terms and conditions of the Indenture and the Bonds, and the terms and conditions under which the Bonds will be issued, sold and delivered.

The proceeds from the sale of the Bonds (other than any accrued interest) shall be loaned to the Company to assist the Company in refunding the Refunded Bonds in order to reduce the interest cost payable by the Company and shall be deposited in the Refunding Fund. On or before September 1, 2005, all moneys on deposit in the Refunding Fund shall be deposited in the Bond Fund created in the Refunded Bonds Indenture and applied by the Refunded Bonds Trustee to the payment of principal of and interest on the Refunded Bonds on September 16, 2005.

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

Section 3.4 Investment of Fund Moneys. At the oral (confirmed promptly in writing) or written request of the Company, any moneys held as part of the Bond Fund, the Refunding Fund or the Rebate Fund shall be invested or reinvested by the Trustee in Eligible Investments; provided, that such moneys shall be invested or reinvested by the Trustee only in Eligible Investments which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the date upon which the moneys so invested are needed to make payments from those Funds. The Issuer (to the extent it retained or retains direction or control) and the Company each hereby represents that the investment and reinvestment and the use of the proceeds of the Refunded Bonds were restricted in such manner and to such extent as was necessary so that the Refunded Bonds would not constitute arbitrage bonds under the statutory predecessor of the Code and each hereby covenants that it will restrict that investment and reinvestment and the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code.

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

Section 3.5 Rebate Fund. To the extent required by Section 5.09 of the Indenture, within five days after the end of the fifth Bond Year (as defined in the Indenture) and every fifth Bond Year thereafter, and within five days after payment in full of all outstanding Bonds, the Company shall calculate the amount of Excess Earnings (as defined in the Indenture) as of the end of that Bond Year or the date of such payment and shall notify the Trustee of that amount. If the amount then on deposit in the Rebate Fund created under the Indenture is less than the amount of Excess Earnings (computed by taking into account the amount or amounts, if any, previously paid to the United States pursuant to Section 5.09 of the Indenture and this Section),

the Company shall, within five days after the date of the aforesaid calculation, pay to the Trustee for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Excess Earnings. The obligation of the Company to make such payments shall remain in effect and be binding upon the Company notwithstanding the release and discharge of the Indenture. The Company shall obtain and keep such records of the computations made pursuant to this Section as are required under Section 148(f) of the Code.

ARTICLE IV

LOAN BY ISSUER; LOAN PAYMENTS; ADDITIONAL PAYMENTS; AND FIRST MORTGAGE BONDS

Section 4.1 Loan Repayment; Delivery of First Mortgage Bonds. Upon the terms and conditions of this Agreement, the Issuer agrees to make the Loan to the Company. The proceeds of the Loan shall be deposited with the Trustee pursuant to Section 3.3 hereof. As evidence of its obligation hereunder to repay the Loan, the Company agrees to execute and deliver the First Mortgage Bonds to the Issuer, in the manner provided in Section 4.6 hereof. In consideration of and in repayment of the Loan, the Company shall make, as Loan Payments, to the Trustee for the account of the Issuer, payments on the First Mortgage Bonds which correspond, as to time, and are equal in amount, to the Bond Service Charges payable on the Bonds. All Loan Payments received by the Trustee shall be held and disbursed in accordance with the provisions of the Indenture and this Agreement for application to the payment of Bond Service Charges.

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

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

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

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

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

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

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

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

Section 4.5 Assignment of Revenues, Agreement and First Mortgage Bonds. To secure the payment of Bond Service Charges, the Issuer shall absolutely assign to the Trustee, its successors in trust and its assigns forever, by the Indenture, all right, title and interest of the Issuer in and to (a) the Revenues, including, without limitation, all Loan Payments and other amounts receivable by or on behalf of the Issuer under the Agreement in respect of repayment of the Loan, (b) the Agreement except for the Unassigned Issuer's Rights, and (c) the First Mortgage Bonds. The Company hereby agrees and consents to those assignments.

Section 4.6 First Mortgage Bonds. To evidence and secure the obligations of the Company to make the Loan Payments and repay the Loan, the Company will, concurrently with the issuance of the Bonds, execute and deliver First Mortgage Bonds to the Issuer in an aggregate principal amount equal to the aggregate principal amount of the Bonds. The Company agrees that First Mortgage Bonds authorized pursuant to the Company Mortgage, will be issued containing the terms and conditions and in substantially the form set forth in the Supplemental Mortgage Indenture. The First Mortgage Bonds shall:

- (a) provide for payments of interest equal to the payments of interest on the Bonds;
- (b) provide for payments of principal equal to the payments of principal (whether at maturity or by call for mandatory or optional redemption or pursuant to acceleration or otherwise) on the Bonds;
- (c) require all such payments on such First Mortgage Bonds to be made on or prior to the due date for the corresponding payments to be made on the Bonds; and

- (d) contain redemption provisions corresponding with such provisions of the Bonds.

Unless the Company is entitled to a credit under this Agreement or the Indenture, all payments on the First Mortgage Bonds shall be in the full amount required thereunder. The First Mortgage Bonds shall be registered in the name of the Trustee and shall not be transferred by the Trustee, except to effect transfers to any successor trustee under the Indenture.

ARTICLE V

ADDITIONAL AGREEMENTS AND COVENANTS

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

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

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

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

Section 5.4 Operation of Project Facilities. The Company will, subject to its obligations and rights to maintain, repair or remove portions of the Project Facilities, as provided in Sections 5.2 and 5.3 hereof, use its best efforts to continue operation of the Project Facilities so long as and to the extent that operation thereof is required to comply with laws or regulations of governmental entities having jurisdiction thereof or unless the Issuer shall have approved the discontinuance of such operation (which approval shall not be unreasonably withheld). The Company agrees that it will, within the design capacities thereof, use its best efforts to operate and maintain the Project Facilities in accordance with all applicable, valid and enforceable rules and regulations of governmental entities having jurisdiction thereof; provided, that the Company reserves the right to contest in good faith any such laws or regulations. The Company agrees that sufficient qualified operating personnel will be retained and operational tests and measurements necessary to determine compliance with the preceding sentence will be performed to insure proper and efficient operation and maintenance of the Project Facilities.

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

Section 5.5 Insurance. The Company agrees to insure its interest in the Project Facilities in the amount and with the coverage required by the Company Mortgage.

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

Section 5.7 Damage; Destruction and Eminent Domain. If, during the term of this Agreement, the Project Facilities or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project Facilities or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Company or the Company Mortgage Trustee receives net proceeds from insurance or any condemnation award in connection therewith, the Company (unless it shall have exercised its option to prepay the Loan Payments pursuant to provisions of Section 6.2 hereof), to the extent required to comply with applicable laws and regulations with respect to the operations of facilities of the Company served by the Project, shall promptly cause such net proceeds or an amount equal thereto to be used to repair, rebuild or restore the portion of the Project Facilities so damaged, destroyed or taken with such changes, alterations and modifications (including the substitution and addition of other property) as may be necessary or desirable for the administration and operation of the Project Facilities as Pollution Control Facilities and as shall not impair the character or significance of the Project Facilities as furthering the purposes of the Act. It is hereby acknowledged and agreed that any net proceeds from insurance or any condemnation award relating to the Project Facilities are subject to the lien of the Company Mortgage and shall be disposed of in accordance with the terms and provisions of the Company Mortgage and that any obligations of the Company under this Section 5.7 not satisfied by application of such net proceeds shall be limited to the general credit of the Company and does

not require disposition of such net proceeds contrary to the requirements of the Company Mortgage.

Section 5.8 Company to Maintain its Corporate Existence; Conditions Under Which Exceptions Permitted. The Company agrees that during the term of this Agreement it will maintain its corporate existence and, will not sell its electric properties as an entirety or substantially as an entirety or consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it, except to the extent permitted under the provisions of the Company Mortgage, provided that any successor corporation resulting from any such sale, consolidation or merger shall assume all obligations of the Company arising under or contemplated by the provisions of this Agreement.

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

Section 5.9 Indemnification. The Company releases the Issuer from, agrees that the Issuer shall not be liable for, and indemnifies the Issuer against, all liabilities, claims, costs and expenses imposed upon or asserted against the Issuer on account of: (a) any loss or damage to property or injury to or death of or loss by any person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation and use of the Project Facilities; (b) any breach or default on the part of the Company in the performance of any covenant or agreement of the Company under this Agreement or any related document, or arising from any act or failure to act by the Company, or any of its agents, contractors, servants, employees or licensees; (c) the authorization, issuance and sale of the Bonds, and the provision of any information furnished in connection therewith concerning the Project Facilities or the Company (including, without limitation, any information furnished by the Company for inclusion in any certifications made by the Issuer under Section 3.4 hereof or for inclusion in, or as a basis for preparation of, the information statements filed by the Issuer pursuant to Section 8(a)(ii) of the Bond Ordinance); and (d) any claim or action or proceeding with respect to the matters set forth in (a), (b) and (c) above brought thereon.

The Company agrees to indemnify the Trustee (including any predecessor Trustee), the Paying Agent and the Registrar (each hereinafter referred to in this section as an "indemnified party") for and to hold each of them harmless from and against all losses, liabilities, claims, costs and expenses (including the compensation and expenses of their counsel) incurred without negligence or willful misconduct on the part of the indemnified party, arising out of, relating to or connected with the Indenture, including, but not limited to, on account of the Trustee's acceptance or administration of the trusts created by, or the performance of its powers or duties under the Indenture, or of any action taken or omitted to be taken by the indemnified party in accordance with the terms of this Agreement, the Bonds or the Indenture or any action taken at the request of or with the consent of the Company, including the costs and expenses of the indemnified party in defending itself against or investigating any claim, loss, liability, action or proceeding brought in connection with the exercise or performance of any of its powers or duties under this Agreement, the Bonds or the Indenture.

In case any action or proceeding is brought against the Issuer or an indemnified party in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Company, and the Company upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Company from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Company. At its own expense, an indemnified party may employ separate counsel and participate in the defense; provided however, where it is ethically inappropriate for one firm to represent the interests of the Issuer and any other indemnified party or parties, the Company shall pay the Issuer's legal expenses in connection with the Issuer's retention of separate counsel. The Company shall not be liable for any settlement made without its consent.

The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers and employees and agents of the Issuer, the Trustee, the Paying Agent and the Registrar, respectively. That indemnification is intended to and shall be enforceable by the Issuer, the Trustee, the Paying Agent and the Registrar, respectively, to the full extent permitted by law.

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

Section 5.11 Use of Project Facilities. The Issuer agrees that it will not take any action, or cause any action to be taken on its behalf, to interfere with the Company's ownership interest in the Project or to prevent the Company from having possession, custody, use and enjoyment of the Project other than pursuant to Article VII of this Agreement or Article VII of the Indenture.

Section 5.12 Assignment by Company. This Agreement may be assigned in whole or in part by the Company without the necessity of obtaining the consent of either the Issuer or the Trustee, but only with the prior written consent of the Bond Insurer, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 5.8 hereof) shall relieve the Company from primary liability for any of its obligations hereunder, and in the event of any such assignment the Company shall continue to remain primarily liable for the payment of the Loan Payments and Additional Payments and for performance and observance of the agreements on its part herein provided to be performed and observed by it.

(b) Any assignment by the Company must retain for the Company such rights and interests as will permit it to perform its obligations under this Agreement, and any assignee from the Company shall assume the obligations of the Company hereunder to the extent of the interest assigned.

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

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

Section 5.13 Bond Insurance Policy. In consideration of the issuance by the Bond Insurer of the Bond Insurance Policy, the Company hereby covenants that:

(a) The Company shall pay or reimburse the Bond Insurer for any and all charges, fees, costs, and expenses that the Bond Insurer may reasonably pay or incur in connection with the following: (i) the administration, enforcement, defense, or preservation of any rights or security hereunder or under any other transaction document; (ii) the pursuit of any remedies hereunder, under any other transaction document, or otherwise afforded by law or equity, (iii) any amendment, waiver, or other action with respect to or related to this Agreement or any other transaction document whether or not executed or completed; (iv) the violation by the Company of any law, rule, or regulation or any judgment, order or decree applicable to it; (v) any advances or payments made by the Bond Insurer to cure defaults of the Company under the transaction documents; or (vi) any litigation or other dispute in connection with the Agreement, any other transaction document, or the transactions contemplated hereby or thereby, other than amounts resulting from the failure of the Bond Insurer to honor its payment obligations under the Bond Insurance Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver, or consent proposed in respect of this Agreement or any other transaction document. The obligations of the Company to the Bond Insurer hereunder shall survive discharge and termination of the Agreement.

(b) The Company shall promptly provide written notice to the Bond Insurer of the downgrading by any rating agency of the Company's underlying rating, or the underlying rating on the Bonds or any parity obligations of the Company.

(c) The Company shall promptly provide written notice to the Bond Insurer of any material events related to the Bonds pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended; and the downgrading by any rating agency of the Company's underlying rating, or the underlying rating on the Bonds or any parity obligations of the Company.

(d) The Company shall provide such additional information to the Bond Insurer as the Bond Insurer may reasonably request from time to time.

ARTICLE VI

REDEMPTION

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

Section 6.2 Extraordinary Optional Redemption. The Company shall have, subject to the conditions hereinafter imposed, the option to direct the redemption of the Bonds in whole or in part in accordance with the applicable provisions of the Indenture upon the occurrence of any of the following events:

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

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

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

(d) Unreasonable burdens or excessive liabilities shall have been imposed upon the Issuer or the Company with respect to the Project or a Station Unit or the operation thereof, including, without limitation, the imposition of federal, state or other ad valorem, property, income or other taxes other than ad valorem taxes at the rates

presently levied upon privately owned property used for the same general purpose as the Project or a Station Unit.

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

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

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

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

(i) An amount of money which, when added to the moneys and investments held to the credit of the Bond Fund, will be sufficient pursuant to the provisions of the Indenture to pay, at 100% of the principal amount thereof plus accrued interest to the redemption date, and discharge, all Outstanding Bonds on the earliest applicable redemption date, that amount to be paid to the Trustee, plus

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

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

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

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

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

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

Section 6.6 Concurrent Discharging of First Mortgage Bonds. In the event any of the Bonds shall be paid and discharged, or deemed to be paid and discharged, pursuant to any provisions of this Agreement and the Indenture, so that such Bonds are not thereafter outstanding within the meaning of the Indenture, a like principal amount of corresponding First Mortgage Bonds shall be deemed fully paid for purposes of this Agreement and to such extent the obligations of the Company hereunder shall be deemed terminated.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

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

(a) The occurrence of an event of default as defined in Section 7.01 (a) or (b) of the Indenture;

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

(c) The occurrence of a "completed default" as defined in Section 1 of Article Twelve of the Company Mortgage; and

(d) Written notice from the Bond Insurer to the Trustee that an event of default has occurred and is continuing under the Bond Insurance Agreement.

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

The term Force Majeure shall mean the following:

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

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

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

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

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

(b) The Issuer or the Trustee may pursue all remedies now or hereafter existing at law or in equity to recover all amounts, including all Loan Payments and Additional Payments, then due and thereafter to become due under this Agreement, or to enforce the performance and observance of any other obligation or agreement of the Company under those instruments.

Notwithstanding the foregoing, the Issuer shall not be obligated to take any step which in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to the Issuer at no cost or expense to the Issuer. Any amounts collected as Loan Payments or applicable to Loan Payments and any other amounts which would be applicable to payment of Bond Service Charges collected pursuant to

action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in Section 5.08 of the Indenture for transfers of remaining amounts in the Bond Fund.

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

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

Section 7.4 Agreement to Pay Attorneys' Fees and Expenses. If an Event of Default should occur and the Issuer or the Trustee should incur expenses, including attorneys' fees and expenses, in connection with the enforcement of this Agreement or the collection of sums due hereunder, the Company shall be required, to the extent permitted by law, to reimburse the Issuer and the Trustee, as applicable, for the fees and expenses so incurred upon demand.

