



MidAmerican Energy Company  
P.O. Box 657  
Des Moines, Iowa 50303-0657  
(515) 242-4099 Telephone  
(515) 281-2460 Fax  
E-mail: [pjleighton@midamerican.com](mailto:pjleighton@midamerican.com)

PAUL J. LEIGHTON  
Vice President, Corporate Secretary &  
Assistant General Counsel

***VIA ELECTRONIC FILING***

October 7, 2013

Ms. Elizabeth A. Rolando  
Chief Clerk  
Illinois Commerce Commission  
527 East Capitol Avenue  
Springfield, Illinois 62701

Re: Docket No. 12-0567  
Special Report

Dear Ms. Rolando:

MidAmerican Energy Company is electronically filing with the Commission its Special Report in the above-referenced docket which is being provided pursuant to Findings and Ordering Paragraph IV (7) of the Commission's Order dated December 19, 2012 in Docket No. 12-0567.

On September 19, 2013, MidAmerican Energy Company issued and sold \$950,000,000 of its first mortgage bonds which was authorized in Docket No. 12-0567. In that proceeding, the Commission authorized MidAmerican to sell up to a total of \$1,500,000,000 aggregate principal amount of long-term debt securities. After deducting the September 19, 2013 issuance of \$950,000,000 in first mortgage bonds by MidAmerican Energy Company, the remaining authority in Docket No. 12-0567 available for future issuances by MidAmerican Energy Company of its long-term debt securities is \$550,000,000.

If you have any questions, please contact me.

Sincerely,

A handwritten signature in black ink that reads "Paul J. Leighton". The signature is written in a cursive, flowing style.

Paul J. Leighton  
Assistant General Counsel

Enclosure

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

MIDAMERICAN ENERGY COMPANY )  
 )  
 Amended Application pursuant to ) 12-0567  
 Section 6-102(b) of the Public Utilities Act )  
 for an Order Authorizing the Issuance and )  
 Sale of up to \$1,500,000,000 Aggregate )  
 Principal Amount of Long-Term Debt )

---

SPECIAL REPORT  
OCTOBER 7, 2013

In accordance with the authorization of the Order of the Illinois Commerce Commission (“Commission”) issued December 19, 2012 in Docket No. 12-0567, MidAmerican Energy Company (“MidAmerican”) hereby provides this Special Report pursuant to Findings and Ordering Paragraph IV (7) of the Order in Docket No. 12-0567:

A. MidAmerican requested Barclays Capital Inc., J.P. Morgan Securities LLC and RBS Securities Inc. (“Underwriters Representatives”) to submit proposals for the underwritten public offering of a new issue of up to an aggregate principal amount of \$950,000,000 of MidAmerican first mortgage bonds (“Bonds”) to be issued in three series having maturities of five and one-half years, ten years and thirty years.

On September 12, 2013, MidAmerican entered into an Underwriting Agreement with the Underwriters Representatives pursuant to which the Underwriters Representatives and other financial institutions listed in the schedule to the Underwriting Agreement (collectively with the Underwriters Representatives, the “Underwriters”) are the underwriters of the Bonds as summarized below, such Bonds issued and delivered to the Underwriters September 19, 2013:

<u>Amount</u>	<u>Series</u>	<u>Due</u>	<u>Underwriting Discounts and Commissions (net)</u>
\$350,000,000	2.40%	2019	0.506%
\$250,000,000	3.70%	2023	0.880%
\$350,000,000	4.80%	2043	1.222%

MidAmerican is filing this Special Report to accurately describe the authority under which the Bonds were issued and the expenses associated with the issuance of the Bonds as set forth below in Section B. On December 19, 2012, the Commission authorized MidAmerican to issue up to \$1,500,000,000 aggregate principal amount of long-term debt securities in Docket No. 12-0567. On September 19, 2013, MidAmerican issued \$950,000,000 of its Bonds, all of which was issued pursuant to the authority granted in Docket No. 12-0567. Therefore, after giving effect to the Bonds issued on September 19, 2013, the remaining authority available for MidAmerican in Docket No. 12-0567 for future issuances of long-term debt, on terms consistent with those authorized by the Commission in its December 19, 2012 order, is \$550,000,000.

B. The following additional information concerning the proceeds of the issuance of the Bonds is also supplied:

MIDAMERICAN ENERGY COMPANY  
SPECIAL REPORT OF SECURITIES ISSUED  
Description of Securities – FIRST MORTGAGE BONDS  
\$350,000,000 2.40% First Mortgage Bonds Due 2019  
\$250,000,000 3.70% First Mortgage Bonds Due 2023  
\$350,000,000 4.80% First Mortgage Bonds Due 2043

1.	Face value or principal amount.....	\$950,000,000
2.	Less discount.....	2,673,000
3.	Gross proceeds.....	<u>947,327,000</u>
4.	Underwriter's spread or commission (net) .....	5,575,000
5.	Securities and Exchange Commission registration fee.....	129,580
6.	State mortgage registration tax .....	0
7.	State commission fee (prorated) .....	113,685
8.	Fee for recording indenture.....	78,694
9.	United States document tax .....	0
10.	Printing and engraving expenses .....	137,500*
11.	Trustee's charges .....	37,130
12.	Counsel fees .....	720,000*
13.	Accountant's fees.....	150,000*
14.	Miscellaneous expenses of issue:	
	Rating agency fees .....	557,000
	Other .....	50,000*
15.	Total deductions.....	<u>7,548,589</u>
16.	Net amount realized.....	<u>\$939,778,411</u>

\* Estimated

C. To supply the following exhibits:

- |             |   |
|-------------|---|
| Exhibit C-1 | Registration Statement on Form S-3, File No. 333-190862, dated August 28, 2013, and Preliminary Prospectus. |
| Exhibit C-2 | Prospectus Supplement dated September 12, 2013 to Prospectus dated September 9, 2013.                       |

IN WITNESS WHEREOF, the Applicant has caused this Special Report to be executed in its name and on its behalf by its Vice President and Secretary thereunto duly authorized this 7th day of October, 2013.

MIDAMERICAN ENERGY COMPANY

By: Paul J. Leighton  
Paul J. Leighton  
Vice President and Secretary

STATE OF IOWA            )  
  ) ss.  
COUNTY OF POLK        )

Paul J. Leighton, being duly sworn, deposes and says that he is the Vice President and Secretary of MidAmerican Energy Company; that he has read the foregoing Special Report and knows the contents thereof; and that all of the statements contained therein are true and correct to the best of his knowledge and belief.

By: Paul J. Leighton  
Paul J. Leighton  
Vice President and Secretary

Subscribed and sworn to before me this 7th day of October, 2013.

Trudi L. Hytone  
Notary Public in and for the State of Iowa



# EXHIBIT C-1

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**MIDAMERICAN ENERGY COMPANY**

(Exact name of registrant as specified in its charter)

**Iowa** **42-1425214**  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

666 Grand Avenue, Suite 500  
Des Moines, Iowa 50309-2580  
(515) 242-4300

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Paul J. Leighton, Esq.**  
Vice President, Secretary and Assistant General Counsel  
MidAmerican Energy Company  
666 Grand Avenue, Suite 500  
Des Moines, Iowa 50309-2580  
(515) 242-4300

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copy to:*

**Peter J. Hanlon, Esq.**  
**J. Alan Bannister, Esq.**  
Gibson, Dunn & Crutcher LLP  
200 Park Avenue  
New York, New York 10166  
(212) 351-4000

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this registration statement as determined by market conditions.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

**CALCULATION OF REGISTRATION FEE**

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per unit (2)	Proposed maximum aggregate offering price (3)	Amount of registration fee (4)
Unsecured Debt Securities and First Mortgage Bonds	\$100,000,000	—	\$100,000,000	\$13,640

- (1) Includes such additional aggregate principal amount of unsecured debt securities and first mortgage bonds issued with an original issue discount such that the aggregate initial public offering price of all unsecured debt securities and first mortgage bonds will not exceed \$100,000,000 less the dollar amount of other unsecured debt securities and first mortgage bonds previously issued.
- (2) Omitted pursuant to Rule 457(o) under the Securities Act.
- (3) Estimated in accordance with Rule 457 under the Securities Act solely for the purpose of calculating the registration fee.
- (4) Calculated in accordance with Rule 457(o) under the Securities Act.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

Subject to Completion, dated August 28, 2013.

Prospectus

# MIDAMERICAN ENERGY COMPANY

## Unsecured Debt Securities First Mortgage Bonds

---

We will provide the specific terms of the securities in supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest.

---

**Investing in the securities involves risks. See “Risk Factors” on page 3.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities will not be listed on any securities exchange or included in any automated quotation system. Currently, there is no public market for the securities.

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

---

The date of this prospectus is \_\_\_\_\_, 2013

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

## TABLE OF CONTENTS

	<u>Page</u>
MidAmerican Energy Company .....	1
Forward-Looking Statements .....	1
Ratio of Earnings to Fixed Charges .....	2
Risk Factors .....	3
Use of Proceeds .....	3
Description of Debt Securities .....	3
Description of First Mortgage Bonds .....	9
Plan of Distribution .....	26
About this Prospectus .....	27
Where You Can Find More Information .....	27
Incorporation by Reference .....	27
Legal Matters .....	28
Experts .....	28

## **MidAmerican Energy Company**

We are a public utility company headquartered in Iowa that serves 0.7 million regulated retail electric customers in portions of Iowa, Illinois and South Dakota and 0.7 million regulated retail and transportation natural gas customers in portions of Iowa, South Dakota, Illinois and Nebraska. We are principally engaged in the business of generating, transmitting, distributing and selling electricity and in distributing, selling and transporting natural gas. Our service territory covers approximately 11,000 square miles. Metropolitan areas in which we distribute electricity at retail include Council Bluffs, Des Moines, Fort Dodge, Iowa City, Sioux City and Waterloo, Iowa; and the Quad Cities (Davenport and Bettendorf, Iowa and Rock Island, Moline and East Moline, Illinois). Metropolitan areas in which we distribute natural gas at retail include Cedar Rapids, Des Moines, Fort Dodge, Iowa City, Sioux City and Waterloo, Iowa; the Quad Cities; and Sioux Falls, South Dakota. We have a diverse customer base consisting of urban and rural residential customers and a variety of commercial and industrial customers. Principal industries served by us include processing and sales of food products; manufacturing, processing and fabrication of primary metals; farm and other non-electrical machinery; real estate; technology; cement and gypsum products; and government. In addition to retail sales and natural gas transportation, we sell electricity principally to markets operated by regional transmission organizations and natural gas to other utilities and market participants on a wholesale basis. We are a transmission-owning member of the Midwest Independent Transmission System Operator, Inc. and participate in its energy and ancillary services markets.

Our headquarters and principal executive offices are located at 666 Grand Avenue, Suite 500, Des Moines, Iowa 50309-2580. Our telephone number is (515) 242-4300.

### **Forward-Looking Statements**

This prospectus contains or incorporates by reference statements that do not directly or exclusively relate to historical facts. These statements are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, also referred to as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, also referred to as the Exchange Act. Forward-looking statements can typically be identified by the use of forward-looking words, such as “will,” “may,” “could,” “project,” “believe,” “anticipate,” “expect,” “estimate,” “continue,” “intend,” “potential,” “plan,” “forecast” and similar terms. These statements are based upon our current intentions, assumptions, expectations and beliefs and are subject to risks, uncertainties and other important factors. Many of these factors are outside our control and could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors include, among others:

- general economic, political and business conditions, as well as changes in laws and regulations affecting our operations or related industries;
- changes in, and compliance with, environmental laws, regulations, decisions and policies that could, among other items, increase operating and capital costs, reduce generating facility output, accelerate generating facility retirements or delay generating facility construction or acquisition;
- the outcome of rate cases and other proceedings conducted by regulatory commissions or other governmental and legal bodies and our ability to recover costs in rates in a timely manner;
- changes in economic, industry, competition or weather conditions, as well as demographic trends and new technologies, that could affect customer growth and usage, electricity and natural gas supply or our ability to obtain long-term contracts with customers and suppliers;
- a high degree of variance between actual and forecasted load or generation that could impact our hedging strategy and the cost of balancing our generation resources with our retail load obligations;
- performance and availability of our generating facilities, including the impacts of outages and repairs, transmission constraints, weather, including wind, and operating conditions;

- changes in prices, availability and demand for wholesale electricity, coal, natural gas, other fuel sources and fuel transportation that could have a significant impact on generating capacity and energy costs;
- the financial condition and creditworthiness of our significant customers and suppliers;
- changes in business strategy or development plans;
- availability, terms and deployment of capital, including reductions in demand for investment grade commercial paper, debt securities and other sources of debt financing and volatility in the London Interbank Offered Rate, the base interest rate for our credit facilities;
- changes in our credit ratings;
- risks relating to nuclear generation;
- the impact of certain contracts used to mitigate or manage volume, price and interest rate risk, including increased collateral requirements, and changes in commodity prices, interest rates and other conditions that affect the fair value of certain contracts;
- the impact of inflation on costs and our ability to recover such costs in regulated rates;
- increases in employee healthcare costs, including the implementation of the Affordable Care Act;
- the impact of investment performance and changes in interest rates, legislation, healthcare cost trends, mortality and morbidity on pension and other postretirement benefits expense and funding requirements;
- unanticipated construction delays, changes in costs, receipt of required permits and authorizations, ability to fund capital projects and other factors that could affect future generating facilities and infrastructure additions;
- the impact of new accounting guidance or changes in current accounting estimates and assumptions on our consolidated financial results;
- other risks or unforeseen events, including the effects of storms, floods, fires, explosions, litigation, wars, terrorism, embargoes and other catastrophic events; and
- other business or investment considerations that may be disclosed from time to time in our filings with the SEC or in other publicly disseminated written documents.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing factors should not be construed as exclusive.

### Ratio of Earnings to Fixed Charges

The following table sets forth the ratio of our earnings to our fixed charges for the periods indicated.

	<b>Six Months Ended June 30,</b>	<b>Twelve Months Ended December 31,</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Ratio of earnings to fixed charges (1)	2.3x	2.7x	2.8x	2.9x	3.0x	3.8x

- (1) For purposes of computing the ratio of earnings to fixed charges, “earnings” consist of net income from continuing operations plus income taxes, interest on long-term debt, other interest charges and interest on leases. “Earnings” also include allowances for borrowed and other funds used during construction. “Fixed charges” consist of interest on long-term debt, other interest charges and interest on rentals.