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

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

Section 7.7 Survival. The provisions of Sections 4.2, 5.9 and 7.4 of this Agreement shall survive the payment in full of the Bonds, the satisfaction, discharge and termination of this Agreement or the Indenture, and the resignation or removal of the Trustee, any Paying Agent, the Registrar and any Authenticating Agent as the case may be.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Term of Agreement. This Agreement shall be and remain in full force and effect from the date of delivery of the Bonds to or to the order of the Original Purchaser until such time as all of the Bonds shall have been fully paid (or provision made for such payment) pursuant to the Indenture and all other sums payable by the Company under this Agreement shall have been paid.

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

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

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

Section 8.5 Binding Effect. This Agreement shall inure to the benefit of and shall be binding in accordance with its terms upon the Issuer, the Company and their respective permitted successors and assigns provided that this Agreement may not be assigned by the Company (except as permitted under Sections 5.8 or 5.12 hereof) and may not be assigned by the Issuer

except to (i) the Trustee pursuant to the Indenture or as otherwise may be necessary to enforce or secure payment of Bond Service Charges or (ii) any successor public body to the Issuer. Sections 4.2, 5.9, 7.4 and 7.7 of this Agreement shall inure to the benefit of the Trustee, the Registrar, any Paying Agent and any Authenticating Agent and their respective successors and assigns.

Section 8.6 Amendments and Supplements. Except as otherwise expressly provided in this Agreement or the Indenture, subsequent to the issuance of the Bonds and prior to all conditions provided for in the Indenture for release of the Indenture having been met, this Agreement may not be effectively amended, changed, modified, altered or terminated by the parties hereto except with the consents required by, and in accordance with, the provisions of Article XI of the Indenture, as applicable. In no event may the Agreement be amended so as to affect the rights, privileges, duties or immunities of the Trustee, the Registrar, any Paying Agent or any Authenticating Agent without its consent.

Section 8.7 Execution Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

Section 8.8 Severability. If any provision of this Agreement, or any covenant, obligation or agreement contained herein is determined by a judicial or administrative authority to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. That invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 8.9 Governing Law. This Agreement shall be deemed to be a contract made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State.

Section 8.10 Continuing Disclosure. The Issuer hereby acknowledges the entry by the Company into the Continuing Disclosure Agreement under which the Company has assumed certain obligations for the benefit of the holders and beneficial owners of the Bonds. The Company agrees to perform its obligations under the Continuing Disclosure Agreement. The Company acknowledges and agrees that the Issuer is not an "obligated person" (as defined in the Continuing Disclosure Agreement) with respect to the Bonds and represents that the Company is the only obligated person with respect to the Bonds. Notwithstanding any other provision of this Agreement, any failure by the Company to comply with any provision of the Continuing Disclosure Agreement shall not be a failure or a default, or an Event of Default, under this Agreement or the Indenture.

Section 8.11 Third-Party Beneficiary. To the extent that this Agreement confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of this Agreement, the Bond Insurer is hereby explicitly recognized as being a third-party beneficiary

hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

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

COUNTY OF BOONE, KENTUCKY

(SEAL)

By Gary W. Moore
GARY W. MOORE
County Judge/Executive

ATTEST:

Michele Roberts
MICHELE ROBERTS
Fiscal Court Clerk

THE DAYTON POWER AND LIGHT
COMPANY

By _____

Name: _____

Title: _____

ATTEST:

Name: _____

Title: _____

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

COUNTY OF BOONE, KENTUCKY

(SEAL)

By _____
GARY W. MOORE
County Judge/Executive

ATTEST:

MICHELE ROBERTS
Fiscal Court Clerk

THE DAYTON POWER AND LIGHT
COMPANY

By _____
Name: John J. Gillen

Title: Senior Vice President and Chief Financial Officer

ATTEST:

Name: Missie E. Crenblit
Title: Vice President, General Counsel
and Corporate Secretary

EXHIBIT A
TO
LOAN AGREEMENT
DATED AS OF OCTOBER 1, 1979
BETWEEN
THE COUNTY OF BOONE, KENTUCKY, AND
THE DAYTON POWER AND LIGHT COMPANY

PART I

THE PROJECT

Facilities to be Acquired, Constructed and Installed at the East Bend Generating Station, Unit 2, and financed in part (49%) by Application of the Proceeds of the 1979 Series A Bonds in Accordance with this Agreement and the Indenture

EAST BEND GENERATING STATION
UNIT 2

ELECTROSTATIC PRECIPITATORS

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

SULPHUR DIOXIDE REMOVAL SYSTEM

A complete sulphur dioxide removal system (scrubber) will be provided for the East Bend Generating Station, Unit 2. Following electrostatic precipitation, flue gases will be transmitted from the precipitators to the scrubber, where they will be reacted with a liquified calcium hydroxide solution utilized in the scrubbing process as a reactive agent. Sulphur dioxide contained in flue gases undergoes chemical reaction upon contact with calcium hydroxide, with resultant formation of non-commercial calcium sulfite and calcium sulfate sludges. The sulphur dioxide scrubber is designed to remove 87% of airborne sulphur dioxide and will also remove a portion of any particulate matter remaining after electrostatic precipitation, before emission of the cleansed gases to the atmosphere. The sulphur dioxide scrubber system will be composed of the scrubber itself, associated ductwork, structural supports and piping, electric elements, reactive tanks for holding the reactive agents and recycling and thickening tanks from which the resulting calcium sulfite and calcium sulfate is withdrawn for final disposal. There will also be acquired and installed certain functionally related facilities to prepare reactant materials for use in scrubbers, together with pumps, mixers and holding tanks and conveyors and other transport mechanisms situated at or near reactant reception facilities in close proximity to the generating station for the receipt of reactants and transmission thereof to storage facilities or directly to the sulphur dioxide removal system.

SOLID WASTE DISPOSAL FACILITIES

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

COOLING TOWER

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

WASTEWATER DISPOSAL FACILITIES

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

ENGINEERING FEES, RESIDENT INSPECTION, CAPITALIZED INTEREST AND TEST COSTS

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

PART II

ADDITIONAL POLLUTION CONTROL FACILITIES

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

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

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

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

The Project facilities and systems hereafter described are designed and are to be installed and utilized solely and only for the collection, removal, abatement, alteration, control, containment and disposition of atmospheric, solid waste and water pollutants so that gaseous and liquid emissions and sanitary effluent from Unit 1 and Unit 2 of the East Bend Generating Station meet applicable governmental air and water quality standards or limitations.

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

ELECTROSTATIC PRECIPITATORS

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

FLUE GAS DUCT SYSTEMS

Proposed flue gas duct systems will be designed to convey untreated boiler flue gases emitted from the steam boilers to the electrostatic precipitators or comparable particulate control devices where particulate emissions and flyash will be removed. Induced draft fans and booster fans, as appropriate, will form an integral part of the flue gas duct systems. The system will convey partially cleansed flue gases to the sulphur dioxide removal systems following particulate removal.

FLYASH STORAGE SILOS AND ASSOCIATES FACILITIES

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

ASH HANDLING AND TRANSPORT SYSTEMS

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

WASTE RETENTION BASINS

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

OIL ELIMINATION SYSTEM

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

COAL DUST CONTROL SYSTEM

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

WATER COOLING TOWERS AND ASSOCIATED EQUIPMENT

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

SANITARY SEWAGE TREATMENT PLANT

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

SULPHUR DIOXIDE REMOVAL SYSTEMS

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

SLUDGE RETENTION BASINS

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

AUXILIARY FACILITIES ASSOCIATED WITH SULPHUR DIOXIDE REMOVAL EQUIPMENT

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

ELEVATED FLUE GAS DIFFUSER

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

MONITORING EQUIPMENT

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

ENGINEERING COSTS, RESIDENT INSPECTIONS, TEST COSTS AND ISSUANCE COSTS

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

EXECUTION

LOAN AGREEMENT

between

OHIO WATER DEVELOPMENT AUTHORITY

and

THE DAYTON POWER AND LIGHT COMPANY

**\$41,300,000
State of Ohio
Collateralized Pollution Control
Revenue Refunding Bonds, 2005 Series A
(The Dayton Power and Light Company Project)**

Dated

as of

August 1, 2005

INDEX

(This Index is not a part of the Agreement
but rather is for convenience of reference only.)

	<u>Page</u>
Preambles	1
ARTICLE I DEFINITIONS	
Section 1.1 Use of Defined Terms	2
Section 1.2 Definitions	2
Section 1.3 Interpretation	6
Section 1.4 Captions and Headings	7
ARTICLE II REPRESENTATIONS	
Section 2.1 Representations of the Authority	8
Section 2.2 No Warranty by Authority of Condition or Suitability of the Project	8
Section 2.3 Representations and Covenants of the Company	8
ARTICLE III COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS	
Section 3.1 Acquisition, Construction and Installation	12
Section 3.2 Project Description	12
Section 3.3 Issuance of the Bonds; Application of Proceeds	12
Section 3.4 Investment of Fund Moneys	13
Section 3.5 Rebate Fund	13
ARTICLE IV LOAN BY AUTHORITY; LOAN PAYMENTS; ADDITIONAL PAYMENTS; AND FIRST MORTGAGE BONDS	
Section 4.1 Loan Repayment; Delivery of First Mortgage Bonds	14
Section 4.2 Additional Payments	14
Section 4.3 Place of Payments	14
Section 4.4 Obligations Unconditional	14
Section 4.5 Assignment of Revenues, Agreement and First Mortgage Bonds	15
Section 4.6 First Mortgage Bonds	15
ARTICLE V ADDITIONAL AGREEMENTS AND COVENANTS	
Section 5.1 Right of Access	16
Section 5.2 Maintenance	16
Section 5.3 Removal of Portions of the Project Facilities	16
Section 5.4 Operation of Project Facilities	16
Section 5.5 Insurance	17

			<u>Page</u>
Section	5.6	Workers' Compensation Coverage	17
Section	5.7	Damage; Destruction and Eminent Domain	17
Section	5.8	Company to Maintain its Corporate Existence; Conditions Under Which Exceptions Permitted	17
Section	5.9	Indemnification	17
Section	5.10	Company Not to Adversely Affect Exclusion of Interest on Bonds From Gross Income For Federal Income Tax Purposes	18
Section	5.11	Use of Project Facilities	18
Section	5.12	Assignment by Company	18
Section	5.13	Bond Insurance Policy	19

ARTICLE VI REDEMPTION

Section	6.1	Optional Redemption	20
Section	6.2	Extraordinary Optional Redemption	20
Section	6.3	Mandatory Redemption	21
Section	6.4	Notice of Redemption	21
Section	6.5	Actions by Authority	22
Section	6.6	Concurrent Discharging of First Mortgage Bonds	22

ARTICLE VII EVENTS OF DEFAULT AND REMEDIES

Section	7.1	Events of Default	23
Section	7.2	Remedies on Default	24
Section	7.3	No Remedy Exclusive	24
Section	7.4	Agreement to Pay Attorneys' Fees and Expenses	24
Section	7.5	No Waiver	25
Section	7.6	Notice of Default	25
Section	7.7	Survival	25

ARTICLE VIII MISCELLANEOUS

Section	8.1	Term of Agreement	26
Section	8.2	Amounts Remaining in Funds	26
Section	8.3	Notices	26
Section	8.4	Extent of Covenants of the Authority; No Personal Liability	26
Section	8.5	Binding Effect	26
Section	8.6	Amendments and Supplements	26
Section	8.7	Execution Counterparts	27
Section	8.8	Severability	27
Section	8.9	Governing Law	27
Section	8.10	Continuing Disclosure	27
Section	8.11	Third Party Beneficiary	27

Signatures	28
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Exhibit A – WASTE WATER FACILITIES AT THE SERIES 1977 PROJECT
Exhibit B – WASTE WATER AND SOLID WASTE FACILITIES AT THE
SERIES 1982 PROJECT

LOAN AGREEMENT

THIS LOAN AGREEMENT is made and entered into as of August 1, 2005 between the OHIO WATER DEVELOPMENT AUTHORITY (the "Authority"), a body politic and corporate organized and existing under the laws of the State of Ohio, and THE DAYTON POWER AND LIGHT COMPANY (the "Company"), a public utility and corporation duly organized and validly existing under the laws of the State of Ohio. Capitalized terms used in the following recitals are used as defined in Article I of this Agreement.

Pursuant to Section 13 of Article VIII of the Ohio Constitution and the Act, the Authority has determined to issue, sell and deliver the Bonds and to lend the proceeds derived from the sale thereof to the Company to assist in the refunding of the Series 1977 Bonds and the Series 1992 Bonds as defined below. The Series 1977 Bonds were originally issued to provide funds to make a loan to the Company to assist in the financing of its portion of the costs of the Series 1977 Project as defined below. The Series 1992 Bonds were originally issued to provide funds to make a loan to the Company to assist in the refunding of the Series 1982 Bonds as defined below which were originally issued to provide funds to make a loan to the Company to assist in the financing of its portion of the costs of the Series 1982 Project as defined below.

The Company and the Authority each have full right and lawful authority to enter into this Agreement and to perform and observe the provisions hereof on their respective parts to be performed and observed.

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

ARTICLE I
DEFINITIONS

Section 1.1. Use of Defined Terms. In addition to the words and terms defined elsewhere in this Agreement or by reference to another document, the words and terms set forth in Section 1.2 hereof shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.2. Definitions. As used herein:

“Act” means Chapters 6121 and 6123, Ohio Revised Code, as enacted and amended from time to time pursuant to Section 13 of Article VIII of the Ohio Constitution.

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

“Administration Expenses” means the compensation (which compensation shall not be greater than that typically charged in similar circumstances; and which shall not be limited by any provision of law in regard to the compensation of a trustee of any express trust) and reimbursement of reasonable expenses, disbursements and advances incurred or made by or on behalf of the Trustee, the Registrar, any Paying Agent and any Authenticating Agent (including the reasonable compensation and the expenses and disbursements of its counsel and of all other persons not regularly in its employ), and shall also include all fees, charges, expenses, advances, compensation and reimbursements and all other amounts due the Trustee, the Registrar and any Paying Agent or Authenticating Agent under or pursuant to Section 6.03 of the Indenture.

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

“Authenticating Agent” means the Authenticating Agent as defined in the Indenture.

“Authority Fee” means the amount of \$92,950.

“Bond Fund” means the Bond Fund created in the Indenture.

“Bond Insurance Agreement” means the Insurance Agreement entered into between the Company and the Bond Insurer in connection with the issuance of the Bond Insurance Policy.

“Bond Insurance Policy” or “Policy” means the municipal bond insurance policy issued by the Bond Insurer that guarantees payment of principal of and interest on the Bonds.

“Bond Insurer” means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto.

“Bond Resolution” means the resolution of the Authority providing for the issuance of the Bonds and approving this Agreement, the Indenture and related matters, as amended or supplemented from time to time.

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

"Bonds" means the \$41,300,000 Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series A (The Dayton Power and Light Company Project), issued by the Authority pursuant to the Bond Resolution and the Indenture.

"Bonds Outstanding" or "Outstanding Bonds" means Outstanding Bonds as defined in the Indenture.

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

"Company Mortgage" means the First and Refunding Mortgage, dated as of October 1, 1935, between the Company and the Company Mortgage Trustee, as amended, modified or supplemented from time to time.

"Company Mortgage Trustee" means The Bank of New York (formerly Irving Trust Company) as trustee under the Company Mortgage, and its successors and assigns.

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement between the Company and the Trustee dated as of August 1, 2005, as the same may be amended from time to time in accordance with the terms thereof.

"Eligible Investments" means Eligible Investments as defined in the Indenture.

"Engineer" means an engineer (who may be an employee of the Company) or engineering firm qualified to practice the profession of engineering under the laws of the State and who or which is acceptable to the Trustee.

"EPA" means the Environmental Protection Agency of the State and any successor body, agency, commission or department.

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

"First Mortgage Bonds" means the \$41,300,000 aggregate principal amount of First Mortgage Bonds, 4.80% Pollution Control Series 2005-A Due 2034, issued under the Supplemental Mortgage Indenture.