## **Risk Factors**

Investing in the securities involves risks, including the risks described in the documents we incorporate by reference herein. You should carefully consider these risks and the other information contained or incorporated by reference in this prospectus and any prospectus supplement before deciding to invest in the securities, including the risk factors incorporated by reference from our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K we file after the date of this prospectus, and all other information contained or incorporated by reference in this prospectus, as updated by our subsequent filings under the Exchange Act, and the risk factors and other information contained in the applicable prospectus supplement, before acquiring any of such securities. In addition, risks not known to us or that we believe are immaterial also may impair our business operations, financial condition and liquidity.

## **Use of Proceeds**

Unless otherwise specified in the applicable prospectus supplement, we will use the net proceeds from the sale of the securities described in this prospectus for general corporate purposes, which may include additions to working capital, reductions of our indebtedness, refinancing of existing securities and financing of capital expenditures. We may invest funds not immediately required for such purposes in short-term securities. The amount and timing of sales of the securities described in this prospectus will depend on market conditions and the availability to us of other funds.

## **Description of Unsecured Debt Securities**

This section of this prospectus describes the general terms and provisions of the unsecured debt securities that we may offer. For a description of the first mortgage bonds that we may offer, see “Description of First Mortgage Bonds.” When we offer to sell a particular series of unsecured debt securities, we will describe the specific terms of the series in a prospectus supplement to this prospectus. We will also indicate in the applicable prospectus supplement whether the general terms and provisions described in this prospectus apply to a particular series of unsecured debt securities.

### **General**

We may issue senior unsecured debt securities or subordinated unsecured debt securities, in addition to first mortgage bonds described under “Description of First Mortgage Bonds.” The senior unsecured debt securities will be our direct unsecured obligations and the subordinated unsecured debt securities will be our direct unsecured obligations. The senior unsecured debt securities will be issued under the Indenture, dated as of October 1, 2006, between us and The Bank of New York Mellon Trust Company, N.A., and the subordinated unsecured debt securities will be issued under an unsecured indenture to be entered into between us and a trustee named in the applicable prospectus supplement. The following summary of certain provisions of the unsecured indentures does not purport to be complete and is qualified in its entirety by reference to the detailed provisions of the unsecured indentures (copies of which are filed or incorporated by reference as exhibits to the registration statement of which this prospectus is a part). Except to the extent set forth in a prospectus supplement for a particular series of unsecured debt securities, the unsecured indentures, as amended or supplemented from time to time, will be substantially similar to the unsecured indentures filed or incorporated by reference as exhibits to the registration statement and described below.

### **Prospectus Supplement**

A prospectus supplement relating to a series of unsecured debt securities being offered will include specific terms relating to the offering. These terms may include:

- the title of the series of unsecured debt securities;
- whether the series of unsecured debt securities are senior unsecured debt securities or subordinated unsecured debt securities;

- the aggregate principal amount (or any limit on the aggregate principal amount) of the series of unsecured debt securities and, if any unsecured debt securities of a series are to be issued at a discount from their face amount, the method of computing the accretion of such discount;
- if other than the entire principal amount thereof, the portion of the principal amount of the unsecured debt securities payable upon declaration of acceleration of the maturity thereof;
- the rate or rates of interest, if any, which will be borne by such unsecured debt securities, which may be fixed or variable;
- the date from which interest will accrue;
- the record date for interest payable on the unsecured debt securities;
- the maturity date of the unsecured debt securities;
- the dates when, places where and manner in which principal, premium, if any, and interest will be payable;
- the securities registrar if other than the trustee;
- the terms of any mandatory redemption (including any sinking fund requirement) or any redemption at our option;
- the terms of any redemption at the option of holders of the unsecured debt securities;
- the denominations in which the unsecured debt securities are issuable;
- whether the unsecured debt securities will be represented by a global security and the terms of any such global security;
- the currency or currencies (including any composite currency) in which principal or interest or both may be paid;
- any events of default, covenants or defined terms in addition to or in lieu of those set forth in the applicable unsecured indenture;
- whether and upon what terms the unsecured debt securities may be defeased;
- any special tax implications of the unsecured debt securities; and
- any other terms in addition to or different from those contained in the applicable unsecured indenture.

The unsecured debt securities may bear interest at a fixed or a floating rate, or may bear no interest. Unsecured debt securities bearing no interest or bearing interest at a rate below the prevailing market rate at the time of issuance may be deemed to be issued at a discount below their stated principal amount. Further, the holders of any unsecured debt securities as to which we have the right to defer interest may be allocated interest income for federal and state income tax purposes without receiving equivalent, or any, interest payments. Material federal income tax consequences may result from any such deemed original issue discount or interest deferrals. Any such material federal income tax consequences will be described in the applicable prospectus supplement.

### **Ranking of Subordinated Unsecured Debt Securities**

The subordinated unsecured debt securities will be subordinate and junior in right of payment to the senior unsecured debt securities, the first mortgage bonds described in this prospectus and all of our other current and future senior debt. As of December 31, 2012, \$2.0 billion of our senior debt was outstanding, none of which was secured by our assets. If we issue first mortgage bonds or other secured debt in the future, then, by its terms, all

of such presently outstanding senior debt will be required to be equally and ratably secured with the first mortgage bonds or such other secured debt. Unless otherwise specified in the applicable prospectus supplement, no payments on the subordinated unsecured debt securities may be made if (1) any senior debt is not paid when due or (2) the maturity of any senior debt has been accelerated because of a default. Upon any distribution of our assets to creditors upon a bankruptcy, insolvency, liquidation, reorganization or similar event, all amounts due on our senior debt must be paid before any payments are made on the subordinated unsecured debt securities.

Subject to the payment in full of all senior debt, the rights of the holders of subordinated unsecured debt securities will be subrogated to the rights of the holders of our senior debt to receive payments or distributions applicable thereto until all amounts owing on the subordinated unsecured debt securities are paid in full.

Neither the subordinated unsecured indenture nor the senior unsecured indenture will limit the amount of senior debt that we can incur, and the mortgage bond indenture will not limit the amount of senior unsecured debt that we can incur.

### **Global Securities**

The unsecured debt securities of any series may be represented, in whole or in part, by one or more global securities. Each global security will:

- be registered in the name of a depository or nominee thereof that we will identify in the applicable prospectus supplement;
- be deposited with the depository or nominee or custodian; and
- bear any required legends.

As long as the depository, or its nominee, is the registered holder of a global security, the depository or nominee will be considered the sole owner and holder of the unsecured debt securities represented by the global security for all purposes under the unsecured debt securities and the applicable unsecured indenture. Except in the limited circumstances described below, owners of beneficial interests in a global security:

- will not be entitled to have the unsecured debt securities registered in their names;
- will not be entitled to physical delivery of certificated unsecured debt securities; and
- will not be considered to be holders of those unsecured debt securities under the unsecured debt securities or the applicable unsecured indenture.

Payments on a global security will be made to the depository or its nominee as the holder of the global security. Some jurisdictions have laws that require that certain purchasers of securities take physical delivery of the securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Institutions that have accounts with the depository or its nominee are referred to as “participants.” Ownership of beneficial interests in a global security will be limited to participants and to persons that may hold beneficial interests through participants. The depository will credit, on its book-entry registration and transfer system, the respective principal amounts of unsecured debt securities represented by the global security to the accounts of its participants.

Ownership of beneficial interests in a global security will be shown on and effected through records maintained by the depository, with respect to participants’ interests, or any participant, with respect to interests held by participants on behalf of other persons.

Payments, transfers, exchanges and other matters relating to beneficial interests in a global security will be subject to policies and procedures of the depository. The depository policies and procedures may change from time to time. Neither we nor the trustee will have any responsibility or liability for the depository’s or any participant’s records with respect to beneficial interests in a global security.

## **Exchange of Global Securities for Certificated Securities**

Except as otherwise may be set forth in the applicable prospectus supplement, the global securities may be exchanged for unsecured debt securities in certificated form only in the following circumstances:

- if the depository notifies us that it is unwilling or unable to continue as depository for the global securities, or if the depository is no longer registered as a clearing agency under the Securities Exchange Act and we do not appoint a replacement depository within 90 days;
- an event of default under the applicable unsecured indenture occurs; or
- if we determine, subject to the procedures of the depository, that a series of unsecured debt securities will no longer be represented by global securities.

If any global securities are exchangeable for certificated securities as described above, we will execute, and the trustee will authenticate upon our order, certificated securities of like tenor and terms in certificated form in an aggregate principal amount equal to the principal amount of such global securities. These certificated securities will be delivered to persons specified by the depository in exchange for the beneficial interests in the global securities being exchanged.

## **Redemption and Repayment**

The applicable prospectus supplement will specify the following:

- if the unsecured debt securities are subject to any sinking fund and the terms of any such sinking fund;
- if we may elect to redeem the unsecured debt securities prior to maturity and the terms of any such optional redemption;
- if we will be required to redeem the unsecured debt securities prior to maturity upon the occurrence of certain events and the terms of any such mandatory redemption; and
- if the holders of the unsecured debt securities will have the right to repayment of the unsecured debt securities prior to maturity and the terms of any such optional repayment.

If we elect or are required to redeem unsecured debt securities, a redemption notice will be sent to each holder of unsecured debt securities to be redeemed at least 30 but not more than 60 days prior to the redemption date. The redemption notice will include the following: (1) the redemption date, the places of redemption and the redemption price; (2) a statement that payment of the redemption price will be made on surrender of the unsecured debt securities at the places of redemption; (3) a statement that accrued interest to the redemption date will be paid as specified in the notice and that after the redemption date interest will cease to accrue; (4) if less than all of the unsecured debt securities of a series are to be redeemed, the particular unsecured debt securities or portions thereof to be redeemed; (5) if any unsecured debt securities are to be redeemed in part only, the portion of the unsecured debt securities to be redeemed and a statement that, upon surrender of the unsecured debt securities for redemption, new unsecured debt securities having the same terms will be issued in an amount equal to the unredeemed portion; and (6) if applicable, a statement that redemption is subject to the receipt by the trustee prior to the redemption date of sufficient funds to make such redemption.

If notice of redemption is given as specified above, the unsecured debt securities called for redemption will become due and payable on the date and at the places stated in the notice at the applicable redemption price, together with accrued interest to the redemption date. After the redemption date, the unsecured debt securities subject to redemption will cease to bear interest and will not be entitled to the benefits of the applicable unsecured indenture, other than the right to receive payment of the redemption price together with accrued interest to the redemption date.

If unsecured debt securities are repayable at the option of the holders prior to maturity, a holder that elects to have its unsecured debt securities repaid will be required to deliver such unsecured debt securities (or a guarantee of delivery from an eligible institution) to the trustee at least 30 but not more than 45 days prior to the repayment date. For unsecured debt securities represented by global securities held by the depositary, the repayment option may be exercised by a direct participant in the depositary on behalf of the beneficial owner by sending written notice to the trustee (specifying certain information regarding the unsecured debt securities to be repaid) at least 30 but not more than 60 days prior to the repayment date.

## **Covenants**

Except as described in the applicable prospectus supplement, the unsecured debt securities will be subject to covenants including the following:

- a covenant that requires us to maintain an office for payment and registration of transfer or exchange of the unsecured debt securities in New York, New York;
- a covenant that requires us to notify the trustee in writing of any event of default under an unsecured indenture within five days after we become aware of such event of default;
- a covenant that requires us to maintain our corporate existence, rights and franchises, unless the maintenance of such rights and franchises is no longer desirable in the conduct of our business; and
- a covenant that prohibits us from consolidating with or merging with or into any other person or conveying, transferring or leasing all or substantially all of our property or assets to any other person, unless the surviving company or transferee, as applicable, is a U.S. company and assumes all of our obligations under the unsecured indenture.

The covenant described immediately above includes a phrase relating to a conveyance, transfer or lease of “all or substantially all” of our property or assets. Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the nature and extent of the restriction on our ability to convey, transfer or lease all or substantially all of our property or assets, and the protections provided to the holders of unsecured debt securities by such restriction, may be uncertain.

## **Events of Default**

Except as described in the applicable prospectus supplement, the following will constitute events of default under the applicable unsecured indenture:

- we fail to pay interest on the applicable series of unsecured debt securities when due and such failure continues for 30 days;
- we fail to pay principal of, and premium, if any, on the applicable series of unsecured debt securities when due;
- we breach any other covenant or representation in the applicable unsecured indenture and such breach continues for 90 days (such period to be extended if we are diligently pursuing a cure) after we receive a notice of default with respect thereto;
- a decree or order is entered against us in an involuntary bankruptcy proceeding and is not vacated in 90 days, or a similar involuntary event relating to our bankruptcy or insolvency occurs and continues for 90 days; or
- we commence a voluntary bankruptcy case or take similar voluntary actions relating to our bankruptcy or insolvency.

Upon the occurrence of an event of default under an unsecured indenture, the holders of a majority in aggregate principal amount of the applicable series of unsecured debt securities may declare such unsecured debt securities to be immediately due and payable. Holders of a majority in principal amount of such unsecured debt securities may rescind the acceleration so long as the conditions set forth in the applicable unsecured indenture have been satisfied.

Prior to acceleration, holders of a majority in aggregate principal amount of the applicable series of unsecured debt securities may waive an event of default, other than (1) an event of default related to non-payment of principal, premium, if any, or interest and (2) an event of default related to a covenant or other provision of the applicable unsecured indenture that cannot be modified without the consent of each holder of unsecured debt securities affected thereby.