"Force Majeure" means any of the causes, circumstances or events described as constituting Force Majeure in Section 7.1 hereof.

"Government Obligations" means Government Obligations as defined in the Indenture.

"Holder" or "Holder of a Bond" means the Person in whose name a Bond is registered on the Register.

"Indenture" means the Trust Indenture, dated as of the same date as this Agreement, between the Authority and the Trustee, as amended or supplemented from time to time.

"Interest Rate for Advances" means the interest rate per year payable on the Bonds.

"Loan" means the loan by the Authority to the Company of the proceeds received from the sale of the Bonds.

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

"Loan Payments" means the amounts required to be paid by the Company on the First Mortgage Bonds in repayment of the Loan pursuant to Section 4.1 hereof.

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

"Notice Address" means:

- (a) As to the Authority: Ohio Water Development Authority
480 South High Street
Columbus, Ohio 43215
Attention: Executive Director
- (b) As to the Company: The Dayton Power and Light Company
1065 Woodman Drive
Dayton, Ohio 45432
Attention: Treasurer
- (c) As to the Trustee: The Bank of New York
385 Rifle Camp Road, 3rd Floor
West Paterson, New Jersey 07424
Attention: Corporate Trust Administration

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

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

"Original Bonds" means collectively, the Series 1977 Bonds and the Series 1982 Bonds.

"Original Bonds Indenture" means collectively, the Series 1977 Indenture and the Series 1982 Indenture.

"Original Bonds Loan Agreement" means collectively, the Series 1977 Loan Agreement and the Series 1982 Loan Agreement.

"Original Purchaser" means the Original Purchaser as defined in the Indenture.

"Paying Agent" means the Paying Agent as defined in the Indenture.

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

"Prior Bonds" means collectively, the Original Bonds and the Series 1992 Bonds.

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

"Project Description" means collectively, the description of the Project Facilities attached hereto as Exhibit A (with respect to the Series 1977 Project) and Exhibit B (with respect to the Series 1982 Project), as the same may be amended in accordance with this Agreement.

"Project Purposes" means the purposes of Water Facilities and Solid Waste Facilities as described in the Act and as particularly described in Exhibits A and B hereto.

"Project Site" means, with respect to the Series 1977 Bonds, the F.M. Tait Electric Generating Station and the O.H. Hutchings Electric Generating Station in Montgomery County, Ohio, and the J. M. Stuart Electric Generating Plant in Adams and Brown Counties, Ohio, and with respect to the Series 1992 Bonds, the Killen Electric Generating Station in Adams County, Ohio.

"Rebate Fund" means the Rebate Fund created in the Indenture.

"Refunded Bonds" means collectively, the Series 1977 Bonds and the Series 1992 Bonds.

"Refunding Fund" means the Refunding Fund created in the Indenture.

"Register" means the books kept and maintained for the registration and transfer of Bonds pursuant to Section 3.05 of the Indenture.

"Registrar" means the Registrar as defined in the Indenture.

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

"Series 1977 Bonds" means the \$14,200,000 State of Ohio Collateralized Pollution Control Revenue Bonds, 1977 Series A (The Dayton Power and Light Company Project) dated as of April 15, 1977, now outstanding in the aggregate principal amount of \$9,000,000.

"Series 1982 Bonds" means the \$32,300,000 State of Ohio Collateralized Water Development Revenue Bonds, 1982 Series (The Dayton Power and Light Company Project) dated as of November 1, 1982.

"Series 1992 Bonds" means the \$32,300,000 State of Ohio Collateralized Water Development Revenue Refunding Bonds, 1992 Series A (The Dayton Power and Light Company Project) dated as of August 15, 1992, now outstanding in the aggregate principal amount of \$32,300,000.

"Series 1977 Indenture" means the Trust Indenture between the Authority and the Series 1977 Trustee dated as of April 15, 1977.

"Series 1982 Indenture" means the Trust Indenture between the Authority and The Bank of New York (formerly Irving Trust Company), as trustee, dated as of November 1, 1982.

"Series 1992 Indenture" means the Trust Indenture between the Authority and the Series 1992 Trustee dated as of August 15, 1992.

"Series 1977 Loan Agreement" means the Loan Agreement between the Authority and the Company dated as of April 15, 1977, as amended.

"Series 1982 Loan Agreement" means the Loan Agreement between the Authority and the Company dated as of November 1, 1982.

"Series 1977 Project" means the real, personal or real and personal property, including undivided or other interests therein financed with the proceeds of the Series 1977 Bonds and identified as Exhibit A hereto.

"Series 1982 Project" means the real, personal or real and personal property, including undivided or other interests therein financed with the proceeds of the Series 1982 Bonds and identified in Exhibit B hereto.

"Series 1977 Trustee" means The Bank of New York (formerly Irving Trust Company), as trustee under the Series 1977 Indenture.

"Series 1992 Trustee" means The Bank of New York, as trustee under the Series 1992 Indenture.

"Solid Waste Facility" or "Solid Waste Facilities" means those facilities which are solid waste facilities as defined in Section 6123.01 Ohio Revised Code.

"State" means the State of Ohio.

"Station Unit" means the Tait Project Unit, the Hutchings Project Unit, the Stuart Project Unit and the Killen Electric Generating Station Unit 2.

"Supplemental Mortgage Indenture" means the Forty-Third Supplemental Indenture, dated as of August 1, 2005, between the Company and the Company Mortgage Trustee, as amended or supplemented from time to time.

"Trustee" means The Bank of New York, New York, New York, a corporation duly organized and validly existing under the laws of the State of New York, as trustee under the Indenture, until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean the successor Trustee. "Principal Office" of the Trustee shall mean the principal corporate trust office of the Trustee, which office at the date of issuance of the Bonds is located at its Notice Address.

"Unassigned Authority's Rights" means all of the rights of the Authority to receive Additional Payments under Section 4.2 hereof, to access and inspection pursuant to Section 5.1 hereof, to be held harmless and indemnified under Section 5.9 hereof, to be reimbursed for attorney's fees and expenses under Section 7.4 hereof and to give or withhold consent to amendments, changes, modifications, alterations and termination of this Agreement under Section 8.6 hereof and its right to enforce such rights.

"Waste Water Facility" or "Waste Water Facilities" means those facilities which are waste water facilities as defined in Section 6121.01, Ohio Revised Code.

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

Any reference to a section or provision of the Constitution of the State or the Act, or to a section, provision or chapter of the Ohio Revised Code, or to any statute of the United States of

America, includes that section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time; provided, that no amendment, modification, revision, supplement or superseding section, provision or chapter shall be applicable solely by reason of this provision, if it constitutes in any way an impairment of the rights or obligations of the Authority, the State, the Holders, the Trustee, the Registrar, an Authenticating Agent, a Paying Agent or the Company under this Agreement, the Indenture, the Bonds, the Company Mortgage, the Supplemental Mortgage Indenture or the First Mortgage Bonds.

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

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

(End of Article I)

ARTICLE II
REPRESENTATIONS

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

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

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

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State, with power and authority (corporate and other) to own its properties and conduct its business, to execute and deliver this Agreement, the Supplemental Mortgage Indenture, the First Mortgage Bonds and the Continuing Disclosure Agreement, and to perform its obligations under this Agreement, the Company Mortgage, the Supplemental Mortgage Indenture, the First Mortgage Bonds and the Continuing Disclosure Agreement.

(b) This Agreement, the Supplemental Mortgage Indenture, the Company Mortgage and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the Company; the First Mortgage Bonds have been duly authorized, executed, issued and delivered; and this Agreement, the Supplemental Mortgage Indenture, the Company Mortgage, the First Mortgage Bonds and the Continuing Disclosure Agreement constitute valid and legally binding obligations of the Company, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights, to laws relating to or affecting the enforcement of the security provided by the Company Mortgage and to general equity principles.

(c) The execution, delivery and performance by the Company of this Agreement, the Supplemental Mortgage Indenture and the Continuing Disclosure Agreement and the consummation of the transactions contemplated hereby and thereby will not violate any provision of law or regulation applicable to the Company, or of any writ or decree of any court or governmental instrumentality, or of the Articles of Incorporation, as amended, or Code of Regulations, as amended, of the Company, or of any mortgage, indenture,

contract, agreement or other undertaking to which the Company is a party or which purports to be binding upon the Company or upon any of its assets.

(d) Substantially all (at least 90%) of the proceeds of the Original Bonds were used to provide "water pollution control facilities" and "solid waste disposal facilities" within the meaning of Sections 103(b)(4)(E) and (F) of the 1954 Code, the original use of which facilities commenced with the Company and all of the proceeds of the Original Bonds have been spent for the Project or to pay costs of issuance of the Original Bonds. The proceeds of the Bonds (other than any accrued interest thereon) will be used exclusively to refund the Refunded Bonds and none of the proceeds of the Bonds will be used to pay for any costs of issuance of the Bonds. The principal amount of the Bonds does not exceed the outstanding principal amount of the Refunded Bonds. All of the proceeds of the Bonds will be used to retire the Refunded Bonds not later than 90 days after the date of issuance of the Bonds. The proceeds of the Series 1992 Bonds (other than any accrued interest thereon) were used exclusively to refund the 1982 Bonds and none of the proceeds of the Series 1992 Bonds was used to pay for any costs of issuance of the Series 1992 Bonds. The principal amount of the Series 1992 Bonds did not exceed the outstanding principal amount of the Series 1982 Bonds. All of the proceeds of the Series 1992 Bonds were used to retire the Series 1982 Bonds not later than 90 days after the date of issuance of the Series 1992 Bonds. The Original Bonds were issued prior to August 16, 1986.

(e) Either the acquisition and construction of the Series 1977 Project and the Series 1982 Project financed, respectively, with the Series 1977 Bonds and the Series 1982 Bonds, was not commenced (within the meaning of Treasury Regulations §1.103-8(a)(5)) prior to the adoption of the respective resolutions of the Authority evidencing the intent of the Authority to issue those Original Bonds (being December 9, 1976 with respect to the Series 1977 Bonds and March 11, 1976 with respect to the Series 1982 Bonds), or, any proceeds of the corresponding Refunded Bonds used to pay costs incurred prior to the adoption of such corresponding resolution have been treated for purposes of this Agreement as having been used to provide working capital (not land or depreciable property) to the Company.

(f) It has caused the Project to be substantially completed. The Project constitutes Waste Water Facilities and Solid Waste Facilities under the Act and is consistent with the purposes of Section 13 of Article VIII of the Ohio Constitution and of the Act. The Project is being, and the Company will cause the Project to be, operated and maintained in such manner to conform with all applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, including the permit-to-install for the Project, which permits, variances and orders have not been withdrawn or otherwise suspended, and to be consistent with the Act.

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

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

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

(j) No portion of the proceeds of the Prior Bonds has been used and no portion of the proceeds of the Bonds will be used to acquire existing property or any interest therein unless the first use of such property was by the Company and was pursuant to and followed such acquisition.

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

(l) The Prior Bonds were not, and the Bonds will not be, "federally guaranteed" within the meaning of Section 149(b) of the Code.

(m) It is not anticipated that as of the date hereof, there will be created any "sinking fund", within the meaning of Section 1.148-1(c)(2) of the Treasury Regulations, with respect to the Bonds; however, in the event that any such sinking fund is deemed to have been created, moneys therein will be invested in compliance with Section 148 of the Code.

(n) On the respective dates of issuance and delivery of the Prior Bonds, the Company reasonably expected that all of the proceeds thereof would be used to carry out the governmental purposes of each such issue within the 3-year period beginning on the date each such issue was issued and none of the proceeds of each such issue, if any, were invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

(o) The respective average maturities of the Prior Bonds and the issue including the Bonds do not exceed 120% of the respective average reasonably expected economic life of the facilities financed by the proceeds thereof, and the issue including the Bonds (determined under Section 147(b) of the Code).

(p) The information furnished by the Company and used by the Authority in preparing the certifications and statements

pursuant to Sections 148 and 149(e) of the Code or their statutory predecessors with respect to the Prior Bonds was accurate and complete as of the respective dates of issuance thereof, and the information furnished by the Company and used by the Authority in preparing the certification pursuant to Section 148 of the Code and in preparing the information statement pursuant to Section 149(e) of the Code, both referred to in the Bond Resolution, will be accurate and complete as of the date of issuance of the Bonds.

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

(End of Article II)

ARTICLE III

COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS

Section 3.1. Acquisition, Construction and Installation. The Company represents that it and any other public utility companies which own any undivided interests in the Project Facilities with the Company as tenants-in-common have caused the Project Facilities to be acquired, constructed and installed on the applicable Project Sites, substantially in accordance with the Project Description and in conformance with all applicable zoning, planning, building and other similar regulations of all governmental authorities having jurisdiction over the Project and all permits, variances and orders issued in respect of the Project by EPA, and that the proceeds derived from the Original Bonds, including any investment thereof, were expended in accordance with the Original Bonds Indenture and the Original Bonds Loan Agreement.

Section 3.2. Project Description. The Project Description may be changed from time to time by, or with the consent of, the Company provided that any such change shall also be filed with the Authority and provided further that no change in the Project Description shall materially change the function of the Project Facilities unless the Trustee shall have received (i) an Engineer's certificate that such changes will not impair the significance or character of the Project Facilities as Waste Water Facilities or Solid Waste Facilities and (ii) an Opinion of Bond Counsel or ruling of the Internal Revenue Service to the effect that such amendment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 3.3. Issuance of the Bonds; Application of Proceeds. To provide funds to make the Loan to the Company to assist the Company in the refunding of the Refunded Bonds, concurrently with the delivery to the Trustee of the First Mortgage Bonds as provided in Section 4.1 hereof, the Authority will issue, sell and deliver the Bonds to the Original Purchaser. The Bonds will be issued pursuant to the Indenture in the aggregate principal amount, will bear interest, will mature and will be subject to redemption as set forth therein. The Company hereby approves the terms and conditions of the Indenture and the Bonds, and the terms and conditions under which the Bonds will be issued, sold and delivered.

The proceeds from the sale of the Bonds (other than any accrued interest) shall be loaned to the Company to assist the Company in refunding the Refunded Bonds in order to reduce the interest cost payable by the Company and shall be deposited in the Refunding Fund as follows:

- (a) \$9,000,000 of the proceeds of the Bonds will be deposited in the Series 1977 Account of the Refunding Fund (as created and defined in the Indenture) and on August 31, 2005 all moneys on deposit in the Series 1977 Account shall be deposited in the Bond Fund created in the Series 1977 Indenture and applied by the Series 1977 Trustee to the payment of principal of and interest on the Series 1977 Bonds on September 19, 2005.
- (b) \$32,300,000 of the proceeds of the Bonds will be deposited in the Series 1992 Account of the Refunding Fund (as created and defined in the Indenture), and on August 31, 2005 all moneys on deposit in the Series 1992 Account shall be deposited in the Bond Fund created in the Series 1992 Indenture and applied by the Series 1992 Trustee to the payment of principal of and interest on the Series 1992 Bonds on September 19, 2005.

Pending disbursement pursuant to this Section, the proceeds so deposited in the Refunding Fund, together with any investment earnings thereon, shall constitute a part of the

Revenues assigned by the Authority to the Trustee for the payment of Bond Service Charges. Any accrued interest shall be deposited in the Bond Fund.

The Company hereby requests that the Authority notify the Series 1977 Trustee (unless the Series 1977 Trustee has already received such notice) that the entire outstanding principal amount of the Series 1977 Bonds is to be redeemed on September 19, 2005 at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date.

The Company further requests that the Authority notify the Series 1992 Trustee (unless the Series 1992 Trustee has already received such notice) that the entire outstanding principal amount of the Series 1992 Bonds is to be redeemed on September 19, 2005 at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date.

Section 3.4. Investment of Fund Moneys. At the oral (confirmed promptly in writing) or written request of the Company, any moneys held as part of the Bond Fund, the Refunding Fund or the Rebate Fund shall be invested or reinvested by the Trustee in Eligible Investments; provided, that such moneys shall be invested or reinvested by the Trustee only in Eligible Investments which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the date upon which the moneys so invested are needed to make payments from those Funds. The Authority (to the extent it retained or retains direction or control) and the Company each hereby represents that the investment and reinvestment and the use of the proceeds of the Refunded Bonds were restricted in such manner and to such extent as was necessary so that the Refunded Bonds would not constitute arbitrage bonds under the statutory predecessor of the Code and each hereby covenants that it will restrict that investment and reinvestment and the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code.

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

Section 3.5. Rebate Fund. To the extent required by Section 5.09 of the Indenture, within five days after the end of the fifth Bond Year (as defined in the Indenture) and every fifth Bond Year thereafter, and within five days after payment in full of all outstanding Bonds, the Company shall calculate the amount of Excess Earnings (as defined in the Indenture) as of the end of that Bond Year or the date of such payment and shall notify the Trustee of that amount. If the amount then on deposit in the Rebate Fund created under the Indenture is less than the amount of Excess Earnings (computed by taking into account the amount or amounts, if any, previously paid to the United States pursuant to Section 5.09 of the Indenture and this Section), the Company shall, within five days after the date of the aforesaid calculation, pay to the Trustee for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Excess Earnings. The obligation of the Company to make such payments shall remain in effect and be binding upon the Company notwithstanding the release and discharge of the Indenture. The Company shall obtain and keep such records of the computations made pursuant to this Section as are required under Section 148(f) of the Code.

(End of Article III)

ARTICLE IV

LOAN BY AUTHORITY; LOAN PAYMENTS; ADDITIONAL PAYMENTS; AND FIRST MORTGAGE BONDS

Section 4.1. Loan Repayment; Delivery of First Mortgage Bonds. Upon the terms and conditions of this Agreement, the Authority agrees to make the Loan to the Company. The proceeds of the Loan shall be deposited with the Trustee pursuant to Section 3.3 hereof. As evidence of its obligation hereunder to repay the Loan, the Company agrees to execute and deliver the First Mortgage Bonds to the Authority, in the manner provided in Section 4.6 hereof. In consideration of and in repayment of the Loan, the Company shall make, as Loan Payments, to the Trustee for the account of the Authority, payments on the First Mortgage Bonds which correspond, as to time, and are equal in amount, to the Bond Service Charges payable on the Bonds. All Loan Payments received by the Trustee shall be held and disbursed in accordance with the provisions of the Indenture and this Agreement for application to the payment of Bond Service Charges.

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

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

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

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

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

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

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

Section 4.4. Obligations Unconditional. The obligations of the Company to make Loan Payments, Additional Payments and any payments required of the Company under Section 5.09 of the Indenture shall be absolute and unconditional, and the Company shall make

such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the Company may have or assert against the Authority, the Trustee, the Registrar or any other Person.

Section 4.5. Assignment of Revenues, Agreement and First Mortgage Bonds.

To secure the payment of Bond Service Charges, the Authority shall absolutely assign to the Trustee, its successors in trust and its and their assigns forever, by the Indenture, all right, title and interest of the Authority in and to (a) the Revenues, including, without limitation, all Loan Payments and other amounts receivable by or on behalf of the Authority under the Agreement in respect of repayment of the Loan, (b) the Agreement except for the Unassigned Authority's Rights, and (c) the First Mortgage Bonds. The Company hereby agrees and consents to those assignments.

Section 4.6. First Mortgage Bonds. To evidence and secure the obligations of the Company to make the Loan Payments and repay the Loan, the Company will, concurrently with the issuance of the Bonds, execute and deliver First Mortgage Bonds to the Authority in an aggregate principal amount equal to the aggregate principal amount of the Bonds. The Company agrees that First Mortgage Bonds authorized pursuant to the Company Mortgage, will be issued containing the terms and conditions and in substantially the form set forth in the Supplemental Mortgage Indenture. The First Mortgage Bonds shall:

- (a) provide for payments of interest equal to the payments of interest on the Bonds;
- (b) provide for payments of principal equal to the payments of principal (whether at maturity or by call for mandatory or optional redemption or pursuant to acceleration or otherwise) on the Bonds;
- (c) require all such payments on such First Mortgage Bonds to be made on or prior to the due date for the corresponding payments to be made on the Bonds; and
- (d) contain redemption provisions corresponding with such provisions of the Bonds.

Unless the Company is entitled to a credit under this Agreement or the Indenture, all payments on the First Mortgage Bonds shall be in the full amount required thereunder. The First Mortgage Bonds shall be registered in the name of the Trustee and shall not be transferred by the Trustee, except to effect transfers to any successor trustee under the Indenture.

(End of Article IV)

ARTICLE V

ADDITIONAL AGREEMENTS AND COVENANTS

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

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

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

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

Section 5.4. Operation of Project Facilities. The Company will, subject to its obligations and rights to maintain, repair or remove portions of the Project Facilities, as provided in Sections 5.2 and 5.3 hereof, use its best efforts to continue operation of the Project Facilities so long as and to the extent that operation thereof is required to comply with laws or regulations of governmental entities having jurisdiction thereof or unless the Authority shall have approved the discontinuance of such operation (which approval shall not be unreasonably withheld). The Company agrees that it will, within the design capacities thereof, use its best efforts to operate and maintain the Project Facilities in accordance with all applicable, valid and enforceable rules and regulations of governmental entities having jurisdiction thereof; provided, that the Company reserves the right to contest in good faith any such laws or regulations. The Company agrees that sufficient qualified operating personnel will be retained and operational tests and measurements necessary to determine compliance with the preceding sentence will be performed to insure proper and efficient operation and maintenance of the Project Facilities.

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

Section 5.5. Insurance. The Company agrees to insure its interest in the Project Facilities in the amount and with the coverage required by the Company Mortgage.

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

Section 5.7. Damage; Destruction and Eminent Domain. If, during the term of this Agreement, the Project Facilities or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project Facilities or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Company or the Company Mortgage Trustee receives net proceeds from insurance or any condemnation award in connection therewith, the Company (unless it shall have exercised its option to prepay the Loan Payments pursuant to provisions of Section 6.2 hereof), to the extent required to comply with applicable laws and regulations with respect to the operations of facilities of the Company served by the Project, shall promptly cause such net proceeds or an amount equal thereto to be used to repair, rebuild or restore the portion of the Project Facilities so damaged, destroyed or taken with such changes, alterations and modifications (including the substitution and addition of other property) as may be necessary or desirable for the administration and operation of the Project Facilities as Waste Water Facilities or Solid Waste Facilities and as shall not impair the character or significance of the Project Facilities as furthering the purposes of the Act. It is hereby acknowledged and agreed that any net proceeds from insurance or any condemnation award relating to the Project Facilities are subject to the lien of the Company Mortgage and shall be disposed of in accordance with the terms and provisions of the Company Mortgage and that any obligations of the Company under this Section 5.7 not satisfied by application of such net proceeds shall be limited to the general credit of the Company and does not require disposition of such net proceeds contrary to the requirements of the Company Mortgage.

Section 5.8. Company to Maintain its Corporate Existence; Conditions Under Which Exceptions Permitted. The Company agrees that during the term of this Agreement it will maintain its corporate existence and, will not sell its electric properties as an entirety or substantially as an entirety or consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it, except to the extent permitted under the provisions of the Company Mortgage, provided that any successor corporation resulting from any such sale, consolidation or merger shall assume all obligations of the Company arising under or contemplated by the provisions of this Agreement.

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

Section 5.9. Indemnification. The Company releases the Authority from, agrees that the Authority shall not be liable for, and indemnifies the Authority against, all liabilities, claims, costs and expenses imposed upon or asserted against the Authority on account of: (a) any loss or damage to property or injury to or death of or loss by any person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation and use of the Project Facilities; (b) any breach or default on the part of the Company in the performance of any covenant or agreement of the Company under this Agreement or any related document, or arising from any act or failure to act by the Company, or any of its agents, contractors, servants, employees or licensees; (c) the authorization, issuance and sale of the Bonds, and the provision of any information furnished in connection therewith concerning the Project Facilities or the Company (including, without limitation, any information furnished by the Company for inclusion in any certifications made by the Authority under Section 3.4 hereof or for inclusion in, or as a basis for preparation of, the information statements filed by the Authority pursuant to Section 8(a)(ii) of the Bond Resolution); and (d) any claim or action or proceeding with respect to the matters set forth in (a), (b) and (c) above brought thereon.

The Company agrees to indemnify the Trustee (including any predecessor Trustee), the Paying Agent and the Registrar (each hereinafter referred to in this section as an "indemnified party") for and to hold each of them harmless from and against all losses, liabilities, claims, costs and expenses (including the compensation and expenses of their counsel) incurred without negligence or willful misconduct on the part of the indemnified party arising out of, relating to or connected with the Indenture, including, but not limited to, on account of the Trustee's acceptance or administration of the trusts created by, or the performance of its powers or duties under the Indenture, or of any action taken or omitted to be taken by the indemnified party in accordance with the terms of this Agreement, the Bonds or the Indenture or any action taken at the request of or with the consent of the Company, including the costs and expenses of the indemnified party in defending itself against or investigating any claim, loss, or liability, action or proceeding brought in connection with the exercise or performance of any of its powers or duties under this Agreement, the Bonds or the Indenture.

In case any action or proceeding is brought against the Authority or an indemnified party in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Company, and the Company upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Company from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Company. At its own expense, an indemnified party may employ separate counsel and participate in the defense; provided however, where it is ethically inappropriate for one firm to represent the interests of the Authority and any other indemnified party or parties, the Company shall pay the Authority's legal expenses in connection with the Authority's retention of separate counsel. The Company shall not be liable for any settlement made without its consent.

The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers and employees and agents of the Authority, the Trustee, the Paying Agent and the Registrar, respectively. That indemnification is intended to and shall be enforceable by the Authority, the Trustee, the Paying Agent and the Registrar, respectively, to the full extent permitted by law.

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

Section 5.11. Use of Project Facilities. The Authority agrees that it will not take any action, or cause any action to be taken on its behalf, to interfere with the Company's ownership interest in the Project or to prevent the Company from having possession, custody, use and enjoyment of the Project other than pursuant to Article VII of this Agreement or Article VII of the Indenture.

Section 5.12. Assignment by Company. This Agreement may be assigned in whole or in part by the Company without the necessity of obtaining the consent of either the Authority or the Trustee, but only with the prior written consent of the Bond Insurer, subject, however, to each of the following conditions:

- (a) No assignment (other than pursuant to Section 5.8 hereof) shall relieve the Company from primary liability for any of its obligations hereunder, and in the event of any such assignment the Company shall continue to remain primarily liable for the payment of the Loan Payments and Additional Payments and for performance and observance of the agreements on its part herein provided to be performed and observed by it.

(b) Any assignment by the Company must retain for the Company such rights and interests as will permit it to perform its obligations under this Agreement, and any assignee from the Company shall assume the obligations of the Company hereunder to the extent of the interest assigned.

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

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

Section 5.13. Bond Insurance Policy. In consideration of the issuance by the Bond Insurer of the Bond Insurance Policy, the Company hereby covenants that:

(a) The Company shall pay or reimburse the Bond Insurer for any and all charges, fees, costs, and expenses that the Bond Insurer may reasonably pay or incur in connection with the following: (i) the administration, enforcement, defense, or preservation of any rights or security hereunder or under any other transaction document; (ii) the pursuit of any remedies hereunder, under any other transaction document, or otherwise afforded by law or equity; (iii) any amendment, waiver, or other action with respect to or related to this Agreement or any other transaction document whether or not executed or completed; (iv) the violation by the Company of any law, rule, or regulation or any judgment, order or decree applicable to it; (v) any advances or payments made by the Bond Insurer to cure defaults of the Company under the transaction documents; or (vi) any litigation or other dispute in connection with the Agreement, any other transaction document, or the transactions contemplated hereby or thereby, other than amounts resulting from the failure of the Bond Insurer to honor its payment obligations under the Bond Insurance Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver, or consent proposed in respect of this Agreement or any other transaction document. The obligations of the Company to the Bond Insurer hereunder shall survive discharge and termination of the Agreement.

(b) The Company shall promptly provide written notice to the Bond Insurer of the downgrading by any rating agency of the Company's underlying rating, or the underlying rating on the Bonds or any parity obligations of the Company.

(c) The Company shall promptly provide written notice to the Bond Insurer of any material events related to the Bonds pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended; and the downgrading by any rating agency of the Company's underlying rating, or the underlying rating on the Bonds or any parity obligations of the Company.

(d) The Company shall provide such additional information to the Bond Insurer as the Bond Insurer may reasonably request from time to time.

(End of Article V)

ARTICLE VI

REDEMPTION

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

Section 6.2. Extraordinary Optional Redemption. The Company shall have, subject to the conditions hereinafter imposed, the option to direct the redemption of the Bonds in whole or in part in accordance with the applicable provisions of the Indenture upon the occurrence of any of the following events:

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

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

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

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

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

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

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

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

(i) An amount of money which, when added to the moneys and investments held to the credit of the Bond Fund, will be sufficient pursuant to the provisions of the Indenture to pay, at 100% of the principal amount thereof plus accrued interest to the redemption date, and discharge, all Outstanding Bonds on the earliest applicable redemption date, that amount to be paid to the Trustee, plus

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

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

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

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

Section 6.4. Notice of Redemption. In order to exercise an option granted in, or to consummate a redemption required by, this Article VI, the Company shall, within 180 days following the event authorizing the exercise of such option or at any time during the continuation of the condition referred to in paragraphs (c), (d) or (e) of Section 6.2 hereof or promptly upon the occurrence of a Determination of Taxability (as defined in the Indenture), give written notice to the

Authority, the Trustee and the Company Mortgage Trustee that it is exercising its option to direct the redemption of Bonds, or that the redemption thereof is required by Section 4.01(b) of the Indenture due to the occurrence of a Determination of Taxability, as the case may be, in accordance with the Agreement and the Indenture, and shall specify therein the date on which such redemption is to be made, which date shall not be more than 180 days from the date such notice is mailed. The Company shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption to the Holders of the Bonds, in which arrangements the Authority shall cooperate. The Company shall make arrangements satisfactory to the Company Mortgage Trustee to effect a concurrent redemption of an equivalent principal amount of corresponding First Mortgage Bonds under the Supplemental Mortgage Indenture.

Section 6.5. Actions by Authority. At the request of the Company or the Trustee, the Authority shall take all steps required of it under the applicable provisions of the Indenture or the Bonds to effect the redemption of all or a portion of the Bonds pursuant to this Article VI.

Section 6.6. Concurrent Discharging of First Mortgage Bonds. In the event any of the Bonds shall be paid and discharged, or deemed to be paid and discharged, pursuant to any provisions of this Agreement and the Indenture, so that such Bonds are not thereafter outstanding within the meaning of the Indenture, a like principal amount of corresponding First Mortgage Bonds shall be deemed fully paid for purposes of this Agreement and to such extent the obligations of the Company hereunder shall be deemed terminated.

(End of Article VI)

ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES

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

(a) The occurrence of an event of default as defined in Section 7.01 (a) or (b) of the Indenture;

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

(c) The occurrence of a "completed default" as defined in Section 1 of Article Twelve of the Company Mortgage; and

(d) Written notice from the Bond Insurer to the Trustee that an event of default has occurred and is continuing under the Bond Insurance Agreement.

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

The term Force Majeure shall mean the following:

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

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

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

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

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

(b) The Authority or the Trustee may pursue all remedies now or hereafter existing at law or in equity to recover all amounts, including all Loan Payments and Additional Payments, then due and thereafter to become due under this Agreement, or to enforce the performance and observance of any other obligation or agreement of the Company under those instruments.

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

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

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

Section 7.4. Agreement to Pay Attorneys' Fees and Expenses. If an Event of Default should occur and the Authority or the Trustee should incur expenses, including attorneys' fees and expenses, in connection with the enforcement of this Agreement or the collection of sums due hereunder, the Company shall be required, to the extent permitted by law, to reimburse the Authority and the Trustee, as applicable, for the fees and expenses so incurred upon demand.