The trustee shall be under no obligation to exercise any of the rights or powers vested in it by the applicable unsecured indenture at the request or direction of any of the holders pursuant to the applicable unsecured indenture, unless such holders shall have offered to the trustee security or indemnity satisfactory to the trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

### **Modifications to the Unsecured Indenture**

Except as otherwise set forth in the applicable prospectus supplement, the unsecured debt securities will be subject to provisions which allow us and the trustee to amend the unsecured indenture without the consent of any holder of unsecured debt securities for the following purposes:

- to cure ambiguities or to cure, correct or supplement any defective or inconsistent provisions, provided that the amended provision shall not adversely affect the interests of holders of outstanding unsecured debt securities in any material respect;
- to add covenants, events of default or collateral, or to surrender a right or power conferred upon us in the unsecured indenture;
- to establish the form of additional unsecured debt securities in accordance with the terms of the unsecured indenture;
- to evidence the succession of another company to us and the assumption by the successor of our obligations under the unsecured indenture;
- to grant to or confer upon the trustee for the benefit of the holders any additional rights, remedies, powers or authority;
- to permit the trustee to comply with any duties imposed upon it by law;
- to specify further the duties and responsibilities of, and to define further the relationships among, the trustee and any authenticating agent or paying agent for the unsecured debt securities; and
- to change or eliminate any of the provisions of the unsecured indenture, so long as the change or elimination becomes effective only when there are no unsecured debt securities outstanding that were created prior to the execution of the supplemental indenture or other document evidencing such change or elimination.

Except as set forth in the applicable prospectus supplement, the unsecured debt securities will be subject to contain provisions which allow us and the trustee to amend the unsecured indenture for any other purpose with the consent of holders of a majority in aggregate principal amount of the applicable series of unsecured debt securities, other than amendments which:

- change the stated maturity of the applicable series of unsecured debt securities;
- reduce the principal amount of the applicable series of unsecured debt securities;

- reduce the interest rate for the applicable series of unsecured debt securities;
- extend the dates for scheduled payments of principal and interest on the applicable series of unsecured debt securities;
- impair the right of a holder of the applicable series of unsecured debt securities to institute suit for the payment of its unsecured debt securities; or
- reduce the percentage of holders of unsecured debt securities required to consent to amendments or waive defaults under the unsecured indenture.

The items described in the first five bullets above will require the consent of all holders of senior unsecured debt securities or subordinated unsecured debt securities, as the case may be, affected by the amendment. The item described in the last bullet above will require the consent of all holders of senior unsecured debt securities or subordinated unsecured debt securities, as the case may be.

### **Governing Law**

The senior unsecured indenture and the subordinated unsecured indenture will be governed by the laws of the State of New York.

### **Description of First Mortgage Bonds**

This section of this prospectus describes the general terms and provisions of the first mortgage bonds that we may offer. We may issue first mortgage bonds from time to time in one or more series, and when we offer to sell a particular series of first mortgage bonds, we will describe the specific terms of the series in a prospectus supplement to this prospectus. We will also indicate in the applicable prospectus supplement whether the general terms and provisions described in this prospectus apply to a particular series of first mortgage bonds.

### **General**

The first mortgage bonds will be issued under an Indenture, which we refer to as the “Mortgage Bond Indenture,” between us and The Bank of New York Mellon Trust Company, N.A., as trustee, which we refer to as the “Bond Trustee.” No first mortgage bonds are currently outstanding under the Mortgage Bond Indenture, and the initial series of first mortgage bonds will be the initial series issued under the Mortgage Bond Indenture. The Mortgage Bond Indenture will not limit the aggregate principal amount of first mortgage bonds that may be issued, subject to meeting certain conditions to issuance, including those described under “—Issuance of First Mortgage Bonds.”

The first mortgage bonds will be secured by a lien on certain of our property pursuant to a Mortgage, Security Agreement, Fixture Filing and Financing Statement, which we refer to as the “Mortgage,” from us to The Bank of New York Mellon Trust Company, N.A., as collateral trustee, which we refer to as the “Collateral Trustee.” We will execute the Mortgage prior to issuing any first mortgage bonds. This Mortgage will constitute a mortgage lien, subject to permissible encumbrances, as described below under “—Security and Priority—Permissible Encumbrances,” as well as exceptions and exclusions as described below under “—Security and Priority—Excepted Property,” on all of our electric generating, transmission and distribution property within the State of Iowa. See “—Security and Priority.”

If we issue first mortgage bonds, we will be required to secure equally and ratably with the first mortgage bonds certain of our then outstanding debt (including certain of our presently outstanding unsecured debt), to the extent required by the terms of such outstanding debt. As of June 30, 2013, \$2.0 billion of our senior notes were outstanding and entitled to become so secured pursuant to their terms. We refer to our outstanding debt required to be so secured as our “Equal and Ratable Notes.” Collateral administration will be governed by the Mortgage Bond Indenture and an Intercreditor and Collateral Trust Agreement, which we refer to as the “Collateral Trust Agreement,” among us, the Bond Trustee and the Collateral Trustee. Under the Collateral Trust Agreement, the

Collateral Trustee will agree to hold the trust estate (including all of the Collateral Trustee's right, title and interest under the Mortgage) for the equal and ratable benefit of the holders of the first mortgage bonds and the holders of the Equal and Ratable Notes.

The Collateral Trust Agreement also provides that, except in the circumstances described below under “—Description of First Mortgage Bonds—Remedies” and “—Description of First Mortgage Bonds—Release and Substitution of Property” with respect to the continuation of a Triggering Event (defined below) and upon prior notice by the Requisite Secured Parties (defined below), the Collateral Trustee will follow the directions of the Bond Trustee for, among other things, the release of property subject to the Mortgage, the application of cash held by the Collateral Trustee and the exercise of remedies under the Mortgage, in each case with such directions given only in accordance with the applicable provisions of the Indenture.

Further, under the Collateral Trust Agreement, the Collateral Trustee will agree that the proceeds of any collection, sale or other realization of any part of the shared collateral pursuant to the Mortgage or other shared collateral document will be held in trust by the Collateral Trustee and applied first, to the payment of any unpaid fees of the Collateral Trustee and all taxes, assessments or Prior Liens and second, to the holders of all outstanding first mortgage bonds and the holders of all outstanding Equal and Ratable Notes, equally and ratably until paid in full.

The following summary of certain provisions of the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement does not purport to be complete and is qualified in its entirety by reference to the detailed provisions of the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement (copies of which are filed as exhibits to the registration statement of which this prospectus is a part). Capitalized terms used below are used as defined in the Mortgage Bond Indenture. Except to the extent set forth in a prospectus supplement for a particular series of first mortgage bonds, the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement, each as amended or supplemented from time to time, will be substantially similar to the forms of the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement filed as exhibits to the registration statement and described below.

### **Prospectus Supplement**

A prospectus supplement relating to a series of first mortgage bonds being offered will include specific terms relating to the offering. These terms may include:

- the title of the series of first mortgage bonds;
- the principal amount of the series of first mortgage bonds to be issued at any particular time;
- if other than the entire principal amount thereof, the portion of the principal amount of the first mortgage bonds payable upon declaration of acceleration of the maturity thereof;
- the rate of interest, if any, which will be borne by the first mortgage bonds, and if the interest rate is not a fixed rate, the formula for determining the interest rate from time to time;
- the date from which interest will accrue;
- the record date for interest payable on the first mortgage bonds;
- the maturity date of the first mortgage bonds;
- the dates when, places where and manner in which principal, premium, if any, and interest will be payable;
- the terms of any mandatory redemption (including any sinking fund requirement) or any redemption at our option;
- the terms of any redemption at the option of holders of the first mortgage bonds;
- the denominations in which the first mortgage bonds are issuable;
- whether the first mortgage bonds will be represented by a global security and the terms of any such global security;

- the currency or currencies (including any composite currency) in which principal, premium, if any, or interest may be paid;
- if payments of principal, premium, if any, or interest may be made in a currency other than that in which the first mortgage bonds are stated to be payable, the terms and conditions applying to payments in that currency;
- any events of default, covenants or defined terms in addition to or in lieu of those set forth in the Mortgage Bond Indenture;
- any special tax implications of the first mortgage bonds; and
- any other terms in addition to or different from those contained in the Mortgage Bond Indenture.

The first mortgage bonds may bear interest at a fixed or a floating rate, or may bear no interest. First mortgage bonds bearing no interest or bearing interest at a rate below the prevailing market rate at the time of issuance may be deemed to be issued at a discount below their stated principal amount. Further, the holders of any first mortgage bonds as to which we have the right to defer interest may be allocated interest income for federal and state income tax purposes without receiving equivalent, or any, interest payments. Material federal income tax consequences may result from any such deemed original issue discount or interest deferrals. Any such material federal income tax consequences will be described in the applicable prospectus supplement.

### **Security and Priority**

The first mortgage bonds will be secured, equally and ratably (except as to sinking funds and other analogous funds established for the exclusive benefit of a particular series) with all first mortgage bonds, regardless of series, from time to time issued and outstanding under the Mortgage Bond Indenture. In addition, if we issue first mortgage bonds, we will be required to secure equally and ratably with the first mortgage bonds our Equal and Ratable Notes. As of June 30, 2013, \$2.0 billion of our senior notes were outstanding and entitled to become so secured pursuant to their terms.

The Mortgage constitutes a first mortgage lien, subject to Permissible Encumbrances as described below, on all of our electric generating, transmission and distribution property within the State of Iowa, other than property duly released from the lien of the Mortgage in accordance with the terms of the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement and other than Excepted Property, as described below. None of our gas distribution property within the State of Iowa or outside the State of Iowa or our other property located outside of the State of Iowa will initially be subject to the lien of the Mortgage. However, we may enter into supplemental indentures with the Bond Trustee and supplemental mortgages in favor of the Collateral Trustee, in either case without the consent of the holders of first mortgage bonds, to subject such Excepted Property, at our option, to the lien of the Mortgage. This property would then constitute Bondable Property, as described below under “—Issuance of First Mortgage Bonds,” and would therefore be available as a basis for the issuance of first mortgage bonds. We refer to our property that is subject, or intended to be subject, to the lien of the Mortgage as “Mortgaged Property.”

We may obtain the release of property from the lien of the Mortgage from time to time, upon the bases provided for release in the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement. See “—Release and Substitution of Property.”

The Mortgage provides that after-acquired property (other than Excepted Property) will be subject to the lien of the Mortgage. However, in the case of consolidation or merger (whether or not we are the surviving company) or transfer of all or substantially all of the Mortgaged Property, the surviving company will not be required to grant a first lien mortgage upon any of the properties either owned or subsequently acquired by the surviving company. See “—Merger, Consolidation, Conveyance and Lease.”

Our principal plants and properties, insofar as they constitute real estate, are owned in fee; certain of our other facilities are located on premises held by us under leases, permits or easements; and our electric

transmission and distribution lines and systems (which constitute a substantial portion of our investment in physical property) are for the most part located over or under highways, streets, other public places or property owned by others for which permits, grants, easements, licenses or franchises (deemed satisfactory but without examination of underlying land titles) have been obtained.

*Excepted Property.* The lien of the Mortgage does not cover certain property, which we refer to as “Excepted Property,” including:

- all cash, shares of stock, bonds, notes and other obligations and securities (i) not deposited, or required to be deposited, with the Collateral Trustee by the express provisions of the Mortgage Bond Indenture, the Collateral Trust Agreement or the Mortgage, as applicable or (ii) held by the Collateral Trustee for the benefit of a trustee for Equal and Ratable Notes, as applicable;
- all bills, notes and other instruments, accounts receivable, claims, credits, judgments, demands, general intangibles, choses in action, permits, franchises, patents, patent applications, patent licenses and other patent rights, trade names, trademarks, and all contracts, leases and agreements of whatsoever kind and nature, not pledged or required to be pledged with the Collateral Trustee pursuant to the terms of the Mortgage Bond Indenture;
- all merchandise, equipment, spare parts, tools, materials, supplies and fuel held for sale or lease in the ordinary course of business or for use or consumption in, or in the operation of, any properties of, or for the benefit of, us, or held in advance of use thereof for maintenance, replacement or fixed capital purposes;
- all electricity, gas, steam, water and other materials, products or services generated, manufactured, produced, provided or purchased by us for sale or distribution or used or to be used by us;
- all railcars, aircraft, watercraft, automobiles, buses, trucks, tractors, trailers and similar vehicles and movable equipment, and all components, spare parts, accessories, supplies and fuel used or to be used in connection with any of the foregoing;
- all office furniture and office equipment;
- all leasehold interests and leasehold improvements;
- the last day of the term of any lease or leasehold now owned or hereafter acquired by us which is specifically subjected to the lien of the Mortgage;
- all timber, crops, sand, gravel, rocks, earth, natural gas, oil, coal, uranium and other minerals, products or components of land and minerals, harvested, mined or extracted from or otherwise separated from the earth, or lying or being upon, within or under any properties of ours, including Mortgaged Property, and timber, crops, sand, gravel, rocks, earth, natural gas, oil, coal, uranium and other land and mineral rights, leases and royalties and income therefrom, and rights to explore for minerals;
- except as the same may be specifically subjected to the lien of the Mortgage, all nuclear fuel, cores and materials;
- all satellites and other equipment and materials used or to be used in outer space; all business machines; all communications equipment; all computer equipment; all record production, storage and retrieval equipment; all telephone equipment; and all components, spare parts, accessories, programs and supplies used or to be used in connection with any of the foregoing;
- all real or personal property which meets all of the following conditions:
  - is not specifically described in Exhibit A to the Mortgage,
  - is not specifically subjected or required to be subjected to the lien of the Mortgage by any express provision of the Mortgage or the Mortgage Bond Indenture, and
  - is not an integral part of or used or to be used (i) as an integral part of our electric generating, transmission and distribution operations in the State of Iowa, or (ii) in connection with the

operation of any property specifically subjected or required to be subjected to the lien of the Mortgage by the express provisions of the Mortgage or the Mortgage Bond Indenture;

- all real and personal property which is not in the State of Iowa;
- our franchise to be a corporation; and
- all books and records.