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

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

Section 7.7. Survival. The provisions of Sections 4.2, 5.9 and 7.4 of this Agreement shall survive the payment in full of the Bonds, the satisfaction, discharge and termination of this Agreement or the Indenture, and the resignation or removal of the Trustee, any Paying Agent, the Registrar and any Authenticating Agent as the case may be.

(End of Article VII)

ARTICLE VIII
MISCELLANEOUS

Section 8.1. Term of Agreement. This Agreement shall be and remain in full force and effect from the date of delivery of the Bonds to or to the order of the Original Purchaser until such time as all of the Bonds shall have been fully paid (or provision made for such payment) pursuant to the Indenture and all other sums payable by the Company under this Agreement shall have been paid.

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

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

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

Section 8.5. Binding Effect. This Agreement shall inure to the benefit of and shall be binding in accordance with its terms upon the Authority, the Company and their respective permitted successors and assigns provided that this Agreement may not be assigned by the Company (except as permitted under Sections 5.8 or 5.12 hereof) and may not be assigned by the Authority except to (i) the Trustee pursuant to the Indenture or as otherwise may be necessary to enforce or secure payment of Bond Service Charges or (ii) any successor public body to the Authority. Sections 4.2, 5.9, 7.4 and 7.7 of this Agreement shall inure to the benefit of the Trustee, the Registrar, any Paying Agent and any Authenticating Agent and their respective successors and assigns.

Section 8.6. Amendments and Supplements. Except as otherwise expressly provided in this Agreement or the Indenture, subsequent to the issuance of the Bonds and prior to

all conditions provided for in the Indenture for release of the Indenture having been met, this Agreement may not be effectively amended, changed, modified, altered or terminated by the parties hereto except with the consents required by, and in accordance with, the provisions of Article XI of the Indenture, as applicable. In no event may the Agreement be amended so as to affect the rights, privileges, duties or immunities of the Trustee, the Registrar, any Paying Agent or any Authenticating Agent without its consent.

Section 8.7. Execution Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

Section 8.8. Severability. If any provision of this Agreement, or any covenant, obligation or agreement contained herein is determined by a judicial or administrative authority to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. That invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 8.9. Governing Law. This Agreement shall be deemed to be a contract made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State.

Section 8.10. Continuing Disclosure. The Issuer hereby acknowledges the entry by the Company into the Continuing Disclosure Agreement under which the Company has assumed certain obligations for the benefit of the holders and beneficial owners of the Bonds. The Company agrees to perform its obligations under the Continuing Disclosure Agreement. The Company acknowledges and agrees that the Issuer is not an "obligated person" (as defined in the Continuing Disclosure Agreement) with respect to the Bonds and represents that the Company is the only obligated person with respect to the Bonds. Notwithstanding any other provision of this Agreement, any failure by the Company to comply with any provision of the Continuing Disclosure Agreement shall not be a failure or a default, or an Event of Default, under this Agreement or the Indenture.

Section 8.11. Third-Party Beneficiary. To the extent that this Agreement confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of this Agreement, the Bond Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

(End of Article VIII)

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

OHIO WATER DEVELOPMENT AUTHORITY

By: 
Executive Director

THE DAYTON POWER AND LIGHT COMPANY

By: _____
Senior Vice President and
Chief Financial Officer

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

OHIO WATER DEVELOPMENT AUTHORITY

By: _____
Executive Director

THE DAYTON POWER AND LIGHT COMPANY

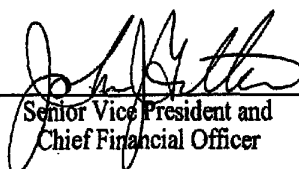
By:  _____
Senior Vice President and
Chief Financial Officer

Exhibit A

WASTE WATER FACILITIES AT THE SERIES 1977 PROJECT

I. TAIT PROJECT UNIT

That portion of the Project to be constructed and installed at the F. M. Tait Electric Generating Station will consist of new Waste Water Facilities for the treatment of all plant waste water, including that water containing oily wastes and suspended solids, in order to satisfy the chemical discharge limitations of NPDES Permit No. B103*AD.

Waste Water Facilities for the treatment of oily wastes will treat water from the following sources: plant sumps, the peaking units, the fuel oil unloading station, softener blowdown and Units 4 and 5 flash tank and will include the construction and installation of: an oily waste basin to receive waste water from the various sources of collection and function as a surge basin; an oil-water separator; a waste oil sump to pump oily waste from various plant locations to the oily waste basin; and all necessary piping, pumps, valves, controls, filters, monitoring devices and electrical supply systems in connection therewith.

Waste Water Facilities for the treatment of suspended solids will treat water from the following plant sources: coal yard runoff, plant ash sumps, deep well bleaching backwash and the reverse osmosis system backwash. Such facilities will include the construction and installation of the following: a coal yard runoff pond to provide temporary runoff storage from the coal yard and coal handling area and to function as a surge pond; a pumping station at the coal yard runoff pond to pump waste water to the ash pits; a waste water collection system for the coal storage area; a pressure filter system to reduce the concentration of suspended solids; and all necessary sumps, pumps, piping, storage tanks, overflow outlets, valves, filters, weirs, controls, monitoring devices and electrical supply systems in connection therewith.

Waste Water Facilities will also include the construction of a water treatment building to house the oil-water separator, pressure filters and various pumps and controls.

II. STUART PROJECT UNIT

That portion of the Project to be constructed and installed at the J. M. Stuart Electric Generating Plant will consist of new Waste Water Facilities for the treatment of all plant waste water, including that water containing suspended solids, floating solids and oily wastes, in order to satisfy the chemical discharge limitations of NPDES Permit No. B049*AD.

Waste Water Facilities will consist of seven systems: an oily waste system, coal pile runoff system, sanitary waste system, ph adjustment system, boiler cleaning waste system, a suspended solids disposal system and filtration system, including monitoring requirements.

The oily waste system will include the construction and installation of an oily waste collection pond, an oil-water separator, a waste oil tank and all necessary sumps, drains, piping, valves and controls in connection therewith.

The coal pile runoff system will include the construction and installation of a drainage ditch, a coal yard runoff pond and all necessary sumps, pumps and controls in connection therewith.

The sanitary waste system will consist of modifications to the existing sewage treatment facilities, including the installation of a separate surge tank equipped with a blower and duplex submersible metering pump unit and piping system to the existing 9,000 gallons per day system, improvements which will supplement or replace the existing 2,000 gallons per day unit and the construction and installation of a new sewage treatment plant.

The ph adjustment system will consist of the installation of a chemical mixing system to consist of tanks, pumps, piping, valves and sensing and metering equipment to control the ph of the waters leaving the fly ash pond.

The boiler cleaning waste system will consist of the construction and installation of a boiler cleaning waste collection pond, clarifiers, caustic tanks, polymer tanks, a thickener, filters and all necessary piping, pumps, valves and controls in connection therewith.

The suspended solids disposal system will include construction and installation of modifications to the existing ash pond system to provide for adequate retention time to settle out suspended solids prior to discharge and for the removal of floating solids (cenospheres) including the construction and installation of outlets, weirs, drains, pumps, sumps, a pumping station, pipes, dikes and discharge structures; the installation of cenosphere removal equipment and the installation of a cleaning system to remove fly ash from the south building wall up to and including the area under the precipitator.

The filtration system will include the installation of pumps, piping, valves, filters and all necessary controls to remove suspended solids.

Stations will be installed to monitor effluents being released into the river.

Electrical service will be provided by installing underground and overhead feeders from the existing distribution system. Certain additional installations will be necessary, including cables and new transformers.

III. HUTCHINGS PROJECT UNIT

That portion of the Project to be constructed and installed at the O. H. Hutchings Electric Generating Station will consist of new Waste Water Facilities for the treatment of all plant waste water, including that water containing suspended solids, floating solids (cenospheres) and oily wastes, in order to satisfy the chemical discharge limitations of NPDES Permit No. B104*AD.

Waste Water Facilities for the treatment of oily wastes will treat water from the six plant sumps, the fuel unloading and gas turbine area and will include construction and installation of: an oily waste basin to receive water from the various sources of collection and function as a surge basin; a secondary settling basin; an oily waste forwarding sump to pump oily waste from the sump system header to the oily waste basin; a sump to pump runoff water from the fuel unloading and gas turbine area to the oily waste basin; an oil-water separator and related sumps;

and all necessary piping, pumps, valves, controls, filters, monitoring devices and electrical supply systems in connection therewith.

Waste Water Facilities for the treatment of floating and suspended solids will treat water from the following sources: coal yard runoff, reverse osmosis waste, deep well bleaching waste, boiler blowdown and softener blowdown. Such Waste Water Facilities will include construction and installation of the following: rerouting of the softener blowdown from the discharge canal to the ash sump; a coal yard runoff pond drainage system; a pumping station at the coal yard runoff pond to pump waste water to the ash pits; an ash line drain tank; an ash pit overflow structure; a filter building; a pressure filter system between the secondary drainage settling basin and the river; modifications to the sanitary waste system; three filter feed pumps; and all necessary pumps, sumps, pipes, valves, controls, filters, weirs and monitoring supply systems in connection therewith.

Exhibit B

WASTE WATER AND SOLID WASTE FACILITIES AT THE SERIES 1982 PROJECT

General

Killen Electric Generating Station ("Killen") has a steam turbine-generator with a 612,574 KW nameplate rating and coal fired boiler rated at 4,545,000 lbs. of steam per hour at 2620 psig and 1005° F. The ownership is shared between The Dayton Power and Light Company and The Cincinnati Gas & Electric Company with individual interest of 67% and 33% respectively.

(1) Circulating Water System

The circulating water system at Killen is a closed cycle system utilizing one mechanical draft cooling tower. The round mechanical draft cooling tower is approximately sixty-six (66) feet high with a base diameter of approximately two hundred twenty-seven (227) feet. Engineering, material, labor and supervision were provided for the installation of the following components for the circulating water system:

Cooling tower including materials and hardware such as casing, structural framework, fill, air inlet louvers, drift eliminators, ferrous hardware and non-ferrous hardware

Water distribution system including riser pipes, distribution piping, valving, fittings, tower deicing, etc.

Electrical supply to: fan motors, lighting, pump motors and any other electrical work associated with the cooling tower

Access stairs, ladders, platforms and walkways

Lightning protection and grounding

Water circulation system including intake and discharge piping, valves, circulating water pumps and motor

Substructure consisting of piling, footer and any other construction technology necessary to support the cooling tower

(2) Wastewater Treatment System

The wastewater treatment system at Killen represents a maximum facility required for the treatment of various plant wastewaters. The treatment philosophy that was recommended for the various waste streams generated at Killen was and is based on waste flows, characteristics and final effluent limitations.

Sanitary wastes are treated in an extended aeration package unit which provides secondary treatment. Effluent from this treatment facility is subjected to disinfection by

chlorination and discharged to the collection basin. The sludge produced has been and will be hauled periodically for disposal in an approved manner. Demineralizer and condensate polisher regenerate wastes, laboratory and seal trough drains, coal pile area (active and dead storage) and precipitator area runoff, bottom ash and fly ash sluicing pipe drainage and bottom ash system overflow and seal water are all nonconcurrent and vary in flow rates. These waste streams are all directed to the collection basin for equalization, neutralization, retention and removal of particulates or solids by sedimentation.

Boiler blowdown does not exceed the limitations set forth for iron and copper and has been and will be directed to the collection basin, however, facilities will be provided to divert this flow to the cleaning waste retention basin, if it is found that the blowdown contains iron and copper at levels higher than the effluent limitation. The waste is then treated in a treatment facility either alone or combined with other cleaning wastes which are directed to the cleaning waste retention basin. The effluent from the treatment system is sent to the collection basin.

Boiler cleaning, reheater, superheater and air preheater cleaning wastes which are occasional and may contain iron and copper in excess of effluent limitations are directed to the cleaning waste retention basin and treated to remove iron and copper. The effluent is directed to the collection basin. Any sludge that is produced in the treatment facility is disposed of in an approved manner.

Equipment drain, floor drain and other miscellaneous low volume equipment cleaning wastes contaminated with oil are treated in an oil-water separator system for separation of oil and the effluent sent to the collection basin. The separated oil is collected in a waste oil storage tank for reuse or disposal in an approved manner.

Storm water wastes from transformer and oil storage tank areas are collected locally in a system of drains and directed to local oil-storm water separator systems. The separated oil is collected in waste oil storage tanks for reuse or disposal in an approved manner. The effluent water is directed to the collection basin.

All waste streams directed to the collection basin are retained in the basin for a minimum of 24 hours to permit sedimentation to occur. The overflow or supernatant from the collection basin is directed to the bottom ash pond.

Cooling tower cleaning wastes, cooling tower blowdown and bottom ash transport water are all directed to the bottom ash pond. Bottom ash pond water will be used for bottom ash and fly ash sluicing. Overflow from the bottom ash pond is sent to the fly ash pond.

The fly ash pond, in addition to receiving the overflow from the bottom ash pond, also receives the fly ash transport water. The final discharge from the fly ash pond is to the river. An automatic liquid Carbon Dioxide Recarbonation System neutralizes the high pH effluent to acceptable limits.

(3) Ash Handling and Disposal System

The ash handling system at Killen consists of a dry vacuum collection system and a wet sluicing removal system designed to remove ash from the electrostatic precipitator and bottom ash hoppers and to transport the collected ash to on-site storage ponds. Engineering, material,

labor and supervision was provided for the installation of the following components for the ash handling and disposal system:

Hoppers, valves, controls, pumps, manifold pipe connection system, vacuum producing equipment, discharge conveying pipes to the wet ash disposal area

On-site ash disposal ponds

Supporting structural steel, pipe hangers and foundations

Necessary stairways, galleries and enclosures

Electrical work associated with the ash disposal system

LOAN AGREEMENT

between

OHIO AIR QUALITY DEVELOPMENT AUTHORITY

and

THE DAYTON POWER AND LIGHT COMPANY

\$137,800,000
State of Ohio
Collateralized Pollution Control
Revenue Refunding Bonds, 2005 Series B
(The Dayton Power and Light Company Project)

Dated

as of

August 1, 2005

INDEX

(This Index is not a part of the Agreement
but rather is for convenience of reference only.)

	<u>Page</u>
Preambles	1
ARTICLE I DEFINITIONS	
Section 1.1 Use of Defined Terms	2
Section 1.2 Definitions	2
Section 1.3 Interpretation	7
Section 1.4 Captions and Headings	7
ARTICLE II REPRESENTATIONS	
Section 2.1 Representations of the Authority	8
Section 2.2 No Warranty by Authority of Condition or Suitability of the Project	8
Section 2.3 Representations and Covenants of the Company	8
ARTICLE III COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS	
Section 3.1 Acquisition, Construction and Installation	12
Section 3.2 Project Description	12
Section 3.3 Issuance of the Bonds; Application of Proceeds	12
Section 3.4 Investment of Fund Moneys	13
Section 3.5 Rebate Fund	13
ARTICLE IV LOAN BY AUTHORITY; LOAN PAYMENTS; ADDITIONAL PAYMENTS; AND FIRST MORTGAGE BONDS	
Section 4.1 Loan Repayment; Delivery of First Mortgage Bonds	14
Section 4.2 Additional Payments	14
Section 4.3 Place of Payments	14
Section 4.4 Obligations Unconditional	14
Section 4.5 Assignment of Revenues, Agreement and First Mortgage Bonds	15
Section 4.6 First Mortgage Bonds	15
ARTICLE V ADDITIONAL AGREEMENTS AND COVENANTS	
Section 5.1 Right of Access	16
Section 5.2 Maintenance	16
Section 5.3 Removal of Portions of the Project Facilities	16
Section 5.4 Operation of Project Facilities	16
Section 5.5 Insurance	17

			<u>Page</u>
Section	5.6	Workers' Compensation Coverage	17
Section	5.7	Damage; Destruction and Eminent Domain	17
Section	5.8	Company to Maintain its Corporate Existence; Conditions Under Which Exceptions Permitted	17
Section	5.9	Indemnification	17
Section	5.10	Company Not to Adversely Affect Exclusion of Interest on Bonds From Gross Income For Federal Income Tax Purposes	18
Section	5.11	Use of Project Facilities	18
Section	5.12	Assignment by Company	18
Section	5.13	Bond Insurance Policy	19

ARTICLE VI REDEMPTION

Section	6.1	Optional Redemption	20
Section	6.2	Extraordinary Optional Redemption	20
Section	6.3	Mandatory Redemption	21
Section	6.4	Notice of Redemption	21
Section	6.5	Actions by Authority	22
Section	6.6	Concurrent Discharging of First Mortgage Bonds	22

ARTICLE VII EVENTS OF DEFAULT AND REMEDIES

Section	7.1	Events of Default	23
Section	7.2	Remedies on Default	24
Section	7.3	No Remedy Exclusive	24
Section	7.4	Agreement to Pay Attorneys' Fees and Expenses	24
Section	7.5	No Waiver	25
Section	7.6	Notice of Default	25
Section	7.7	Survival	25

ARTICLE VIII MISCELLANEOUS

Section	8.1	Term of Agreement	26
Section	8.2	Amounts Remaining in Funds	26
Section	8.3	Notices	26
Section	8.4	Extent of Covenants of the Authority; No Personal Liability	26
Section	8.5	Binding Effect	26
Section	8.6	Amendments and Supplements	26
Section	8.7	Execution Counterparts	27
Section	8.8	Severability	27
Section	8.9	Governing Law	27
Section	8.10	Continuing Disclosure	27
Section	8.11	Third-Party Beneficiary	27
Signatures			28

Exhibit A – AIR QUALITY FACILITIES AT THE SERIES 1980 PROJECT
Exhibit B – AIR QUALITY FACILITIES AT THE SERIES 1982 PROJECT
Exhibit C – AIR QUALITY FACILITIES AT THE SERIES 1985 PROJECT

LOAN AGREEMENT

THIS LOAN AGREEMENT is made and entered into as of August 1, 2005 between the OHIO AIR QUALITY DEVELOPMENT AUTHORITY (the "Authority"), a body politic and corporate organized and existing under the laws of the State of Ohio, and THE DAYTON POWER AND LIGHT COMPANY (the "Company"), a public utility and corporation duly organized and validly existing under the laws of the State of Ohio. Capitalized terms used in the following recitals are used as defined in Article I of this Agreement.

Pursuant to Section 13 of Article VIII of the Ohio Constitution and the Act, the Authority has determined to issue, sell and deliver the Bonds and to lend the proceeds derived from the sale thereof to the Company to assist in the refunding of the Series 1992 Bonds and the Series 1995 Bonds as defined below. The Series 1992 Bonds were originally issued to provide funds to make a loan to the Company to assist in the refunding of the Series 1980 Bonds and the Series 1982 Bonds, each as defined below, which were each originally issued to provide funds to make a loan to the Company to assist in the financing of its portion of the costs of the Series 1980 Project and the Series 1982 Project, respectively, each as defined below. The Series 1995 Bonds were originally issued to provide funds to make a loan to the Company to assist in the refunding of the Series 1985 Bonds as defined below which were originally issued to provide funds to make a loan to the Company to assist in the financing of its portion of the costs of the Series 1985 Project as defined below.

The Company and the Authority each have full right and lawful authority to enter into this Agreement and to perform and observe the provisions hereof on their respective parts to be performed and observed.

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

ARTICLE I

DEFINITIONS

Section 1.1. Use of Defined Terms. In addition to the words and terms defined elsewhere in this Agreement or by reference to another document, the words and terms set forth in Section 1.2 hereof shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.2. Definitions. As used herein:

"Act" means Chapter 3706, Ohio Revised Code, as enacted and amended from time to time pursuant to Section 13 of Article VIII of the Ohio Constitution.

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

"Administration Expenses" means the compensation (which compensation shall not be greater than that typically charged in similar circumstances; and which shall not be limited by any provision of law in regard to the compensation of a trustee of any express trust) and reimbursement of reasonable expenses, disbursements and advances incurred or made by or on behalf of the Trustee, the Registrar, any Paying Agent and any Authenticating Agent (including the reasonable compensation and the expenses and disbursements of its counsel and of all other persons not regularly in its employ), and shall also include all fees, charges, expenses, advances, compensation and reimbursements and all other amounts due the Trustee, the Registrar and any Paying Agent or Authenticating Agent under or pursuant to Section 6.03 of the Indenture.

"Agreement" means this Loan Agreement, as amended or supplemented from time to time.

"Air Quality Facility" or "Air Quality Facilities" means those facilities which are air quality facilities as defined in Section 3706.01, Ohio Revised Code

"Authenticating Agent" means the Authenticating Agent as defined in the Indenture.

"Authority Fee" means the amount of \$349,750.

"Bond Fund" means the Bond Fund created in the Indenture.

"Bond Insurance Agreement" means the Insurance Agreement entered into between the Company and the Bond Insurer in connection with the issuance of the Bond Insurance Policy.

"Bond Insurance Policy" or "Policy" means the municipal bond insurance policy issued by the Bond Insurer that guarantees payment of principal of and interest on the Bonds.

"Bond Insurer" means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto.

"Bond Resolution" means the resolution of the Authority providing for the issuance of the Bonds and approving this Agreement, the Indenture and related matters, as amended or supplemented from time to time.

"Bond Service Charges" means, for any period or time, the principal of and interest due on the Bonds for that period or payable at that time whether due at maturity or upon acceleration or redemption or otherwise.

"Bonds" means the \$137,800,000 Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series B (The Dayton Power and Light Company Project), issued by the Authority pursuant to the Bond Resolution and the Indenture.

"Bonds Outstanding" or "Outstanding Bonds" means Outstanding Bonds as defined in the Indenture.

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

"Company Mortgage" means the First and Refunding Mortgage, dated as of October 1, 1935, between the Company and the Company Mortgage Trustee, as amended, modified or supplemented from time to time.

"Company Mortgage Trustee" means The Bank of New York (formerly Irving Trust Company) as trustee under the Company Mortgage, and its successors and assigns.

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement between the Company and the Trustee dated as of August 1, 2005, as the same may be amended from time to time in accordance with the terms thereof.

"Eligible Investments" means Eligible Investments as defined in the Indenture.

"Engineer" means an engineer (who may be an employee of the Company) or engineering firm qualified to practice the profession of engineering under the laws of the State and who or which is acceptable to the Trustee.

"EPA" means the Environmental Protection Agency of the State and any successor body, agency, commission or department.

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

"First Mortgage Bonds" means the \$137,800,000 aggregate principal amount of First Mortgage Bonds, 4.80% Pollution Control Series 2005-B Due 2034, issued under the Supplemental Mortgage Indenture.

"Force Majeure" means any of the causes, circumstances or events described as constituting Force Majeure in Section 7.1 hereof.

"Government Obligations" means Government Obligations as defined in the Indenture.

"Holder" or "Holder of a Bond" means the Person in whose name a Bond is registered on the Register.

"Indenture" means the Trust Indenture, dated as of the same date as this Agreement, between the Authority and the Trustee, as amended or supplemented from time to time.

"Interest Rate for Advances" means the interest rate per year payable on the Bonds.

"Loan" means the loan by the Authority to the Company of the proceeds received from the sale of the Bonds.

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

"Loan Payments" means the amounts required to be paid by the Company on the First Mortgage Bonds in repayment of the Loan pursuant to Section 4.1 hereof.

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

"Notice Address" means:

- (a) As to the Authority: Ohio Air Quality Development Authority
LeVeque Tower, Suite 1718
50 West Broad Street
Columbus, Ohio 43215
Attention: Executive Director
- (b) As to the Company: The Dayton Power and Light Company
1065 Woodman Drive
Dayton, Ohio 45432
Attention: Treasurer
- (c) As to the Trustee: The Bank of New York
385 Rifle Camp Road, 3rd Floor
West Paterson, New Jersey 07424
Attention: Corporate Trust Administration

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

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

"Original Bonds" means collectively, the Series 1980 Bonds, the Series 1982 Bonds and the Series 1985 Bonds.

"Original Bonds Indenture" means collectively, the Series 1980 Indenture, the Series 1982 Indenture and the Series 1985 Indenture.

"Original Bonds Loan Agreement" means collectively, the Series 1980 Loan Agreement, the Series 1982 Loan Agreement and the Series 1985 Loan Agreement.

"Original Purchaser" means the Original Purchaser as defined in the Indenture.

"Paying Agent" means the Paying Agent as defined in the Indenture.

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

"Prior Bonds" means collectively, the Original Bonds, the Series 1992 Bonds and the Series 1995 Bonds.

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

"Project Description" means collectively, the description of the Project Facilities attached hereto as Exhibit A (with respect to the Series 1980 Project), Exhibit B (with respect to the Series 1982 Project) and Exhibit C (with respect to the Series 1985 Project), as the same may be amended in accordance with this Agreement.

"Project Purposes" means the purposes of Air Quality Facilities as described in the Act and as particularly described in Exhibits A, B and C hereto.

"Project Site" means, with respect to the Series 1992 Bonds, the Walter C. Beckjord Electric Generating Station in Clermont County, Ohio and the Killen Electric Generating Station in Adams County, Ohio, and with respect to the Series 1995 Bonds, the William H. Zimmer Generating Station in Clermont County, Ohio.

"Rebate Fund" means the Rebate Fund created in the Indenture.

"Refunded Bonds" means collectively, the Series 1992 Bonds and the Series 1995 Bonds.

"Refunding Fund" means the Refunding Fund created in the Indenture.

"Register" means the books kept and maintained for the registration and transfer of Bonds pursuant to Section 3.05 of the Indenture.

"Registrar" means the Registrar as defined in the Indenture.

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

"Series 1980 Bonds" means the \$6,700,000 State of Ohio Air Quality Development Revenue Bonds, 1980 Series (The Dayton Power and Light Company Project) dated as of May 1, 1980.

"Series 1982 Bonds" means the \$21,100,000 State of Ohio Collateralized Air Quality Development Revenue Bonds, 1982 Series (The Dayton Power and Light Company Project) dated as of November 1, 1982.

"Series 1985 Bonds" means the \$110,000,000 State of Ohio Pollution Control Revenue Bonds, 1985 Series (The Dayton Power and Light Company Project) dated as of December 1, 1985.

"Series 1992 Bonds" means the \$27,800,000 State of Ohio Collateralized Air Quality Development Revenue Refunding Bonds, 1992 Series B (The Dayton Power and Light

Company Project) dated as of August 15, 1992, now outstanding in the aggregate principal amount of \$27,800,000.

"Series 1995 Bonds" means the \$110,000,000 State of Ohio Air Quality Development Revenue Refunding Bonds, 1995 Series (The Dayton Power and Light Company Project) dated as of September 1, 1995, now outstanding in the aggregate principal amount of \$110,000,000.

"Series 1980 Indenture" means the Trust Indenture between the Authority and The Central Trust Company dated as of May 1, 1980.

"Series 1982 Indenture" means the Trust Indenture between the Authority and The Bank of New York (formerly Irving Trust Company), as trustee, dated as of November 1, 1982.

"Series 1985 Indenture" means the Trust Indenture between the Authority and The Bank of New York, dated as of December 1, 1985.

"Series 1992 Indenture" means the Trust Indenture between the Authority and the Series 1992 Trustee dated as of August 15, 1992.

"Series 1995 Indenture" means the Trust Indenture between the Authority and the Series 1995 Trustee dated as of September 1, 1995.

"Series 1980 Loan Agreement" means the Loan Agreement between the Authority and the Company dated as of May 1, 1980.

"Series 1982 Loan Agreement" means the Loan Agreement between the Authority and the Company dated as of November 1, 1982.

"Series 1985 Loan Agreement" means the Loan Agreement between the Authority and the Company dated as of December 1, 1985.

"Series 1992 Loan Agreement" means the Loan Agreement between the Authority and the Company dated as of August 15, 1992.

"Series 1995 Loan Agreement" means the Loan Agreement between the Authority and the Company dated as of September 1, 1995.

"Series 1980 Project" means the real, personal or real and personal property, including undivided or other interests therein financed with the proceeds of the Series 1980 Bonds and identified as Exhibit A hereto.

"Series 1982 Project" means the real, personal or real and personal property, including undivided or other interests therein financed with the proceeds of the Series 1982 Bonds and identified in Exhibit B hereto.

"Series 1985 Project" means the real, personal or real and personal property, including undivided or other interests therein financed with the proceeds of the Series 1985 Bonds and identified in Exhibit C hereto.

"Series 1992 Trustee" means The Bank of New York, as trustee under the Series 1992 Indenture.

"Series 1995 Trustee" means The Bank of New York, as Trustee under the Series 1995 Indenture.

"State" means the State of Ohio.

"Station Unit" means the Killen Electric Generating Station Unit 2, the Walter C. Beckjord Generating Station Unit 6 and the William H. Zimmer Electric Generating Station.

"Supplemental Mortgage Indenture" means the Forty-Third Supplemental Indenture, dated as of August 1, 2005, between the Company and the Company Mortgage Trustee, as amended or supplemented from time to time.

"Trustee" means The Bank of New York, New York, New York, a corporation duly organized and validly existing under the laws of the State of New York, as trustee under the Indenture, until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean the successor Trustee. "Principal Office" of the Trustee shall mean the principal corporate trust office of the Trustee, which office at the date of issuance of the Bonds is located at its Notice Address.

"Unassigned Authority's Rights" means all of the rights of the Authority to receive Additional Payments under Section 4.2 hereof, to access and inspection pursuant to Section 5.1 hereof, to be held harmless and indemnified under Section 5.9 hereof, to be reimbursed for attorney's fees and expenses under Section 7.4 hereof and to give or withhold consent to amendments, changes, modifications, alterations and termination of this Agreement under Section 8.6 hereof and its right to enforce such rights.

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

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

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

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

(End of Article I)

ARTICLE II

REPRESENTATIONS

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

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

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

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State, with power and authority (corporate and other) to own its properties and conduct its business, to execute and deliver this Agreement, the Supplemental Mortgage Indenture, the First Mortgage Bonds and the Continuing Disclosure Agreement, and to perform its obligations under this Agreement, the Company Mortgage, the Supplemental Mortgage Indenture, the First Mortgage Bonds and the Continuing Disclosure Agreement.

(b) This Agreement, the Supplemental Mortgage Indenture, the Company Mortgage and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the Company; the First Mortgage Bonds have been duly authorized, executed, issued and delivered; and this Agreement, the Supplemental Mortgage Indenture, the Company Mortgage, the First Mortgage Bonds and the Continuing Disclosure Agreement constitute valid and legally binding obligations of the Company, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights, to laws relating to or affecting the enforcement of the security provided by the Company Mortgage and to general equity principles.

(c) The execution, delivery and performance by the Company of this Agreement, the Supplemental Mortgage Indenture and the Continuing Disclosure Agreement and the consummation of the transactions contemplated hereby and thereby will not violate any provision of law or regulation applicable to the Company, or of any writ or decree of any court or governmental instrumentality, or of the Articles of Incorporation, as amended, or Code of Regulations, as amended, of the Company, or of any mortgage, indenture,

contract, agreement or other undertaking to which the Company is a party or which purports to be binding upon the Company or upon any of its assets.