*Permissible Encumbrances.* The lien of the Mortgage is subject to Permissible Encumbrances. These include:

- the lien of the Mortgage and other liens in favor of the Collateral Trustee and subject to the Collateral Trust Agreement, and all liens and encumbrances junior thereto;
- liens for taxes or assessments by governmental bodies not yet due or the payment of which is being contested in good faith by us;
- any right of any municipal or other governmental body or agency, by virtue of any franchise, grant, license, permit, contract or statute, to occupy, purchase or designate a purchaser of, or to order the sale of, any Mortgaged Property upon payment of reasonable compensation therefor, or to modify or terminate any franchise, grant, license, permit, contract or other right, or to regulate our property and business;
- liens and charges incidental to our construction or current operations which are not delinquent or, whether or not delinquent, are being contested in good faith by us;
- easements, leases, rights of way, restrictions, exceptions or reservations, and zoning ordinances, regulations and restrictions, with respect to any of our property or rights of way, which do not, individually or in the aggregate, materially impair the use of such property or rights of way for the purposes for which such property or rights of way are held by us;
- irregularities in or defects of title to any of our property or rights of way which do not materially impair the use of such property or rights of way for the purposes for which such property or rights of way are held by us;
- liens securing obligations neither (i) assumed by us nor (ii) on account of which we customarily pay interest, directly or indirectly, existing upon real property, or rights in or relating to real property acquired by us for rights of way for lines, pipes, structures and appurtenances thereto;
- party-wall agreements and agreements for and obligations relating to the joint or common use of property owned solely by us or owned by us in common or jointly with one or more Persons;
- liens securing indebtedness incurred by a Person, other than us, which indebtedness has been neither assumed nor guaranteed by us nor on which we customarily pay interest, existing on property which we own jointly or in common with such Person or such Person and others, if there is an effective bar against partition of such property which would preclude the sale of such property by such other Person or the holder of such lien without our consent;
- any attachment, judgment and other similar lien arising in connection with court proceedings (i) in an amount not in excess of the greater of \$100,000,000 or 5% of the principal amount of the Bonds outstanding at the time such attachment, judgment or lien arises, or (ii) the execution of which has been stayed or which has been appealed and secured, if necessary, by an appeal bond;
- the burdens of any law or governmental rule, regulation, order or permit requiring us to maintain certain facilities or to perform certain acts as a condition of its occupancy or use of, or interference with, any public or private lands or highways or any river, stream or other waters;
- any duties or obligations of us to any federal, state or local or other governmental authority with respect to any franchise, grant, license, permit or contract which affects any Mortgaged Property;
- liens in favor of a government or governmental entity securing (i) payments pursuant to a statute (other than taxes and assessments), or (ii) indebtedness incurred to finance all or part of the purchase price or Cost of construction of the property subject to such lien;

- any other liens or encumbrances of whatever nature or kind which, in the opinion of counsel, do not, individually or in the aggregate, materially impair the lien of the Mortgage or the security afforded thereby for the benefit of the holders of first mortgage bonds;
- any trustee's lien under the Mortgage Bond Indenture or under the Collateral Trust Agreement;
- any Prior Lien if such Prior Lien shall not attach to any Mortgaged Property other than the Mortgaged Property that was or became subject to the Prior Lien at the time of acquisition by us of such Mortgaged Property, other than pursuant to an after-acquired property clause of such Prior Lien; but, if we, as successor corporation, shall have executed a supplemental indenture relating thereto, the extension of such Prior Lien to Mortgaged Property subsequently acquired by us shall be permitted.
- liens existing at the date of the Mortgage Bond Indenture;
- leases existing at the date of the Mortgage Bond Indenture affecting properties owned by us at such date and renewals and extensions thereof; and leases affecting such properties entered into after such date or affecting properties acquired by us after such date which, in either case, (i) have respective terms of not more than ten (10) years (including extensions or renewals at the option of the tenant) or (ii) do not materially impair the use by us of such properties for the respective purposes for which they are held by us;
- liens vested in lessors, licensors, franchisors or permittees for rent or other amounts to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases, licenses, franchises or permits, so long as the payment of such rent or other amounts or the performance of such other obligations or acts is not delinquent or is being contested in good faith and by appropriate proceedings; and
- any lien securing indebtedness for the payment, prepayment or redemption of which there have been irrevocably deposited in trust with the trustee or other holder of such lien moneys and/or Investment Securities which (together with the interest reasonably expected to be earned from the investment and reinvestment in Investment Securities of the moneys and/or the principal of and interest on the Investment Securities so deposited) shall be sufficient for such purpose; provided, however, that if such indebtedness is to be redeemed or otherwise prepaid prior to the stated maturity thereof, any notice requisite to such redemption or prepayment shall have been given in accordance with the mortgage or other instrument creating such lien or irrevocable instructions to give such notice shall have been given to such trustee or other holder.

“Prior Lien” means any mortgage, lien, charge, encumbrance, security interest on or in, or pledge of, any Mortgaged Property existing both at and immediately prior to the time of the acquisition by us of such Mortgaged Property, or created as a purchase money mortgage on such Mortgaged Property at the time of its acquisition by us, in each case ranking prior to or on a parity with the lien of the Mortgage.

The Mortgage Bond Indenture and Collateral Trust Agreement provide that the Bond Trustee and Collateral Trustee are entitled to payment, prior to the first mortgage bonds, of their reasonable compensation and expenses and indemnity against certain liabilities.

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

An unlimited principal amount of first mortgage bonds may be issued under the Mortgage Bond Indenture, subject to the following conditions with respect to collateral coverage. The Mortgage Bond Indenture permits us to issue first mortgage bonds from time to time on any or a combination of three different bases:

- (1) on the basis of Bondable Property (as described below) that has not become Bonded (as described below), in a principal amount not exceeding 70% of the Cost or Fair Value (whichever is less) of that Bondable Property;
- (2) on the basis of first mortgage bonds or Equal and Ratable Notes that have been purchased, paid, retired, redeemed or otherwise discharged by us since the date of the Mortgage Bond Indenture or are then

being purchased, paid, retired, redeemed or otherwise discharged by us, and which have not previously been Bonded, in a principal amount not exceeding the principal amount of such purchased, paid, retired, redeemed or otherwise discharged first mortgage bonds or Equal and Ratable Notes; and

- (3) on the basis of cash deposited with the Bond Trustee for this purpose (which we may later withdraw on the basis of Bondable Property that has not become Bonded or on the basis of purchased, paid, retired, redeemed or otherwise discharged first mortgage bonds or Equal and Ratable Notes, as described below under “—Withdrawal or Application of Certain Cash”), in a principal amount not exceeding the amount of such deposited cash.

“Bonded” or “Bonding” as applied to first mortgage bonds or Bondable Property generally means that first mortgage bonds or Bondable Property are within one or more of the following classes:

- (a) the aggregate amount of Bondable Property which has been used as a basis for the authentication and delivery of first mortgage bonds or the withdrawal of cash and (b) an aggregate amount of Bondable Property with a value equal to 10/7 (ten sevenths) of the sum of (i) the aggregate principal amount of outstanding Equal and Ratable Notes and (ii) the aggregate principal amount of any outstanding Prior Lien Debt.
- first mortgage bonds that have been purchased, paid, retired, redeemed or otherwise discharged by us and have been used as a basis for the authentication and delivery of first mortgage bonds or the withdrawal of cash, and first mortgage bonds paid, purchased or redeemed with money used or applied by the Bond Trustee.
- first mortgage bonds which have been used as a basis for a waiver by us of our right to the authentication and delivery of first mortgage bonds on the basis of first mortgage bonds that have been purchased, paid, retired, redeemed or otherwise discharged by us.
- first mortgage bonds and Bondable Property which have been allocated or used as a basis for any credit or action or pursuant to any provision of, or retired through the operation of, any sinking, improvement, maintenance, replacement or analogous fund for any series of first mortgage bonds; provided, however, that any such first mortgage bonds or Bondable Property so allocated or used shall be reinstated as Unbonded when all of the first mortgage bonds of the series of first mortgage bonds in connection with such fund was established are retired first mortgage bonds.

All Bondable Property which is retired, abandoned, destroyed, released or otherwise disposed of will be deemed retired Bondable Property, but may later again become Bondable Property.

Bondable Property includes our property in Iowa used in our electric generating, transmission and distribution operations and may consist of: construction work in progress; property in the process of purchase to which we have legal title; our fractional and other undivided interests in property owned jointly or in common with other Persons; engineering, economic, environmental, financial, geological and legal and other analyses and surveys, data processing equipment and software associated with the acquisition or construction of property; paving, grading and other improvements to property owned by others but used by us; and certain property owned by us located on property owned by others, including governmental and municipal agencies. We may at our option subject to the lien of the Mortgage gas distribution property within the State of Iowa or outside the State of Iowa or our other property used in our electric generating, transmission and distribution operations located outside of the State of Iowa, which would then become Bondable Property.

The “amount” of Bondable Property is its Cost or Fair Value (whichever is less) determined in accordance with Generally Accepted Accounting Principles in effect at the date of the Mortgage Bond Indenture or, at our option, at the date of their determination, *minus*, in the case of Bondable Property which is (A) owned by us subject to a Prior Lien at the date of the Mortgage Bond Indenture or (B) acquired by us after the date of the Mortgage Bond Indenture, subject to a Prior Lien (other than a Prior Lien to which such Bondable Property

becomes subject, solely as a result of that acquisition, pursuant to an after-acquired property clause of that Prior Lien), 10/7 (ten sevenths) of the aggregate principal amount of the related indebtedness secured by a Prior Lien (which we refer to as “Prior Lien Debt”). In determining Generally Accepted Accounting Principles, we may conform to accounting orders from any governmental regulatory commission.

Bonded Bondable Property generally consists of (i) Bondable Property which has been the basis of the authentication and delivery of outstanding first mortgage bonds, (ii) Bondable Property with a value equal to 10/7 (ten sevenths) of the aggregate principal amount of any outstanding Equal and Ratable Notes and any Prior Lien Debt, (iii) Bondable Property which has been used as the basis for the release of Mortgaged Property, (iv) Bondable Property which has been used as the basis for the withdrawal of cash and (v) Bondable Property allocated or used as a basis for certain credit or action or pursuant to certain sinking, improvement, maintenance, replacement or analogous fund for any series of first mortgage bonds .

It is expected that the first mortgage bonds will be issued on the basis of Bondable Property or the deposit of cash. At June 30, 2013, we had approximately \$10.34 billion of property that we intend to pledge as Bondable Property, which would allow us, in accordance with the limitations described above, to have outstanding approximately \$7.24 billion in aggregate principal amount of first mortgage bonds and Equal and Ratable Notes.

### **Withdrawal or Application of Certain Cash**

Proceeds of any insurance against loss by fire may be paid or remitted to us at our request, and the Mortgage Bond Indenture will not obligate us to use the proceeds to rebuild or repair damaged or destroyed Mortgaged Property, to the extent that the Fair Value of all Mortgaged Property after the damage or destruction of Mortgaged Property with respect to which the proceeds are payable is at least 10/7 (ten sevenths) of the sum of (x) the aggregate principal amount of outstanding first mortgage bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt. Such insurance proceeds must, however, be paid to the Collateral Trustee or to the Bond Trustee or other mortgagee under any Prior Lien on the Mortgaged Property damaged or destroyed to the extent that the Fair Value of all remaining Mortgaged Property does not equal the amount described in preceding sentence. Provided that no Triggering Event shall have occurred and be continuing, during the first eighteen (18) months after receipt of any such monies by the Collateral Trustee, we may be reimbursed from such insurance proceeds held by the Collateral Trustee for amounts spent to purchase or otherwise acquire property which becomes Mortgaged Property at the time of such purchase or acquisition, or to rebuild or renew the Mortgaged Property destroyed or damaged. Any such monies held by the Collateral Trustee and not applied to such reimbursement (or for which notice of our intention to apply such monies to the rebuilding or renewal then in progress) within the first eighteen (18) months after the Collateral Trustee’s receipt will be held and applied as described below.

Unless we are in default in the payment of principal of or interest on any first mortgage bonds then outstanding or any other default under the Mortgage Bond Indenture has occurred and is continuing, cash that was deposited with the Bond Trustee as a basis for the issuance of first mortgage bonds generally may be withdrawn by us in an amount, subject to certain deductions and additions, up to 70% of the Cost or Fair Value (whichever is less) of Bondable Property that has not become Bonded.

In addition, unless we are in default in the payment of principal of or interest on any first mortgage bonds then outstanding or any other default under the Mortgage Bond Indenture has occurred and is continuing (and subject to the provisions of the Collateral Trust Agreement upon the occurrence and continuance of any Triggering Event described below), any cash that has been received or transferred to, and held by, the Bond Trustee or the Collateral Trustee under the Mortgage Bond Indenture or the Collateral Trust Agreement may be released or applied upon our request, including as follows:

- in the case of cash other than cash deposited us as a basis for the issuance of first mortgage bonds, such cash may be withdrawn by us to the extent of 100% of the lesser of the Cost or Fair Value of Unbonded Bondable Property;

- withdrawn by us in an amount equal to the principal amount of first mortgage bonds which we then have the right to have authenticated and delivered on the basis of first mortgage bonds that have been purchased, paid, retired, redeemed or otherwise discharged by us;
- applied by the Bond Trustee to payment at maturity of outstanding first mortgage bonds or to the redemption of any outstanding first mortgage bonds which are redeemable by their terms; or
- applied to the purchase of first mortgage bonds, so long as no cash is applied to the payment of more than the principal amount of any first mortgage bonds so purchased, except to the extent that the aggregate principal amount of all first mortgage bonds so purchased exceeds the aggregate cost for principal of and interest, brokerage and premium, if any, on all first mortgage bonds so purchased.

Upon the occurrence and continuation of a Triggering Event, under the Collateral Trust Agreement, the Collateral Trustee will no longer be required to release or apply any cash held by it in as described in the preceding paragraph, unless directed by the Requisite Secured Parties.

### **Release and Substitution of Property**

Unless a default under the Mortgage Bond Indenture has occurred and is continuing, we generally may obtain the release from the lien of the Mortgage of any Mortgaged Property (which does not include cash held by the Bond Trustee):

- (1) if after such release, the Fair Value of the remaining Mortgaged Property equals or exceeds a sum equal to 10/7 (ten sevenths) of the sum of (x) the aggregate principal amount of outstanding first mortgage bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt; or
- (2) if the Fair Value of the Mortgaged Property to be released is less than 1/2 of 1% of the sum of (x) the aggregate principal amount of outstanding first mortgage bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt; *provided* that the aggregate Fair Value of Mortgaged Property released in this manner in any period of 12 consecutive calendar months does not exceed 1% of such sum; or
- (3) on the basis of (a) the deposit of cash, Governmental Obligations or purchase money obligations, (b) Bondable Property to be acquired by us with the proceeds of, or otherwise in connection with, such release or (c) a waiver of the right to issue first mortgage bonds on the basis of first mortgage bonds which have been purchased, paid, retired, redeemed or otherwise discharged by us after the date of the Mortgage Bond Indenture, and have not previously been Bonded; or
- (4) if any Mortgaged Property is taken by exercise of the power of eminent domain, and all net proceeds of such taking, purchase or sale (or, in the case of a sale or conveyance in anticipation thereof, an aggregate amount of Governmental Obligations or purchase money obligations having a fair value to the Company in cash), and cash, not less than the Fair Value of the Mortgaged Property taken, purchased, sold or conveyed, together with all net sums payable for any damage to any Mortgaged Property by or in connection with any such taking, purchase, sale or conveyance, to the extent not deposited under a Prior Lien with the trustee, mortgagee or other holder or such Prior Lien, are deposited with the Collateral Trustee, to be held and applied in accordance with the Collateral Trust Agreement and the Mortgage Bond Indenture. See “—Description of First Mortgage Bonds—Withdrawal or Application of Certain Cash.”