(d) Substantially all (at least 90%) of the proceeds of the Original Bonds were used to provide "pollution control facilities" within the meaning of Sections 103(b)(4)(F) of the 1954 Code, the original use of which facilities commenced with the Company and all of the proceeds of the Original Bonds have been spent for the Project or to pay costs of issuance of the Original Bonds. The proceeds of the Bonds (other than any accrued interest thereon) will be used exclusively to refund the Refunded Bonds and none of the proceeds of the Bonds will be used to pay for any costs of issuance of the Bonds. The principal amount of the Bonds does not exceed the outstanding principal amount of the Refunded Bonds. All of the proceeds of the Bonds will be used to retire the Refunded Bonds not later than 90 days after the date of issuance of the Bonds. The proceeds of the Series 1992 Bonds (other than any accrued interest thereon) were used exclusively to refund the Series 1980 Bonds and the Series 1982 Bonds and none of the proceeds of the Series 1992 Bonds was used to pay for any costs of issuance of the Series 1992 Bonds. The principal amount of the Series 1992 Bonds did not exceed the outstanding aggregate principal amount of the Series 1980 Bonds and the Series 1982 Bonds. All of the proceeds of the Series 1992 Bonds were used to retire the Series 1980 Bonds and the Series 1982 Bonds not later than 90 days after the date of issuance of the Series 1992 Bonds. The proceeds of the Series 1995 Bonds (other than any accrued interest thereon) were used exclusively to refund the Series 1985 Bonds and none of the proceeds of the Series 1995 Bonds was used to pay for any costs of issuance of the Series 1995 Bonds. The principal amount of the Series 1995 Bonds did not exceed the outstanding principal amount of the Series 1985 Bonds. All of the proceeds of the Series 1995 Bonds were used to retire the Series 1985 Bonds not later than 90 days after the date of issuance of the Series 1995 Bonds. The Original Bonds were issued prior to August 16, 1986.

(e) Either the acquisition and construction of the Series 1980 Project, the Series 1982 Project and the Series 1985 Project financed, respectively, with the Series 1980 Bonds, the Series 1982 Bonds and the Series 1985 Bonds, was not commenced (within the meaning of Treasury Regulations §1.103-8(a)(5)) prior to the adoption of the respective resolutions of the Authority evidencing the intent of the Authority to issue those Original Bonds (being March 8, 1977 with respect to the Series 1980 Bonds, November 19, 1975 with respect to the Series 1982 Bonds and November 15, 1984 with respect to the Series 1985 Bonds), or, any proceeds of the corresponding Refunded Bonds used to pay costs incurred prior to the adoption of such corresponding resolution have been treated for purposes of this Agreement as having been used to provide working capital (not land or depreciable property) to the Company.

(f) It has caused the Project to be substantially completed. The Project constitutes Air Quality Facilities under the Act and is consistent with the purposes of Section 13 of Article VIII of the Ohio Constitution and of the Act. The Project is being, and

the Company will cause the Project to be, operated and maintained in such manner to conform with all applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, including the permit-to-install for the Project, which permits, variances and orders have not been withdrawn or otherwise suspended, and to be consistent with the Act.

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

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

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

(j) No portion of the proceeds of the Prior Bonds has been used and no portion of the proceeds of the Bonds will be used to acquire existing property or any interest therein unless the first use of such property was by the Company and was pursuant to and followed such acquisition.

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

(l) The Prior Bonds were not, and the Bonds will not be, "federally guaranteed" within the meaning of Section 149(b) of the Code.

(m) It is not anticipated that as of the date hereof, there will be created any "sinking fund", within the meaning of Section 1.148-1(c)(2) of the Treasury Regulations, with respect to the Bonds; however, in the event that any such sinking fund is deemed to have been created, moneys therein will be invested in compliance with Section 148 of the Code.

(n) On the respective dates of issuance and delivery of the Prior Bonds, the Company reasonably expected that all of the proceeds thereof would be used to carry out the governmental purposes of each such issue within the 3-year period beginning on the date each such issue was issued and none of the proceeds of each such issue, if any, were invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

(o) The respective average maturities of the Prior Bonds and the issue including the Bonds do not exceed 120% of the respective average reasonably expected economic life of the facilities financed by the proceeds thereof, and the issue including the Bonds (determined under Section 147(b) of the Code).

(p) The information furnished by the Company and used by the Authority in preparing the certifications and statements pursuant to Sections 148 and 149(e) of the Code or their statutory predecessors with respect to the Prior Bonds was accurate and complete as of the respective dates of issuance thereof, and the information furnished by the Company and used by the Authority in preparing the certification pursuant to Section 148 of the Code and in preparing the information statement pursuant to Section 149(e) of the Code, both referred to in the Bond Resolution, will be accurate and complete as of the date of issuance of the Bonds.

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

(End of Article II)

ARTICLE III

COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS

Section 3.1. Acquisition, Construction and Installation. The Company represents that it and any other public utility companies which own any undivided interests in the Project Facilities with the Company as tenants-in-common have caused the Project Facilities to be acquired, constructed and installed on the applicable Project Sites, substantially in accordance with the Project Description and in conformance with all applicable zoning, planning, building and other similar regulations of all governmental authorities having jurisdiction over the Project and all permits, variances and orders issued in respect of the Project by EPA, and that the proceeds derived from the Original Bonds, including any investment thereof, were expended in accordance with the Original Bonds Indenture and the Original Bonds Loan Agreement.

Section 3.2. Project Description. The Project Description may be changed from time to time by, or with the consent of, the Company provided that any such change shall also be filed with the Authority and provided further that no change in the Project Description shall materially change the function of the Project Facilities unless the Trustee shall have received (i) an Engineer's certificate that such changes will not impair the significance or character of the Project Facilities as Air Quality Facilities and (ii) an Opinion of Bond Counsel or ruling of the Internal Revenue Service to the effect that such amendment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 3.3. Issuance of the Bonds; Application of Proceeds. To provide funds to make the Loan to the Company to assist the Company in the refunding of the Refunded Bonds, concurrently with the delivery to the Trustee of the First Mortgage Bonds as provided in Section 4.1 hereof, the Authority will issue, sell and deliver the Bonds to the Original Purchaser. The Bonds will be issued pursuant to the Indenture in the aggregate principal amount, will bear interest, will mature and will be subject to redemption as set forth therein. The Company hereby approves the terms and conditions of the Indenture and the Bonds, and the terms and conditions under which the Bonds will be issued, sold and delivered.

The proceeds from the sale of the Bonds (other than any accrued interest) shall be loaned to the Company to assist the Company in refunding the Refunded Bonds in order to reduce the interest cost payable by the Company and shall be deposited in the Refunding Fund as follows:

- (a) \$27,800,000 of the proceeds of the Bonds will be deposited in the Series 1992 Account of the Refunding Fund (as created and defined in the Indenture) and on August 31, 2005 all moneys on deposit in the Series 1992 Account shall be deposited in the Bond Fund created in the Series 1992 Indenture and applied by the Series 1992 Trustee to the payment of principal of and interest on the Series 1992 Bonds on September 19, 2005.
- (b) \$110,000,000 of the proceeds of the Bonds will be deposited in the Series 1995 Account of the Refunding Fund (as created and defined in the Indenture), and on August 31, 2005 all moneys on deposit in the Series 1995 Account shall be deposited in the Bond Fund created in the Series 1995 Indenture and applied by the Series 1995 Trustee to the payment of principal of and interest on the Series 1995 Bonds on September 19, 2005.

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

The Company hereby requests that the Authority notify the Series 1992 Trustee (unless the Series 1992 Trustee has already received such notice) that the entire outstanding principal amount of the Series 1992 Bonds is to be redeemed on September 19, 2005 at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date.

The Company further requests that the Authority notify the Series 1995 Trustee (unless the Series 1995 Trustee has already received such notice) that the entire outstanding principal amount of the Series 1995 Bonds is to be redeemed on September 19, 2005 at a redemption price of 102% of the principal amount thereof plus accrued interest to the redemption date.

Section 3.4. Investment of Fund Moneys. At the oral (confirmed promptly in writing) or written request of the Company, any moneys held as part of the Bond Fund, the Refunding Fund or the Rebate Fund shall be invested or reinvested by the Trustee in Eligible Investments; provided, that such moneys shall be invested or reinvested by the Trustee only in Eligible Investments which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the date upon which the moneys so invested are needed to make payments from those Funds. The Authority (to the extent it retained or retains direction or control) and the Company each hereby represents that the investment and reinvestment and the use of the proceeds of the Refunded Bonds were restricted in such manner and to such extent as was necessary so that the Refunded Bonds would not constitute arbitrage bonds under the statutory predecessor of the Code and each hereby covenants that it will restrict that investment and reinvestment and the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code.

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

Section 3.5. Rebate Fund. To the extent required by Section 5.09 of the Indenture, within five days after the end of the fifth Bond Year (as defined in the Indenture) and every fifth Bond Year thereafter, and within five days after payment in full of all outstanding Bonds, the Company shall calculate the amount of Excess Earnings (as defined in the Indenture) as of the end of that Bond Year or the date of such payment and shall notify the Trustee of that amount. If the amount then on deposit in the Rebate Fund created under the Indenture is less than the amount of Excess Earnings (computed by taking into account the amount or amounts, if any, previously paid to the United States pursuant to Section 5.09 of the Indenture and this Section), the Company shall, within five days after the date of the aforesaid calculation, pay to the Trustee for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Excess Earnings. The obligation of the Company to make such payments shall remain in effect and be binding upon the Company notwithstanding the release and discharge of the Indenture. The Company shall obtain and keep such records of the computations made pursuant to this Section as are required under Section 148(f) of the Code.

(End of Article III)

ARTICLE IV

LOAN BY AUTHORITY; LOAN PAYMENTS; ADDITIONAL PAYMENTS; AND FIRST MORTGAGE BONDS

Section 4.1. Loan Repayment; Delivery of First Mortgage Bonds. Upon the terms and conditions of this Agreement, the Authority agrees to make the Loan to the Company. The proceeds of the Loan shall be deposited with the Trustee pursuant to Section 3.3 hereof. As evidence of its obligation hereunder to repay the Loan, the Company agrees to execute and deliver the First Mortgage Bonds to the Authority, in the manner provided in Section 4.6 hereof. In consideration of and in repayment of the Loan, the Company shall make, as Loan Payments, to the Trustee for the account of the Authority, payments on the First Mortgage Bonds which correspond, as to time, and are equal in amount, to the Bond Service Charges payable on the Bonds. All Loan Payments received by the Trustee shall be held and disbursed in accordance with the provisions of the Indenture and this Agreement for application to the payment of Bond Service Charges.

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

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

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

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

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

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

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

Section 4.4. Obligations Unconditional. The obligations of the Company to make Loan Payments, Additional Payments and any payments required of the Company under Section 5.09 of the Indenture shall be absolute and unconditional, and the Company shall make

such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the Company may have or assert against the Authority, the Trustee, the Registrar or any other Person.

Section 4.5. Assignment of Revenues, Agreement and First Mortgage Bonds.

To secure the payment of Bond Service Charges, the Authority shall absolutely assign to the Trustee, its successors in trust and its and their assigns forever, by the Indenture, all right, title and interest of the Authority in and to (a) the Revenues, including, without limitation, all Loan Payments and other amounts receivable by or on behalf of the Authority under the Agreement in respect of repayment of the Loan, (b) the Agreement except for the Unassigned Authority's Rights, and (c) the First Mortgage Bonds. The Company hereby agrees and consents to those assignments.

Section 4.6. First Mortgage Bonds. To evidence and secure the obligations of the Company to make the Loan Payments and repay the Loan, the Company will, concurrently with the issuance of the Bonds, execute and deliver First Mortgage Bonds to the Authority in an aggregate principal amount equal to the aggregate principal amount of the Bonds. The Company agrees that First Mortgage Bonds authorized pursuant to the Company Mortgage, will be issued containing the terms and conditions and in substantially the form set forth in the Supplemental Mortgage Indenture. The First Mortgage Bonds shall:

- (a) provide for payments of interest equal to the payments of interest on the Bonds;
- (b) provide for payments of principal equal to the payments of principal (whether at maturity or by call for mandatory or optional redemption or pursuant to acceleration or otherwise) on the Bonds;
- (c) require all such payments on such First Mortgage Bonds to be made on or prior to the due date for the corresponding payments to be made on the Bonds; and
- (d) contain redemption provisions corresponding with such provisions of the Bonds.

Unless the Company is entitled to a credit under this Agreement or the Indenture, all payments on the First Mortgage Bonds shall be in the full amount required thereunder. The First Mortgage Bonds shall be registered in the name of the Trustee and shall not be transferred by the Trustee, except to effect transfers to any successor trustee under the Indenture.

(End of Article IV)

ARTICLE V

ADDITIONAL AGREEMENTS AND COVENANTS

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

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

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

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

Section 5.4. Operation of Project Facilities. The Company will, subject to its obligations and rights to maintain, repair or remove portions of the Project Facilities, as provided in Sections 5.2 and 5.3 hereof, use its best efforts to continue operation of the Project Facilities so long as and to the extent that operation thereof is required to comply with laws or regulations of governmental entities having jurisdiction thereof or unless the Authority shall have approved the discontinuance of such operation (which approval shall not be unreasonably withheld). The Company agrees that it will, within the design capacities thereof, use its best efforts to operate and maintain the Project Facilities in accordance with all applicable, valid and enforceable rules and regulations of governmental entities having jurisdiction thereof; provided, that the Company reserves the right to contest in good faith any such laws or regulations. The Company agrees that sufficient qualified operating personnel will be retained and operational tests and measurements necessary to determine compliance with the preceding sentence will be performed to insure proper and efficient operation and maintenance of the Project Facilities.

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

Section 5.5. Insurance. The Company agrees to insure its interest in the Project Facilities in the amount and with the coverage required by the Company Mortgage.

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

Section 5.7. Damage; Destruction and Eminent Domain. If, during the term of this Agreement, the Project Facilities or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project Facilities or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Company or the Company Mortgage Trustee receives net proceeds from insurance or any condemnation award in connection therewith, the Company (unless it shall have exercised its option to prepay the Loan Payments pursuant to provisions of Section 6.2 hereof), to the extent required to comply with applicable laws and regulations with respect to the operations of facilities of the Company served by the Project, shall promptly cause such net proceeds or an amount equal thereto to be used to repair, rebuild or restore the portion of the Project Facilities so damaged, destroyed or taken with such changes, alterations and modifications (including the substitution and addition of other property) as may be necessary or desirable for the administration and operation of the Project Facilities as Air Quality Facilities and as shall not impair the character or significance of the Project Facilities as furthering the purposes of the Act. It is hereby acknowledged and agreed that any net proceeds from insurance or any condemnation award relating to the Project Facilities are subject to the lien of the Company Mortgage and shall be disposed of in accordance with the terms and provisions of the Company Mortgage and that any obligations of the Company under this Section 5.7 not satisfied by application of such net proceeds shall be limited to the general credit of the Company and does not require disposition of such net proceeds contrary to the requirements of the Company Mortgage.

Section 5.8. Company to Maintain its Corporate Existence; Conditions Under Which Exceptions Permitted. The Company agrees that during the term of this Agreement it will maintain its corporate existence and, will not sell its electric properties as an entirety or substantially as an entirety or consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it, except to the extent permitted under the provisions of the Company Mortgage, provided that any successor corporation resulting from any such sale, consolidation or merger shall assume all obligations of the Company arising under or contemplated by the provisions of this Agreement.

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

Section 5.9. Indemnification. The Company releases the Authority from, agrees that the Authority shall not be liable for, and indemnifies the Authority against, all liabilities, claims, costs and expenses imposed upon or asserted against the Authority on account of: (a) any loss or damage to property or injury to or death of or loss by any person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation and use of the Project Facilities; (b) any breach or default on the part of the Company in the performance of any covenant or agreement of the Company under this Agreement or any related document, or arising from any act or failure to act by the Company, or any of its agents, contractors, servants, employees or licensees; (c) the authorization, issuance and sale of the Bonds, and the provision of any information furnished in connection therewith concerning the Project Facilities or the Company (including, without limitation, any information furnished by the Company for inclusion in any certifications made by the Authority under Section 3.4 hereof or for inclusion in, or as a basis for preparation of, the information statements filed by the Authority pursuant to Section 8(a)(ii) of the Bond Resolution); and (d) any claim or action or proceeding with respect to the matters set forth in (a), (b) and (c) above brought thereon.