At any time when a default under the Mortgage Bond Indenture has occurred and is continuing, we may only obtain any such release if we satisfy such conditions in (1), (2), (3) or (4) and we have the consent of the Bond Trustee, except that upon the continuance of a Triggering Event in connection with the exercise of remedies at the direction of the Requisite Secured Parties as described below under “—Description of the First Mortgage Bonds—Remedies”, we may not obtain such release unless directed by the Requisite Secured Parties and certain other conditions of the Collateral Trust Agreement are satisfied.

“Requisite Secured Parties” means the holders of a majority in principal amount of the sum of (x) all outstanding first mortgage bonds and (y) all outstanding Equal and Ratable Notes.

A “Triggering Event” would occur upon any of the following: (i) our failure to pay the principal amount of the Equal and Ratable Notes or first mortgage bonds of any series, upon final maturity, after expiration of any relevant grace period, (ii) a decree or order is entered against us in an involuntary bankruptcy proceeding and is not vacated in 90 days, or a similar involuntary event relating to our bankruptcy or insolvency occurs and continues for 90 days; or we petition for voluntary bankruptcy or take similar voluntary actions relating to our bankruptcy or insolvency, (iii) the acceleration of the principal amount of the first mortgage bonds or Equal and Ratable Notes or (iv) the issuance of any direction by the Bond Trustee to the Collateral Trustee, following the occurrence and during the continuance of any default under the Mortgage Bond Indenture, to commence exercise of foreclosure or similar remedies under the Mortgage and any other documents providing for collateral security with respect to the collateral that secures both the first mortgage bonds and the Equal and Ratable Notes.

In addition, at any time or from time to time, without any release or consent from the Bond Trustee, we may dispose of certain obsolete Mortgaged Property; grant certain rights of way and easements; abandon any Mortgaged Property and surrender any franchises under which we are operating that in the judgment of management are not necessary or important for the operation of the remaining Mortgaged Property; cancel or make changes in or alterations of or substitutions for leases; alter, change the location of, add to, repair or replace transmission and distribution equipment; cancel, make changes in or substitutions for or dispose of rights of way; and surrender or modify any franchise under which we may be operating if advisable in our judgment.

### **Global Securities**

The first mortgage bonds of any series may be represented, in whole or in part, by one or more global securities. Each global security will:

- be registered in the name of a depositary or nominee thereof that we will identify in the applicable prospectus supplement;
- be deposited with the depositary or nominee or custodian; and
- bear any required legends.

As long as the depositary, or its nominee, is the registered holder of a global security, the depositary or nominee will be considered the sole owner and holder of the first mortgage bonds represented by the global security for all purposes under the first mortgage bonds and the Mortgage Bond Indenture. Except in the limited circumstances described below, owners of beneficial interests in a global security:

- will not be entitled to have the first mortgage bonds registered in their names;
- will not be entitled to physical delivery of certificated first mortgage bonds; and
- will not be considered to be holders of those first mortgage bonds under the first mortgage bonds or the Mortgage Bond Indenture.

Payments on a global security will be made to the depositary or its nominee as the holder of the global security. Some jurisdictions have laws that require that certain purchasers of securities take physical delivery of the securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Institutions that have accounts with the depositary or its nominee are referred to as “participants.” Ownership of beneficial interests in a global security will be limited to participants and to persons that may hold beneficial interests through participants. The depositary will credit, on its book-entry registration and transfer system, the respective principal amounts of first mortgage bonds represented by the global security to the accounts of its participants.

Ownership of beneficial interests in a global security will be shown on and effected through records maintained by the depositary, with respect to participants' interests, or any participant, with respect to interests held by participants on behalf of other persons.

Payments, transfers, exchanges and other matters relating to beneficial interests in a global security will be subject to policies and procedures of the depositary. The depositary policies and procedures may change from time to time. Neither we nor the Bond Trustee will have any responsibility or liability for the depositary's or any participant's records with respect to beneficial interests in a global security.

### **Exchange of Global Securities for Certificated Securities**

Except as otherwise may be set forth in the applicable prospectus supplement, the global securities may be exchanged for first mortgage bonds in certificated form only in the following circumstances:

- if the depositary notifies us that it is unwilling or unable to continue as depositary for the global securities, or if the depositary is no longer registered as a clearing agency under the Securities Exchange Act and we do not appoint a replacement depositary within 90 days;
- a default under the Mortgage Bond Indenture occurs; or
- if we determine, subject to the procedures of the depositary, that a series of first mortgage bonds will no longer be represented by global securities.

If any global securities are exchangeable for certificated securities as described above, we will execute, and the Bond Trustee will authenticate upon our order, certificated securities of like tenor and terms in certificated form in an aggregate principal amount equal to the principal amount of such global securities. These certificated securities will be delivered to persons specified by the depositary in exchange for the beneficial interests in the global securities being exchanged.

### **Redemption and Repayment**

The applicable prospectus supplement will specify the following:

- if the first mortgage bonds are subject to any sinking fund and the terms of any such sinking fund;
- if we may elect to redeem the first mortgage bonds prior to maturity and the terms of any such optional redemption;
- if we will be required to redeem the first mortgage bonds prior to maturity upon the occurrence of certain events and the terms of any such mandatory redemption; and
- if the holders of the first mortgage bonds will have the right to repayment of the first mortgage bonds prior to maturity and the terms of any such optional repayment.

If we elect or are required to redeem first mortgage bonds, a redemption notice will be mailed to each holder of first mortgage bonds to be redeemed at least 30 but not more than 60 days prior to the redemption date unless otherwise provided in a supplemental indenture to the Mortgage Bond Indenture. The redemption notice will include the following: (1) the redemption date; (2) if less than all of the first mortgage bonds of a series are to be redeemed, the particular first mortgage bonds or portions thereof to be redeemed; and (3) if any first mortgage bonds are to be redeemed in part only, the portion of the first mortgage bonds to be redeemed.

If notice of redemption is given as specified above and, before the redemption date we deposit funds, obligations or instruments with the Bond Trustee sufficient to effect the redemption, then the first mortgage bonds called for redemption will become due and payable on the date stated in the redemption notice at the applicable redemption price, together with accrued interest to the redemption date. After the redemption date, the

first mortgage bonds subject to redemption will cease to bear interest and will not be entitled to the benefits of the Mortgage Bond Indenture, other than the right to receive payment of the redemption price together with accrued interest to the redemption date.

### **Covenants**

Except as described in the applicable prospectus supplement, the first mortgage bonds will be subject to covenants including the following:

- a covenant that the property subject to the Mortgage Bond Indenture is owned free and clear of all liens other than Permissible Encumbrances, and that we will maintain and preserve the lien of the Mortgage so long as any first mortgage bond is outstanding, subject to Permissible Encumbrances;
- a covenant that requires us promptly to record and file the Mortgage and all supplemental mortgages or notices in respect thereof, as required by law to preserve and protect the security of the holders of first mortgage bonds and the rights of the Bond Trustee;
- a covenant that requires us to insure the Mortgaged Property, with reasonable deductibles and retentions, against loss by fire, to the extent customary, either through insurance companies we believe to be reputable or through creation of an insurance fund or other self insurance plan;
- a covenant that requires us to maintain the Mortgaged Property in good repair, supplied with all necessary equipment and to cause to be made all necessary repairs, renewals and improvements; provided that we may discontinue the operation of any Mortgaged Property if, in our judgment, desirable in the conduct of our business and not in any material respect adverse to the interests of the holders of first mortgage bonds;
- a covenant that requires us to pay taxes and assessments on the Mortgaged Property and to use our best efforts to observe all governmental requirements as to any Mortgaged Property, and all covenants, terms and conditions upon which any Mortgaged Property is held, subject to an exception for taxes and assessments contested in good faith by appropriate proceedings;
- a covenant that requires us to maintain our corporate existence (other than in the case of a permitted merger or consolidation); and
- a covenant that prohibits us from issuing any debt securities, other than first mortgage bonds, that are required by their terms to be equally and ratably secured with the first mortgage bonds, except to replace any mutilated, lost, destroyed or stolen Equal and Ratable Notes or to effect exchanges and transfers of Equal and Ratable Notes.

### **Events of Default**

Except as described in the applicable prospectus supplement, the following will constitute defaults under the Mortgage Bond Indenture:

- we fail to pay the principal of, and premium, if any, on the first mortgage bonds when due and such failure continues for three Business Days;
- we fail to pay interest on the first mortgage bonds when due and such failure continues for 90 days;
- we fail to pay any Prior Lien Debt in one or more series, in each case in an aggregate principal amount of \$100,000,000 or greater, after giving effect to any applicable grace period;
- we breach any other covenant or condition in the Mortgage Bond Indenture or any supplemental indenture thereto and such breach continues for 90 days after we receive a written notice of default with respect thereto;
- a decree or order is entered against us in an involuntary bankruptcy proceeding and is not vacated in 90 days, or a similar involuntary event relating to our bankruptcy or insolvency occurs and continues for 90 days;

- we commence a voluntary bankruptcy case or take similar voluntary actions relating to our bankruptcy or insolvency; or
- the occurrence of a Triggering Event, to the extent not otherwise a default under the Mortgage Bond Indenture.

The Bond Trustee is required to give the holders of the first mortgage bonds notice within 90 days of any default known to the Bond Trustee, unless the default has been cured or waived, except that in the event of a default described in the fourth bullet point above, no notice may be given until at least 60 days after its occurrence, and except that the Bond Trustee may withhold a notice of default (except for certain payment defaults) if the Bond Trustee in good faith determines that withholding notice is in the interest of the holders of first mortgage bonds.

We have agreed to furnish the Bond Trustee with an annual statement as to our compliance with the conditions and covenants in the Mortgage Bond Indenture. However, the Mortgage Bond Indenture does not otherwise require us to notify the Bond Trustee of any default.

### **Remedies**

Upon the occurrence of a default under the Mortgage Bond Indenture, the Bond Trustee may, and upon the written request of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds is required to, declare all outstanding first mortgage bonds to be immediately due and payable. However, holders of a majority in principal amount of the outstanding first mortgage bonds may rescind the acceleration if, before any sale of the Mortgaged Property pursuant to the Collateral Trust Agreement:

- all arrears of interest upon the first mortgage bonds, with interest on overdue interest installments at the first mortgage bonds' respective rates of interest have been paid by or on our behalf or collected out of the Mortgaged Property and
- all defaults have been remedied.

Prior to acceleration, holders of a majority in aggregate principal amount of the affected series of first mortgage bonds may waive a default under the Mortgage Bond Indenture, other than (1) a default related to non-payment of principal, premium, if any, or interest, (2) a default arising from the creation of a Prior Lien except Permissible Encumbrances or (3) a default related to a covenant or other provision of the Mortgage Bond Indenture that may not be modified without the consent of each holder of first mortgage bonds affected thereby.

Subject to the provisions of the Mortgage Bond Indenture relating to the duties of the Bond Trustee, if a default occurs and is continuing, the Bond Trustee will be under no obligation to exercise any of its rights or powers under the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement, unless the holders of a majority in principal amount of the outstanding first mortgage bonds have requested the Bond Trustee to take action and have offered to the Bond Trustee security or indemnity satisfactory to the Bond Trustee against its costs, expenses and liabilities.

No holder of first mortgage bonds has any right to institute any suit, action or proceeding for the foreclosure of the Mortgage, or for the appointment of a receiver or for any other remedy under the Indenture unless:

- holders of at least 33% of the outstanding first mortgage bonds have requested the Bond Trustee to take action and offered the Bond Trustee security and indemnity satisfactory to it; and
- the Bond Trustee for a period of 60 days has refused or neglected to act on such notice.

Following the occurrence of a Triggering Event and the delivery of prior written notice to the Bond Trustee and the Collateral Trustee, the Requisite Secured Parties will have the right to direct the time, method and place

of conducting any proceeding for the exercise of any right or remedy available to the Collateral Trustee with respect to the collateral that secures both the first mortgage bonds and the Equal and Ratable Notes, or of exercising any trust or power conferred on the Collateral Trustee, or for the taking of any other action authorized by the instruments comprising the Trust Estate and, thereafter, shall have the exclusive right and authority to direct the Collateral Trustee as to such matters.

During the continuance of a default under the Mortgage Bond Indenture, if the events described in the previous paragraph have not occurred, then:

- the Bond Trustee, in its discretion from time to time (i) may direct the Collateral Trustee to sell, subject to Prior Liens, all or any part of the Mortgaged Property as provided in the Mortgage or exercise any other rights or remedies provided for under the Mortgage; or (ii) may proceed, and may instruct the Collateral Agent to proceed, to protect and to enforce the rights of the Bond Trustee and of the holders of first mortgage bonds under the Mortgage Bond Indenture and the rights of the Collateral Trustee and the holders of first mortgage bonds under the Mortgage and the Collateral Trust Agreement, by suit in equity or at law, whether for the specific performance of any covenant or agreement in the Mortgage Bond Indenture, the Mortgage or the Collateral Trust Agreement (as applicable) or in aid of the execution of any power granted by the Mortgage Bond Indenture, the Mortgage or the Collateral Trust Agreement or for the foreclosure of the Mortgage, or for the enforcement of any other appropriate legal or equitable remedy; and
- upon the written direction of the holders of not less than a majority in aggregate principal amount of the outstanding first mortgage bonds, the Bond Trustee is required to take all action so directed to protect and enforce its rights and the rights of the holders of first mortgage bonds under the Mortgage Bond Indenture, under the Mortgage and under the Collateral Trust Agreement, or to take appropriate judicial proceedings by action, suit or otherwise; but the holders of not less than a majority in aggregate principal amount of the outstanding first mortgage bonds, from time to time have the right to direct and control the actions of the Bond Trustee and the Bond Trustee generally has no obligation to take any such action unless so directed.

The Mortgage Bond Indenture also provides that a court in its discretion may require the plaintiff in any suit to enforce any right or remedy under the Mortgage Bond Indenture, the Mortgage or the Collateral Trust Agreement, or against the Bond Trustee or the Collateral Trustee, to file an undertaking to pay the costs of the suit. The Mortgage Bond Indenture further provides that the court may assess reasonable costs including attorneys' fees against any party to the suit. However, these provisions do not apply to a suit instituted by the Bond Trustee, a suit instated by a holder or holders of more than 10% in aggregate principal amount of the outstanding first mortgage bonds or to any suit instituted by any holder of first mortgage bonds for the payment of overdue principal, premium, if any, or interest.

### **Merger, Consolidation, Conveyance and Lease**

The Mortgage Bond Indenture does not prevent us from consolidating or merging with or into, or conveying, transferring or leasing all or substantially all of the Mortgaged Property to another person so long as, among other things:

- the consolidation, merger, conveyance, transfer or lease is on terms which would not create any Prior Lien (other than any Permissible Encumbrances) on the Mortgaged Property, or impair the Lien or security of the Mortgage or any of the rights or powers of the Bond Trustee or holders of the first mortgage bonds under the Indenture or the Bond Trustee under the Mortgage or Collateral Trust Agreement;
- if the other party to the consolidation, merger, conveyance, transfer or lease has outstanding or proposes to issue in connection with the transaction any secured obligations, to the lien of which

any of the Mortgaged Property would be subject, the lien of the Mortgage is established as superior to the lien of such other secured obligations with respect to the Mortgaged Property;

- any such lease is made subject to immediate termination by us or the Bond Trustee during the continuance of a default, and by the purchaser of the Mortgaged Property leased at any sale under the Mortgage Bond Indenture; and
- in the event of a consolidation, merger, conveyance or transfer, or a lease with a term extending beyond the maturity of any outstanding first mortgage bonds, the surviving company, or the person acquiring all or substantially all the Mortgaged Property, or the lessee, assumes the due and punctual payment of the principal of, premium, if any, and interest on the first mortgage bonds and the observance of the covenants and conditions of the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement.

The Mortgage Bond Indenture requires that the surviving company either:

- grant a first (subject only to liens affecting our property prior to the consolidation, merger, conveyance, transfer or lease) lien to the Collateral Trustee upon all its property then owned and which it may later acquire (other than Excepted Property), or
- confirm the prior lien of the Mortgage upon the Mortgaged Property and extend the lien of the Mortgage as a first lien (or as a lien subject only to liens affecting our property prior to the consolidation, merger, conveyance, transfer or lease) to all property the surviving company later acquires or constructs that forms an integral part of any property subject to the lien of the Mortgage and all renewals, replacements and additional property as the surviving company purchases, constructs or acquires and covenant to maintain the Mortgaged Property in good repair, working order and condition and to comply with the covenants and conditions of the Mortgage Bond Indenture.

The covenant described immediately above includes a phrase relating to a conveyance, transfer or lease of “all or substantially all” of our property or assets. Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the nature and extent of the restriction on our ability to convey, transfer or lease all or substantially all of the Mortgaged Property, and the protections provided to the holders of first mortgage bonds by such restriction, may be uncertain. However, the Mortgage Bond Indenture provides that any conveyance, transfer or lease of Mortgaged Property, following which the Fair Value of the Mortgaged Property we retain exceeds 10/7 (ten sevenths) of the sum of (x) the aggregate principal amount of outstanding first mortgage bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt, will be deemed not to constitute a conveyance, transfer or lease of all or substantially all of the Mortgaged Property

### **Modifications to the Mortgage Bond Indenture, Mortgage or Collateral Trust Agreement**

Except as otherwise set forth in the applicable prospectus supplement, the first mortgage bonds will be subject to provisions which allow us and the Bond Trustee to amend the Mortgage Bond Indenture, and allow us and the Collateral Trustee to amend the Mortgage, in each case without the consent of any holder of first mortgage bonds for the following purposes:

- to amplify or correct the description of any property pledged or intended to be pledged by the Mortgage;
- to subject additional property to the lien of the Mortgage, including property outside the State of Iowa or which is an integral part of or used or to be used as an integral part of our gas distribution operations;
- to close the Mortgage Bond Indenture against, or provide limitations with respect to, the issuance of additional first mortgage bonds;

- to establish and create series of first mortgage bonds and establish their terms;
- to provide alternative methods or forms for evidencing and recording ownership of first mortgage bonds;
- to reflect changes in Generally Accepted Accounting Principles;
- to comply with the rules or regulations of any national securities exchange on which any first mortgage bonds may be listed;
- to modify the provisions of the Mortgage Bond Indenture as necessary to continue its qualification under the Trust Indenture Act of 1939, as amended;
- to evidence the succession of another company to us and the assumption by the successor of our obligations under the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement;
- to change or eliminate any of the provisions of the Mortgage Bond Indenture, but if the change or elimination would materially adversely affect the rights of the holders of any outstanding first mortgage bonds against us or our property, then the change or elimination shall become effective only with respect to those first mortgage bonds issued thereafter; and
- to cure ambiguities or to cure, correct or supplement any defective or inconsistent provisions, provided that the amended provision shall not materially impair the security of the Mortgage Bond Indenture or the Mortgage or materially adversely affect the outstanding first mortgage bonds.

In addition, without the consent of any holder of first mortgage bonds, the Bond Trustee, as requested by the Company, may direct the Collateral Trustee to enter into amendments with the Company to the Collateral Trust Agreement to: (i) cure any ambiguity, omission, defect or inconsistency, (ii) add guarantors or other parties so long as such addition will not materially impair the security of the Mortgage Bond Indenture or materially adversely affect the outstanding first mortgage bonds, (iii) further secure the first mortgage bonds and, as applicable, the Equal and Ratable Notes, (iv) provide more fully or clearly for the equal and ratable sharing of the lien of the Mortgage in accordance with the intent of the Collateral Trust Agreement, (v) remove any series of the Equal and Ratable Notes from the equal and ratable sharing in the lien of the Mortgage, in whole or in part, if such sharing is no longer required under the indenture governing such series, (vi) otherwise remove, lessen or release any lien or rights provided for the benefit of the Equal and Ratable Notes (or any portion thereof) to the extent we determine that such lien or rights are not required to be granted or (vii) make any other change which will not materially impair the security of the Mortgage Bond Indenture or materially adversely affect the outstanding first mortgage bonds. Under the Mortgage Bond Indenture, we and the Collateral Trustee may amend the Mortgage without the consent of any holder of first mortgage bonds to make changes corresponding to changes permitted to be made in the Collateral Trust Agreement according to the preceding clauses (iii) through (vii). Under the Collateral Trust Agreement, no such amendment, supplement or waiver to the Collateral Trust Agreement or the Mortgage that would materially and adversely affect the rights of the holders of the Equal and Ratable Notes to equally and ratably share in the security provided for in the Collateral Trust Agreement and the Mortgage may be made unless joined in, or consented to in writing, by the respective indenture trustees for each series of Equal and Ratable Notes.

Except as set forth in the applicable prospectus supplement, the first mortgage bonds will be subject to provisions which allow us and the Bond Trustee to amend the Mortgage Bond Indenture and the Mortgage for any other purpose with the consent of holders of a majority in aggregate principal amount of the first mortgage bonds which would be affected by the action to be taken, or if one or more series of first mortgage bonds would be materially adversely affected by the action to be taken, with the consent of the holders of not less than 60% in aggregate principal amount of the first mortgage bonds of such series so affected (which need not include 60% of the aggregate principal amount of the first mortgage bonds of each such series), other than amendments which:

- extend the fixed maturity of any first mortgage bonds;
- change any terms of any sinking, improvement, maintenance, replacement or analogous fund or conversion rights with respect to any first mortgage bonds;
- reduce the rate or extend the time of payment of interest on any first mortgage bonds;
- reduce the principal amount of any first mortgage bonds;

- limit the right of a holder of first mortgage bonds to institute suit for the enforcement of payment of its first mortgage bonds;
- reduce the percentage of principal amount outstanding first mortgage bonds, required to consent to any such supplemental indenture or supplemental mortgage; or
- permit us to create any Prior Lien (except in the case of a permitted merger or consolidation with another person owning property subject to a Prior Lien).

The items described in the bullets above will require the consent of all holders of first mortgage bonds affected by the amendment.

### **Governing Law**

The Mortgage Bond Indenture will be governed by the laws of the State of New York except to the extent that the law of any jurisdiction where property subject to the lien of the Mortgage is located shall mandatorily govern matters as to security interests.

## Plan of Distribution

We may offer and sell or exchange the securities described in this prospectus:

- through agents;
- through one or more underwriters;
- through one or more dealers;
- directly to one or more purchasers (through a specific bidding or auction process or otherwise); or
- through a combination of any such methods of sale.

The distribution of the securities described in this prospectus may be effected from time to time in one or more transactions either:

- at a fixed price or prices, which may be changed;
- at market prices prevailing at the time of sale;
- at prices relating to such prevailing market prices;
- at negotiated prices; or
- at a fixed exchange ratio in return for other of our securities.

Offers to purchase or exchange the securities may be solicited by agents designated by us from time to time. Any such agent will be named, and any commissions payable by us to such agent will be set forth, in the applicable prospectus supplement. Unless otherwise indicated in the applicable prospectus supplement, any such agent will be acting on a best efforts basis for the period of its appointment. Any such agent may be deemed to be an underwriter, as that term is defined in the Securities Act, of the securities so offered and sold.

If an underwriter or underwriters are utilized in the sale of the securities, we will execute an underwriting agreement with such underwriter or underwriters at the time an agreement for such sale is reached. The names of the specific managing underwriter or underwriters, as well as any other underwriters, and the terms of the transactions, including compensation of the underwriters and dealers, which may be in the form of discounts, concessions or commissions, if any, will be set forth in the applicable prospectus supplement, which will be used by the underwriters to make resales of the securities.

If a dealer is utilized in the sale of the securities, we or an underwriter will sell such securities to the dealer as principal. The dealer may then resell such securities to the public at varying prices to be determined by such dealer at the time of resale. The name of the dealer and the terms of the transactions will be set forth in the applicable prospectus supplement relating thereto.

Offers to purchase or exchange the securities may be solicited directly by us and sales or exchanges thereof may be made by us directly to institutional investors or others. The terms of any such sales, including the terms of any bidding or auction process, if utilized, will be described in the applicable prospectus supplement.

We may enter into agreements with agents, underwriters and dealers under which we agree to indemnify them against certain liabilities, including liabilities under the Securities Act, or to contribute to payments they may be required to make in respect thereof. The terms and conditions of such indemnification or contribution will be described in the applicable prospectus supplement. Certain of the agents, underwriters or dealers, or their affiliates, may be customers of, engage in transactions with or perform services for us in the ordinary course of business.

In compliance with the guidelines of the Financial Industry Regulatory Authority, Inc., or FINRA, the maximum consideration or discount to be received by any FINRA member or independent broker dealer may not exceed 8% of the aggregate proceeds of the offering.

### **About this Prospectus**

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, which we refer to as the SEC, using a “shelf” registration process. Using this process, we may offer the securities described in this prospectus, either separately or with other securities registered hereunder, in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time we offer securities, we will provide a prospectus supplement to this prospectus. The prospectus supplement will describe the specific terms of that offering. The prospectus supplement may also add, update or change the information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in the prospectus supplement. Please carefully read this prospectus and the applicable prospectus supplement, in addition to the information contained in the documents we refer you to under the heading “Where You Can Find More Information.”

### **Where You Can Find More Information**

We file annual, quarterly and special reports and other information with the SEC. You may read and copy these materials at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-732-0330 for further information on the Public Reference Room. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, like us, that file electronically with the SEC. Our SEC filings are also available to the public from the SEC’s Internet site at <http://www.sec.gov>.

This prospectus is part of a registration statement we have filed with the SEC relating to the securities described in this prospectus. As permitted by SEC rules, this prospectus does not contain all of the information set forth in the registration statement. You should read the registration statement for further information about us and the securities described in this prospectus.

### **Incorporation by Reference**

The SEC allows us to “incorporate by reference” the information that we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus. The information filed by us with the SEC in the future will automatically update and supersede this information.

We incorporate by reference our filings listed below and any additional documents that we may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the date we file the registration statement that contains this prospectus and prior to the termination of any offering, including all such documents we may file with the SEC after the date of the initial registration statement and prior to the effectiveness of the registration statement; except we are not incorporating by reference any information furnished (but not filed) under Item 2.02 or Item 7.01 of any Current Report on Form 8-K, unless specifically noted below or in a prospectus supplement:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2012;
- our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2013 and June 30, 2013; and

- our Current Report on Form 8-K dated March 8, 2013.

You may request a copy of these filings, at no cost, by writing or calling us at the following address or telephone number:

Treasurer  
MidAmerican Energy Company  
666 Grand Avenue, Suite 500  
Des Moines, Iowa 50309-2580  
(515) 242-4300

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of such document.

### **Legal Matters**

The validity of the securities described in this prospectus will be passed upon for us by Gibson, Dunn & Crutcher LLP, New York, New York. Certain matters involving the laws of Iowa will be passed upon for us by Paul J. Leighton, Esq.

### **Experts**

The consolidated financial statements and the related financial statement schedule, incorporated in this prospectus by reference from MidAmerican Energy Company's Annual Report on Form 10-K, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such consolidated financial statements and financial statement schedule have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

With respect to the unaudited interim financial statements for the periods ended March 31, 2013 and 2012 and June 30, 2013 and 2012, which are incorporated herein by reference, Deloitte & Touche LLP, an independent registered public accounting firm, have applied limited procedures in accordance with the standards of the Public Company Accounting Oversight Board (United States) for a review of such information. However, as stated in their reports included in MidAmerican Energy Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013 and incorporated by reference herein, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the United States Securities Act of 1933, as amended, for their reports on the unaudited interim financial information because those reports are not "reports" or a "part" of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 14. *Other Expenses of Issuance and Distribution***

The following table sets forth the costs and expenses payable by MidAmerican Energy Company in connection with the issuance and distribution of the securities being registered. All amounts are estimates other than the SEC registration fee.