The Company agrees to indemnify the Trustee (including any predecessor Trustee), the Paying Agent and the Registrar (each hereinafter referred to in this section as an "indemnified party") for and to hold each of them harmless from and against all losses, liabilities, claims, costs and expenses (including the compensation and expenses of their counsel) incurred without negligence or willful misconduct on the part of the indemnified party arising out of, relating to or connected with the Indenture, including, but not limited to, on account of the Trustee's acceptance or administration of the trusts created by, or the performance of its powers or duties under the Indenture, or of any action taken or omitted to be taken by the indemnified party in accordance with the terms of this Agreement, the Bonds or the Indenture or any action taken at the request of or with the consent of the Company, including the costs and expenses of the indemnified party in defending itself against or investigating any claim, loss, or liability, action or proceeding brought in connection with the exercise or performance of any of its powers or duties under this Agreement, the Bonds or the Indenture.

In case any action or proceeding is brought against the Authority or an indemnified party in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Company, and the Company upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Company from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Company. At its own expense, an indemnified party may employ separate counsel and participate in the defense; provided however, where it is ethically inappropriate for one firm to represent the interests of the Authority and any other indemnified party or parties, the Company shall pay the Authority's legal expenses in connection with the Authority's retention of separate counsel. The Company shall not be liable for any settlement made without its consent.

The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers and employees and agents of the Authority, the Trustee, the Paying Agent and the Registrar, respectively. That indemnification is intended to and shall be enforceable by the Authority, the Trustee, the Paying Agent and the Registrar, respectively, to the full extent permitted by law.

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

Section 5.11. Use of Project Facilities. The Authority agrees that it will not take any action, or cause any action to be taken on its behalf, to interfere with the Company's ownership interest in the Project or to prevent the Company from having possession, custody, use and enjoyment of the Project other than pursuant to Article VII of this Agreement or Article VII of the Indenture.

Section 5.12. Assignment by Company. This Agreement may be assigned in whole or in part by the Company without the necessity of obtaining the consent of either the Authority or the Trustee, but only with the prior written consent of the Bond Insurer, subject, however, to each of the following conditions:

- (a) No assignment (other than pursuant to Section 5.8 hereof) shall relieve the Company from primary liability for any of its obligations hereunder, and in the event of any such assignment the Company shall continue to remain primarily liable for the payment of the Loan Payments and Additional Payments and for performance and observance of the agreements on its part herein provided to be performed and observed by it.

(b) Any assignment by the Company must retain for the Company such rights and interests as will permit it to perform its obligations under this Agreement, and any assignee from the Company shall assume the obligations of the Company hereunder to the extent of the interest assigned.

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

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

Section 5.13. Bond Insurance Policy. In consideration of the issuance by the Bond Insurer of the Bond Insurance Policy, the Company hereby covenants that:

(a) The Company shall pay or reimburse the Bond Insurer for any and all charges, fees, costs, and expenses that the Bond Insurer may reasonably pay or incur in connection with the following: (i) the administration, enforcement, defense, or preservation of any rights or security hereunder or under any other transaction document; (ii) the pursuit of any remedies hereunder, under any other transaction document, or otherwise afforded by law or equity; (iii) any amendment, waiver, or other action with respect to or related to this Agreement or any other transaction document whether or not executed or completed; (iv) the violation by the Company of any law, rule, or regulation or any judgment, order or decree applicable to it; (v) any advances or payments made by the Bond Insurer to cure defaults of the Company under the transaction documents; or (vi) any litigation or other dispute in connection with the Agreement, any other transaction document, or the transactions contemplated hereby or thereby, other than amounts resulting from the failure of the Bond Insurer to honor its payment obligations under the Bond Insurance Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver, or consent proposed in respect of this Agreement or any other transaction document. The obligations of the Company to the Bond Insurer hereunder shall survive discharge and termination of the Agreement.

(b) The Company shall promptly provide written notice to the Bond Insurer of the downgrading by any rating agency of the Company's underlying rating, or the underlying rating on the Bonds or any parity obligations of the Company.

(c) The Company shall promptly provide written notice to the Bond Insurer of any material events related to the Bonds pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended; and the downgrading by any rating agency of the Company's underlying rating, or the underlying rating on the Bonds or any parity obligations of the Company.

(d) The Company shall provide such additional information to the Bond Insurer as the Bond Insurer may reasonably request from time to time.

(End of Article V)

ARTICLE VI

REDEMPTION

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

Section 6.2. Extraordinary Optional Redemption. The Company shall have, subject to the conditions hereinafter imposed, the option to direct the redemption of the Bonds in whole or in part in accordance with the applicable provisions of the Indenture upon the occurrence of any of the following events:

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

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

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

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

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

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

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

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

(i) An amount of money which, when added to the moneys and investments held to the credit of the Bond Fund, will be sufficient pursuant to the provisions of the Indenture to pay, at 100% of the principal amount thereof plus accrued interest to the redemption date, and discharge, all Outstanding Bonds on the earliest applicable redemption date, that amount to be paid to the Trustee, plus

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

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

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

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

Section 6.4. Notice of Redemption. In order to exercise an option granted in, or to consummate a redemption required by, this Article VI, the Company shall, within 180 days following the event authorizing the exercise of such option or at any time during the continuation of the condition referred to in paragraphs (c), (d) or (e) of Section 6.2 hereof or promptly upon the occurrence of a Determination of Taxability (as defined in the Indenture), give written notice to the

Authority, the Trustee and the Company Mortgage Trustee that it is exercising its option to direct the redemption of Bonds, or that the redemption thereof is required by Section 4.01(b) of the Indenture due to the occurrence of a Determination of Taxability, as the case may be, in accordance with the Agreement and the Indenture, and shall specify therein the date on which such redemption is to be made, which date shall not be more than 180 days from the date such notice is mailed. The Company shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption to the Holders of the Bonds, in which arrangements the Authority shall cooperate. The Company shall make arrangements satisfactory to the Company Mortgage Trustee to effect a concurrent redemption of an equivalent principal amount of corresponding First Mortgage Bonds under the Supplemental Mortgage Indenture.

Section 6.5. Actions by Authority. At the request of the Company or the Trustee, the Authority shall take all steps required of it under the applicable provisions of the Indenture or the Bonds to effect the redemption of all or a portion of the Bonds pursuant to this Article VI.

Section 6.6. Concurrent Discharging of First Mortgage Bonds. In the event any of the Bonds shall be paid and discharged, or deemed to be paid and discharged, pursuant to any provisions of this Agreement and the Indenture, so that such Bonds are not thereafter outstanding within the meaning of the Indenture, a like principal amount of corresponding First Mortgage Bonds shall be deemed fully paid for purposes of this Agreement and to such extent the obligations of the Company hereunder shall be deemed terminated.

(End of Article VI)

ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES

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

(a) The occurrence of an event of default as defined in Section 7.01 (a) or (b) of the Indenture;

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

(c) The occurrence of a "completed default" as defined in Section 1 of Article Twelve of the Company Mortgage; and

(d) Written notice from the Bond Insurer to the Trustee that an event of default has occurred and is continuing under the Bond Insurance Agreement.

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

The term Force Majeure shall mean the following:

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

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

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

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

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

(b) The Authority or the Trustee may pursue all remedies now or hereafter existing at law or in equity to recover all amounts, including all Loan Payments and Additional Payments, then due and thereafter to become due under this Agreement, or to enforce the performance and observance of any other obligation or agreement of the Company under those instruments.

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

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

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

Section 7.4. Agreement to Pay Attorneys' Fees and Expenses. If an Event of Default should occur and the Authority or the Trustee should incur expenses, including attorneys' fees and expenses, in connection with the enforcement of this Agreement or the collection of sums due hereunder, the Company shall be required, to the extent permitted by law, to reimburse the Authority and the Trustee, as applicable, for the fees and expenses so incurred upon demand.

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

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

Section 7.7. Survival. The provisions of Sections 4.2, 5.9 and 7.4 of this Agreement shall survive the payment in full of the Bonds, the satisfaction, discharge and termination of this Agreement or the Indenture, and the resignation or removal of the Trustee, any Paying Agent, the Registrar and any Authenticating Agent as the case may be.

(End of Article VII)

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Term of Agreement. This Agreement shall be and remain in full force and effect from the date of delivery of the Bonds to or to the order of the Original Purchaser until such time as all of the Bonds shall have been fully paid (or provision made for such payment) pursuant to the Indenture and all other sums payable by the Company under this Agreement shall have been paid.

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

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

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

Section 8.5. Binding Effect. This Agreement shall inure to the benefit of and shall be binding in accordance with its terms upon the Authority, the Company and their respective permitted successors and assigns provided that this Agreement may not be assigned by the Company (except as permitted under Sections 5.8 or 5.12 hereof) and may not be assigned by the Authority except to (i) the Trustee pursuant to the Indenture or as otherwise may be necessary to enforce or secure payment of Bond Service Charges or (ii) any successor public body to the Authority. Sections 4.2, 5.9, 7.4 and 7.7 of this Agreement shall inure to the benefit of the Trustee, the Registrar, any Paying Agent and any Authenticating Agent and their respective successors and assigns.

Section 8.6. Amendments and Supplements. Except as otherwise expressly provided in this Agreement or the Indenture, subsequent to the issuance of the Bonds and prior to

all conditions provided for in the Indenture for release of the Indenture having been met, this Agreement may not be effectively amended, changed, modified, altered or terminated by the parties hereto except with the consents required by, and in accordance with, the provisions of Article XI of the Indenture, as applicable. In no event may the Agreement be amended so as to affect the rights, privileges, duties or immunities of the Trustee, the Registrar, any Paying Agent or any Authenticating Agent without its consent.

Section 8.7. Execution Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

Section 8.8. Severability. If any provision of this Agreement, or any covenant, obligation or agreement contained herein is determined by a judicial or administrative authority to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. That invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 8.9. Governing Law. This Agreement shall be deemed to be a contract made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State.

Section 8.10. Continuing Disclosure. The Issuer hereby acknowledges the entry by the Company into the Continuing Disclosure Agreement under which the Company has assumed certain obligations for the benefit of the holders and beneficial owners of the Bonds. The Company agrees to perform its obligations under the Continuing Disclosure Agreement. The Company acknowledges and agrees that the Issuer is not an "obligated person" (as defined in the Continuing Disclosure Agreement) with respect to the Bonds and represents that the Company is the only obligated person with respect to the Bonds. Notwithstanding any other provision of this Agreement, any failure by the Company to comply with any provision of the Continuing Disclosure Agreement shall not be a failure or a default, or an Event of Default, under this Agreement or the Indenture.

Section 8.11. Third-Party Beneficiary. To the extent that this Agreement confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of this Agreement, the Bond Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

(End of Article VIII)

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

OHIO AIR QUALITY DEVELOPMENT
AUTHORITY

By: 
Executive Director

THE DAYTON POWER AND LIGHT COMPANY

By: _____
Title:

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

OHIO AIR QUALITY DEVELOPMENT
AUTHORITY

By: _____
Executive Director

THE DAYTON POWER AND LIGHT COMPANY

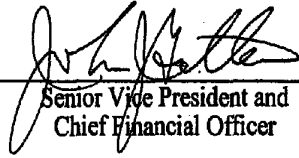
By:  _____
Senior Vice President and
Chief Financial Officer

Exhibit A

AIR QUALITY FACILITIES AT THE SERIES 1980 PROJECT

There were installed at the Walter C. Beckjord Electric Generating Station, Clermont County, Ohio the following Air Quality Facilities for Unit 6.

Electrostatic Precipitator. The one existing coal-fired boiler is equipped with a new electrostatic precipitator, together with necessary controls, stairways, galleries, enclosures, ductwork and ash removal system. The precipitator is located south of the existing Unit 6 boiler and turbine room at grade. The precipitator is approximately 160' wide, 47' long and 36' high and has an operating weight of 2,387,000 pounds. The Unit 6 boiler was equipped with an electrostatic precipitator (designed for 98% efficiency). The new precipitator was installed in series with the existing electrostatic precipitator. The design combined collection efficiency of the new and existing precipitators is 99.6%.

Fly Ash Handling and Disposal System. Unit 6 was equipped with a new fly ash removal system consisting of 16 fly ash collecting hoppers with outlet control valves, manifold pipe conveyor, vacuum producing equipment, discharge piping, control panel and pipeline to the existing ash sluice piping.

Electrical Equipment. The new precipitator and fly ash handling and disposal system required new electrical equipment to provide and transmit power to the precipitator and the fly ash disposal system.

Ductwork and Structural Support Costs

Ductwork. Flue gases from Unit 6 are drawn from the boiler through existing and new ductwork, through the new precipitator, through new ductwork and through the existing precipitator by the existing induced draft fans, and then exhausted through the existing flue gas stack.

Exhibit B

AIR QUALITY FACILITIES AT THE SERIES 1982 PROJECT

General

Killen Electric Generating Station ("Killen") has a steam turbine-generator with a 612,574 KW nameplate rating and coal fired boiler rated at 4,545,000 lbs. of steam per hour at 2620 psig and 1000S°/1005° F. Two electrostatic precipitators are installed on the unit to collect particulate matter from the flue gas with a design collection efficiency of 99.5%. The precipitator will be hot with an operating temperature between 600° - 700° F. The ownership is shared between The Dayton Power and Light Company and The Cincinnati Gas & Electric Company with individual interest of 67% and 33% respectively.

Flue Gas Particulate Abatement Project

Scope:

Engineering, material, labor and supervision was provided for the dust collection system consisting of:

- Two hot electrostatic precipitators and controls
- Connecting ductwork
- Supporting structural steel and foundations
- Insulation and lagging
- Necessary stairways, galleries and enclosure
- Electrical work associated with the precipitators
- Collection hoppers with outlet controls
- Air quality monitoring

Exhibit C

AIR QUALITY FACILITIES AT THE SERIES 1985 PROJECT

William H. Zimmer Electric Generating Station

The Project consists of:

- (A) a high efficiency electrostatic precipitator system designed to remove particulates from the flue gas,
- (B) a flue gas desulfurization ("scrubber") system designed to remove sulfur dioxide from the flue gas,
- (C) a stack,
- (D) a coal dust control system,
- (E) a nitrous oxide control system, and
- (F) a cooling tower and circulating water system.

The precipitator system includes electrostatic precipitators and a fly ash handling system, as well as all other necessary earthwork, piling, foundations, structural and miscellaneous steel, supports, siding, enclosures, electrical equipment, instrumentation and controls, mechanical equipment, related pumps and tanks, hoppers and storage silos, and associated equipment required for the foregoing and used exclusively in connection therewith. The precipitator system includes related drains, sumps and piping necessary to transmit collected waste waters to the waste water pond. The Project also includes precipitator inlet and outlet ductwork.

The scrubber system includes an inlet plenum, six induced draft fans, ductwork to and including six absorber modules, ductwork to the stack, FGD reagent and lime unloading and handling system including required river cells, FGD reagent and lime silos, an FGD reagent and lime preparation facility, slurry tanks, scrubber sludge handling facilities which include thickener tanks, a sludge pond underflow and overflow tanks, a sludge handling building, stockpile facilities and auxiliary facilities. The scrubber system includes all earthwork including stream relocation, piling, foundations, structural and miscellaneous steel, siding, painting, electrical and mechanical components and associated equipment required for the scrubber system and used exclusively in connection therewith. The scrubber system includes related drains, sumps and piping necessary to transmit collected waste waters to the waste water pond, and also includes all pipes, pumps and associated mechanical and electrical components to supply and recycle water for the scrubber system operation. The scrubber system also includes a disposal area and the roads and bridges used exclusively for the transportation of scrubber sludge, bottom ash and other solid waste along with truck wash facilities and truck scales.

The stack includes the stack shell and brick liner, as well as earthwork, piling, foundation and associated components.

The coal dust control systems include a coal dust collection system, a coal dust suppression system and a coal wetting system.

The cooling tower and circulating water system includes a natural draft cooling tower, a cooling tower basin, a cooling water flume, three circulating water pumps, circulating water pipes

and valves, the make-up water subsystem, the blowdown subsystem, the cooling water chemical conditioning subsystem, mechanical and electrical auxiliaries, and related controls and instrumentation. The cooling water system also includes all related site development and earthwork, piling, foundations, structural and miscellaneous steel, siding, painting, electrical and mechanical components and associated equipment required for the cooling tower and circulating water system and used exclusively in connection therewith.