	<u>Amount to be Paid</u>
Registration Fee	\$ 13,640
Federal Taxes	—
State Taxes and Fees	—
Printing Expenses	400,000
Legal Fees and Expenses	450,000
Accounting Fees and Expenses	140,000
Rating Agency Fees	1,400,000
Trustee Fees and Expenses	25,000
Miscellaneous Expenses	<u>50,000</u>
Total	<u>\$2,478,640</u>

**Item 15. *Indemnification of Directors and Officers***

Sections 490.850-490.855 and 490.857 of the Iowa Business Corporation Act permit corporations organized thereunder to indemnify directors, officers, employees and agents against liability under certain circumstances. The Restated Articles of Incorporation, as amended, and the Restated Bylaws, as amended, of MidAmerican Energy Company provide for indemnification of directors, officers and employees to the full extent provided by the Iowa Business Corporation Act. The Articles of Incorporation and the Bylaws state that the indemnification provided therein shall not be deemed exclusive. MidAmerican Energy Company may, but has currently elected not to, purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of MidAmerican Energy Company or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not MidAmerican Energy Company would have the power to indemnify such person against such expense, liability or loss under the Iowa Business Corporation Act. MidAmerican Energy Company may also enter into indemnification agreements with its directors and officers to further assure such persons indemnification as permitted by Iowa law.

As permitted by Section 490.832 of the Iowa Business Corporation Act, the Articles of Incorporation of MidAmerican Energy Company provide that no director shall have personal liability to MidAmerican Energy Company or its shareholders for monetary damages for any action taken, or any failure to take any action, as a director, except liability for any of the following: (1) the amount of a financial benefit received by a director to which the director is not entitled; (2) an intentional infliction of harm on the corporation or the shareholders; (3) a violation of Section 490.833 (relating to certain unlawful distributions to shareholders); or (4) an intentional violation of criminal law.

**Item 16. *Exhibits and Financial Statement Schedules***

A list of exhibits filed with this registration statement or incorporated by reference is contained in the Exhibit Index which is incorporated herein by reference.

## Item 17. *Undertakings*

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price present no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

*provided, however*, that paragraphs (1)(i), (1)(ii) and (1)(iii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) Each prospectus filed by a registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which the prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining liability of the undersigned registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(6) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(7) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Des Moines, State of Iowa, on August 28, 2013.

### MIDAMERICAN ENERGY COMPANY

By: /s/ Paul J. Leighton

Name: Paul J. Leighton

Title: Vice President, Secretary and  
Assistant General Counsel

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints, jointly and severally, Paul J. Leighton and Steven R. Weiss, as his true and lawful attorneys and agents, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, or any related registration statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ William J. Fehrman</u> William J. Fehrman	President, Chief Executive Officer and Director (principal executive officer)	August 28, 2013
<u>/s/ Thomas B. Specketer</u> Thomas B. Specketer	Vice President, Chief Financial Officer and Director (principal financial and accounting officer)	August 28, 2013
<u>/s/ Steven R. Weiss</u> Steven R. Weiss	Senior Vice President, General Counsel and Director	August 28, 2013

## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
1.1*	Form of Underwriting Agreement
4.1**	Indenture (Senior Unsecured Debt Securities), dated as of October 1, 2006 (Filed as Exhibit 4.1 to MidAmerican Energy Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, Commission File No. 333-15387)
4.2**	Form of Indenture (Subordinated Unsecured Debt Securities) (Filed as Exhibit 4.2 to MidAmerican Energy Company's Registration Statement on Form S-3 dated May 16, 2006, Commission File No. 333-134163)
4.3	Form of Indenture (First Mortgage Bonds)
4.4	Form of Intercreditor and Collateral Trust Agreement
4.5	Form of Mortgage, Security Agreement, Fixture Filing and Financing Statement
5.1	Opinion of Gibson, Dunn & Crutcher LLP
5.2	Opinion of Paul J. Leighton, Esq.
12.1	Computation of Ratios of Earnings to Fixed Charges
15.1	Awareness Letter of Deloitte & Touche LLP
23.1	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.1)
23.2	Consent of Paul J. Leighton, Esq. (included in Exhibit 5.2)
23.3	Consent of Deloitte & Touche LLP
24.1	Power of Attorney (included in signature pages)
25.1	Statement of Eligibility on Form T-1 under the Trust Indenture Act of 1939 of The Bank of New York Mellon Trust Company, N.A. for the senior unsecured indenture dated as of October 1, 2006
25.2	Statement of Eligibility on Form T-1 under the Trust Indenture Act of 1939 of The Bank of New York Mellon Trust Company, N.A. for the form of subordinated unsecured indenture
25.3	Statement of Eligibility on Form T-1 under the Trust Indenture Act of 1939 of The Bank of New York Mellon Trust Company, N.A. for the Mortgage Bond Indenture

\* To be filed as an exhibit to an amendment hereto or as an exhibit to a document to be incorporated by reference herein.

\*\* Previously filed.

**MIDAMERICAN ENERGY COMPANY**

**To**

**THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., TRUSTEE**

**Indenture**

**Dated as of           , 20**

**CROSS-REFERENCE SHEET TO  
TRUST INDENTURE ACT OF 1939**

<u>Section of Act</u>	<u>Section of Indenture</u>
310(a)	7.04, 14.01, 14.14, 14.15
310(b)	14.12, 14.14
311(a) and (b)	14.11
312(a), (b) and (c)	17.01
313(a), (b), (c) and (d)	17.03
314(a)	17.02
314(a)(4)	7.13
314(b)	7.05
314(c)(1) and (2)	21.01(b)
314(c)(3)	Not Applicable
314(d)(1)	1.03(w), 10.03(b), 10.04(b), 10.05(a)(ii)
314(d)(2)	1.03(f), 1.03(w), 3.04(e), 10.05(a)(ii)
314(d)(3)	3.04(c), 3.04(d), 10.03(c), 10.05(a)(ii) and (iii)
314(e)	21.01(a)
315(a)	14.02, 14.07
315(b)	12.02(b)
315(c)	14.01
315(d)	14.02
315(e)	12.15(c)
316(a)(1)	12.05, 12.23
316(a)(2)	Not Applicable
316(a) last sentence	1.03(qq)(A)
316(b)	12.22
317(a)	12.17, 12.21
317(b)	7.06
318(a)	21.05

## TABLE OF CONTENTS

	<u>Page</u>
Parties	1
Recitals	1
<b>ARTICLE I</b>	
DEFINITIONS	
<i>Section 1.01.</i>	1
<i>Section 1.02.</i>	2
<i>Section 1.03.</i>	2
Trust Indenture Act	2
Construction of accounting terms	2
Definitions	2
“2002 Notes Indenture”	2
“2006 Notes Indenture”	2
“Accountant”	2
“Accountant’s Certificate”	2
“Affiliate”	2
“Appraiser”	2
“Appraiser’s Certificate”	3
“Authenticating Agent”	3
“Authorized Executive Officer”	3
“Board”	3
“Bondable Property”	3
“Bonded”	5
“Bonding”	5
“Bondholder”	6
“Bonds”	6
“Business Day”	6
“Collateral Trust Agreement”	6
“Collateral Trustee”	6
“Company”	6
“Company Order”	6
“Cost”	6
“Default”	7
“Depositary”	7
“Discount Bond”	7
“Dollar”	7
“\$”	7
“Eligible Obligations”	7
“Engineer”	7
“Engineer’s Certificate”	8
“Excepted Property”	8
“Equal and Ratable Notes”	8
“Fair Value”	8

	<u>Page</u>
“Generally Accepted Accounting Principles”	8
“Governmental Obligations “	8
“Indenture”	9
“Independent”	9
“Investment Securities”	9
“Lien of the Mortgage”	10
“ Mortgage “	10
“ Mortgage Bond Documents”	10
“ Mortgage Bond Obligations”	10
“Mortgaged Property”	10
“Officers’ Certificate”	10
“Opinion of Counsel”	10
“Outstanding”	10
“Paying Agent”	12
“Periodic Offering”	12
“Permissible Encumbrances”	12
“Person”	14
“Place of Payment”	14
“Prepaid Lien”	14
“Prior Lien”	15
“Prior Lien Debt”	15
“Registered Holder”	15
“Required Currency”	15
“Responsible Officer”	15
“Retired Bonds”	15
“Requisite Secured Parties”	15
“Retired Equal and Ratable Notes”	15
“Supplemental Indenture”	16
“Supplemental Mortgage”	16
“Triggering Event”	16
“Trust Estate”	16
“Trustee”	16
“Unbonded”	16

## ARTICLE II

### FORMS, EXECUTION, REGISTRATION AND EXCHANGE OF BONDS

<i>Section 2.01.</i>	Series and terms of Bonds	16
<i>Section 2.02.</i>	Kinds and denomination of Bonds	19
<i>Section 2.03.</i>	Dates of and interest on Bonds	19
<i>Section 2.04.</i>	Legends on Bonds	19
<i>Section 2.05.</i>	Exchange of Bonds	19
<i>Section 2.06.</i>	Transfer and exchange of Bonds	20
<i>Section 2.07.</i>	Execution of Bonds	21

	<u>Page</u>
<i>Section 2.08.</i> Temporary Bonds	21
<i>Section 2.09.</i> Replacement of stolen, lost, destroyed or mutilated Bonds	21
<i>Section 2.10.</i> Trustee's certificate on Bonds	22
<i>Section 2.11.</i> Payment to be made in Required Currency	22
<i>Section 2.12.</i> Cancellation of Bonds	23

### **ARTICLE III**

#### ISSUANCE OF BONDS BASED ON BONDABLE PROPERTY

<i>Section 3.01.</i> Bonds issuable on basis of Bondable Property	23
<i>Section 3.02.</i> No Bonds issuable on basis of Bonded Bondable Property	23
<i>Section 3.03.</i> Bonds issuable to specified percentage of Bondable Property	23
<i>Section 3.04.</i> Requirements for issuance	23
<i>Section 3.05.</i> Counsel may obtain additional facts; reliance on other documents	26
<i>Section 3.06.</i> Determination of Cost or Fair Value	26

### **ARTICLE IV**

#### ISSUANCE OF BONDS BASED ON RETIRED BONDS OR RETIRED EQUAL AND RATABLE NOTES

<i>Section 4.01.</i> Requirements for issuance	26
<i>Section 4.02.</i> No Bonds issued on basis of Bonded Bonds	27

### **ARTICLE V**

#### ISSUANCE OF BONDS BASED ON DEPOSIT OF CASH WITH TRUSTEE

<i>Section 5.01.</i> Requirements for issuance	27
<i>Section 5.02.</i> Withdrawal of cash deposited under Section 5.01	28

### **ARTICLE VI**

<i>Section 6.01.</i> [Reserved.]	28
----------------------------------	----

### **ARTICLE VII**

#### COVENANTS OF THE COMPANY

<i>Section 7.01.</i> Payment of principal and interest	28
<i>Section 7.02.</i> Possession, maintenance of Lien and right to mortgage	28
<i>Section 7.03.</i> Corporate existence	28
<i>Section 7.04.</i> Appointment of Trustee	28
<i>Section 7.05.</i> Recordation of Mortgage	29
<i>Section 7.06.</i> Paying Agents	29
<i>Section 7.07.</i> Payment of Taxes	30
<i>Section 7.08.</i> Instruments of further assurance	30

		<u>Page</u>
<i>Section 7.09.</i>	Books of record and account	30
<i>Section 7.10.</i>	Maintenance of Mortgaged Property	30
<i>Section 7.11.</i>	Insurance	31
<i>Section 7.12.</i>	Issuance of Additional Equal and Ratable Notes	32
<i>Section 7.13.</i>	Annual Officer's Certificate as to Compliance	33

## **ARTICLE VIII**

### COLLATERAL

<i>Section 8.01.</i>	Collateral Trust Agreement	33
<i>Section 8.02.</i>	Relative rights	33
<i>Section 8.03.</i>	Mortgage documents	34
<i>Section 8.04.</i>	Trustee and Collateral Trustee	34
<i>Section 8.05.</i>	Authorization of actions to be taken	34
<i>Section 8.06.</i>	Collateral Trustee as Third Party Beneficiary	36

## **ARTICLE IX**

### REDEMPTION OF BONDS

<i>Section 9.01.</i>	Certain Bonds redeemable	36
<i>Section 9.02.</i>	General provisions and mechanics of redemption	36
<i>Section 9.03.</i>	Bonds due on redemption date	37
<i>Section 9.04.</i>	Moneys for redemption held in trust	37
<i>Section 9.05.</i>	Partial redemption of Bond	37

## **ARTICLE X**

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

<i>Section 10.01.</i>	[Reserved.]	37
<i>Section 10.02.</i>	Actions without consent of Trustee	37
<i>Section 10.03.</i>	Release of Mortgaged Property if Bonding ratio test satisfied	38
<i>Section 10.04.</i>	Release of limited amount of Mortgaged Property	39
<i>Section 10.05.</i>	Release of Mortgaged Property not subject to a Prior Lien	40
<i>Section 10.06.</i>	Release of Mortgaged Property subject to a Prior Lien	42
<i>Section 10.07.</i>	Eminent Domain	44
<i>Section 10.08.</i>	Consideration for release of Mortgaged Property	45
<i>Section 10.09.</i>	[Reserved.]	45
<i>Section 10.10.</i>	Receiver, trustee, etc.	45
<i>Section 10.11.</i>	[Reserved.]	46
<i>Section 10.12.</i>	Suspension of rights in case of Default	46

**ARTICLE XI**

## APPLICATION OF FUNDS HELD BY TRUSTEE

<i>Section 11.01.</i>	Withdrawal or application of moneys held by Trustee	46
<i>Section 11.02.</i>	Moneys to be held in trust; investment thereof	48

**ARTICLE XII**

## DEFAULT AND REMEDIES

<i>Section 12.01.</i>	When no entitlement to benefit of Indenture upon Default	49
<i>Section 12.02.</i>	Events of Default; notice of Default; action by Trustee	49
<i>Section 12.03.</i>	Upon Default Trustee may instruct Collateral Trustee to sell Mortgaged Property	50
<i>Section 12.04.</i>	Upon Default and request of holders of a majority of Bonds, Trustee must declare principal due; restoration of parties to former positions	51
<i>Section 12.05.</i>	Duty of Trustee to act on request of holders of a majority of Bonds	51
<i>Section 12.06.</i>	Right of Requisite Secured Parties.	52
<i>Section 12.07.</i>	Inspection.	52
<i>Section 12.08.</i>	[Reserved.]	52
<i>Section 12.09.</i>	[Reserved.]	52
<i>Section 12.10.</i>	[Reserved.]	52
<i>Section 12.11.</i>	Principal of Bonds to become due in case of sale	52
<i>Section 12.12.</i>	Application of sale proceeds	52
<i>Section 12.13.</i>	Bonds may be applied against purchase price	53
<i>Section 12.14.</i>	Control by majority	53
<i>Section 12.15.</i>	Bondholder not to institute suit without request to Trustee; Trustee may enforce rights without possession of Bonds; undertaking for costs	53
<i>Section 12.16.</i>	Remedies cumulative	54
<i>Section 12.17.</i>	Covenant to pay Trustee; judgment by Trustee; application of monies	55
<i>Section 12.18.</i>	Other remedies	55
<i>Section 12.19.</i>	Provisions solely for benefit of parties and Bondholders	56
<i>Section 12.20.</i>	Trustee and Collateral Trustee may file proofs of claims	56
<i>Section 12.21.</i>	Right of Bondholders to receive payment	56
<i>Section 12.22.</i>	Waivers of past Defaults by holders of Bonds	56
<i>Section 12.23.</i>	Waiver of Usury, Stay or Extension Laws	57

**ARTICLE XIII**EFFECT OF MERGER, CONSOLIDATION,  
CONVEYANCE AND LEASE

<i>Section 13.01.</i>	Company may merge or consolidate if no impairment of Lien of the Mortgage and with assumption of obligations by successor	57
-----------------------	---	----

	<u>Page</u>
<i>Section 13.02.</i>	Upon merger or consolidation Indenture not to constitute lien upon certain properties 58
<i>Section 13.03.</i>	Right of successor 59
<i>Section 13.04.</i>	Transfer of less than substantially all 59

#### **ARTICLE XIV**

##### THE TRUSTEE

<i>Section 14.01.</i>	Qualification of Trustee and acceptance of trust 60
<i>Section 14.02.</i>	Trustee rights and duty of care 60
<i>Section 14.03.</i>	Recitals deemed made by Company 62
<i>Section 14.04.</i>	Trustee not liable for debts from operation of Mortgaged Property; Trustee may own Bonds 62
<i>Section 14.05.</i>	Trustee may give notices incidental to action by it 62
<i>Section 14.06.</i>	[Reserved.] 62
<i>Section 14.07.</i>	Trustee may rely on certificates and may consult counsel; responsibility in selection of experts 62
<i>Section 14.08.</i>	Trustee not required to expend its own funds 63
<i>Section 14.09.</i>	Compensation and indemnification of Trustee; lien therefor 63
<i>Section 14.10.</i>	Trustee may rely on facts established by Officers' Certificate 64
<i>Section 14.11.</i>	Action to be taken by Trustee which becomes creditor of Company 64
<i>Section 14.12.</i>	Action to be taken by Trustee acquiring conflicting interest 64
<i>Section 14.13.</i>	Resignation or removal of Trustee 64
<i>Section 14.14.</i>	Appointment of successor Trustee 65
<i>Section 14.15.</i>	Appointment of additional trustees or co-trustees; notice by Bondholders to Trustee, notice to all trustees; contents, filing, etc. of instrument appointing trustee 65
<i>Section 14.16.</i>	Acceptance by successor trustee; requirements of predecessor Trustee upon retiring 67
<i>Section 14.17.</i>	Merger or consolidation of Trustee 67
<i>Section 14.18.</i>	[Reserved.] 68
<i>Section 14.19.</i>	Appointment of Authenticating Agent 68

#### **ARTICLE XV**

##### SUPPLEMENTAL INDENTURES AND SUPPLEMENTAL MORTGAGES

<i>Section 15.01.</i>	Provision for Supplemental Indentures, Supplemental Mortgages and amended Collateral Trust Agreement 69
<i>Section 15.02.</i>	Requirements for Supplemental Indentures and Supplemental Mortgages 71
<i>Section 15.03.</i>	Execution of Supplemental Indentures 72
<i>Section 15.04.</i>	Effect of Supplemental Indentures 72
<i>Section 15.05.</i>	Conformity with Trust Indenture Act 72
<i>Section 15.06.</i>	Reference in Bonds to Supplemental Indentures 72

**ARTICLE XVI**

## MEETINGS OF BONDHOLDERS

<i>Section 16.01.</i>	Manner of calling meetings and determination of Bonds affected	73
<i>Section 16.02.</i>	Calling of meetings by Company or Bondholders	73
<i>Section 16.03.</i>	Persons entitled to vote at meeting	74
<i>Section 16.04.</i>	Conduct of meetings; procedures	74
<i>Section 16.05.</i>	Manner of voting	75
<i>Section 16.06.</i>	Rights of Trustee or Bondholders not to be hindered or delayed	75
<i>Section 16.07.</i>	Action by written consent	75

**ARTICLE XVII**BONDHOLDER LISTS AND REPORTS BY THE COMPANY  
AND THE TRUSTEE

<i>Section 17.01.</i>	Company to furnish Bondholder lists	75
<i>Section 17.02.</i>	Company to comply with TIA Section 314	76
<i>Section 17.03.</i>	Trustee reports to Bondholders and compliance with TIA Section 313	76
<i>Section 17.04.</i>	Company reports to Trustee regarding ordinary course disposition	76

**ARTICLE XVIII**

## DEFEASANCE

<i>Section 18.01.</i>	Effect of payment of indebtedness; deposit of money or Eligible Obligations in certain instances deemed payment	76
<i>Section 18.02.</i>	Unclaimed moneys	77

**ARTICLE XIX**IMMUNITY OF INCORPORATORS, SUBSCRIBERS TO THE CAPITAL  
STOCK, SHAREHOLDERS, OFFICERS AND DIRECTORS

<i>Section 19.01.</i>	General provision	77
-----------------------	-------------------	----

**ARTICLE XX**EVIDENCE OF RIGHTS OF BONDHOLDERS  
AND OWNERSHIP OF BONDS

<i>Section 20.01.</i>	Evidence of action by Bondholders	78
<i>Section 20.02.</i>	Inspection of Bonds	79
<i>Section 20.03.</i>	Bondholder may revoke consent	79

**ARTICLE XXI**

MISCELLANEOUS

<i>Section 21.01.</i>	Certificates, opinions, etc.	79
<i>Section 21.02.</i>	Successors and assigns	80
<i>Section 21.03.</i>	Notices to Trustee and Company	80
<i>Section 21.04.</i>	Governing law	80
<i>Section 21.05.</i>	Waiver of jury trial	80
<i>Section 21.06.</i>	Conflict with TIA	81
<i>Section 21.07.</i>	TIA construed as in effect on date hereof	81
<i>Section 21.08.</i>	Titles, Table of Contents and Section Headings	81
<i>Section 21.09.</i>	Counterparts	81
<i>Section 21.10.</i>	Force majeure	81

INDENTURE, dated as of \_\_\_\_\_, 20\_\_\_\_, between MIDAMERICAN ENERGY COMPANY, an Iowa corporation, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a banking association organized and existing under the laws of the United States of America, as Trustee.

WHEREAS, all capitalized terms used in this Indenture have the respective meanings set forth in *Article I*;

WHEREAS, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of Bonds in one or more series as contemplated herein;

WHEREAS, the Company has duly executed and delivered the Mortgage (as defined herein) to provide that security over the Mortgaged Property (as defined herein) be granted for the payment of the principal of and premium, if any, and interest, if any, on the Bonds, and on the outstanding Equal and Ratable Notes;

WHEREAS, the Company has entered into the Collateral Trust Agreement (as defined herein) with the Trustee (as defined herein) and the Collateral Trustee (as defined herein) to provide for collateral trust and intercreditor arrangements governing the security granted under the Mortgage; and

WHEREAS, all acts necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been performed.

NOW, THEREFORE, in consideration of the premises and the purchase of the Bonds by the Bondholders thereof, it is mutually agreed for the equal and ratable benefit of the Bondholders from time to time of the Bonds or of series thereof as follows:

## ARTICLE I

### DEFINITIONS

*Section 1.01. Trust Indenture Act.* (a) Whenever this Indenture refers to a provision of the Trust Indenture Act of 1939, as amended ("TIA"), such provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings as of the date of this Indenture:

"indenture securities" means the Bonds.

"indenture security holder" means a Bondholder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company.

(b) All terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by a rule of the Securities and Exchange Commission have the meanings assigned to them in the TIA or such statute or rule as in force on the date of this Indenture.

*Section 1.02. Construction of accounting terms.* The accounting terms used in this Indenture shall be construed in accordance with Generally Accepted Accounting Principles.

*Section 1.03. Definitions.* For purposes of this Indenture, the following terms have the following meanings:

(a) “*2002 Notes Indenture*” means an Indenture, dated as of February 8, 2002 between the Company and The Bank of New York Mellon Trust Company, N.A. (formerly The Bank of New York), as Trustee, as supplemented by the First Supplemental Indenture dated as of February 8, 2002, the Second Supplemental Indenture dated as of January 14, 2003, the Third Supplemental Indenture dated as of October 1, 2004, the Fourth Supplemental Indenture dated as of November 1, 2005 and as further amended, restated, supplemented or otherwise modified from time to time.

(b) “*2006 Notes Indenture*” means an Indenture, dated as of October 1, 2006 between the Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, as supplemented by the First Supplemental Indenture dated as of October 6, 2006, the Second Supplemental Indenture dated as of June 29, 2007, the Third Supplemental Indenture dated as of March 25, 2008 and as further amended, restated, supplemented or otherwise modified from time to time.

(c) “*Accountant*” means the Chief Accounting Officer, Chief Financial Officer, Treasurer, Assistant Treasurer, Controller or Assistant Controller of the Company or a Person who is qualified to pass upon accounting matters, who or which need not be a certified or public accountant and, unless required to be Independent, may be employed by or Affiliated with the Company.

(d) “*Accountant’s Certificate*” means a certificate signed by an Accountant.

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

(f) “*Appraiser*” means a Person engaged in the business of appraising property or competent to determine the Fair Value or fair value to the Company of the particular property in question, and who or which, unless required to be Independent, may be employed by or Affiliated with the Company.

(g) “*Appraiser’s Certificate*” means a certificate signed by an Appraiser; any Appraiser’s Certificate which is relied upon by an Independent Engineer, for purposes of an Independent Engineer’s Certificate, shall be signed by an Independent Appraiser.

(h) “*Authenticating Agent*” means any Person authorized by the Trustee to act on behalf of the Trustee to authenticate Bonds of one or more series.

(i) “*Authorized Executive Officer*” means the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Secretary or the Treasurer of the Company, or any other Person duly authorized by the Company to act in respect of matters relating to this Indenture.

(j) [Reserved.]

(k) “*Board*” means either the board of directors of the Company or the executive committee or any other committee of the board of directors of the Company duly authorized to act for the board of directors of the Company in matters pertaining to this Indenture. Any Board resolution referred to herein shall consist of one or more resolutions of the Board or other written action of the Board certified by the Secretary or an Assistant Secretary of the Company as having been duly adopted by the Board and being in full force and effect on the date of such certification.

(l) “*Bondable Property*” means the Mortgaged Property as of the date of this Indenture, plus any property acquired or constructed by the Company which is included in the Mortgaged Property after the date of this Indenture, subject to the following:

(i) Bondable Property:

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

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

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

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

(4) property located over, on or under property owned by other Persons, including governmental and municipal agencies, bodies or subdivisions, under permits, licenses, easements, franchises and other similar privileges, if the Company shall have the right to remove the same; and

(B) may include renewals, replacements and substitutions of Bondable Property; but

(C) shall not include:

(1) Excepted Property; or

(2) going concern value or goodwill.

(ii) The "amount" of any Bondable Property means the lesser of the Cost or Fair Value of Bondable Property certified to the Trustee in an Engineer's Certificate (or if such Fair Value shall not be required to be evidenced to the Trustee, the Cost thereof) *minus*, in the case of Bondable Property which is (A) owned by the Company subject to a Prior Lien at the date of this Indenture, or (B) acquired by the Company after the date of this Indenture, subject to a Prior Lien (other than a Prior Lien to which such Bondable Property becomes subject, solely as a result of such acquisition, pursuant to an after-acquired property clause of such Prior Lien), 10/7 (ten sevenths) of the aggregate principal amount of the related Prior Lien Debt.

(iii) When any Bondable Property is certified to the Trustee in any Engineer's Certificate delivered with an application, and as a basis, for the authentication and delivery of Bonds, the release of Mortgaged Property or the withdrawal of cash (except in the cases of the release of Mortgaged Property, the withdrawal of cash representing the proceeds of insurance or the payment of or on account of obligations secured by purchase money mortgages, in each case on the basis of Bondable Property acquired or constructed within 90 days prior or subsequent to the date of the application for such release or the receipt by the Trustee of such cash),

(A) there shall be deducted from the Cost or Fair Value of such Bondable Property, as the case may be (as evidenced in such application), an amount equal to the sum of (x) the aggregate Cost of all Bondable Property retired on and after the date of this Indenture *plus* (y) the aggregate Cost of all Bondable Property acquired or constructed by the Company which is included in the Mortgaged Property after such date, and Bonded as the basis for the authentication of Bonds, the withdrawal of cash or the release of Mortgaged Property in accordance with the provisions hereof, and

- (B) there may, at the option of the Company, be added to such Cost or Fair Value, as the case may be, the sum of
- (1) all or any portion of (aa) the fair value to the Company in cash, as set forth in an Appraiser's Certificate dated the date of such application, of the unpaid principal amount of any obligations (which are not in default) secured by purchase money mortgages and Governmental Obligations, *plus* (bb) any cash then held by the Collateral Trustee or the trustee or mortgagee under any Prior Lien, in either case representing the proceeds of insurance on, or of the release or other disposition of, Bondable Property retired; *plus*
  - (2) 10/7 (ten sevenths) of the principal amount of any Bonds, the right to the authentication and delivery of such Bonds under *Article IV* shall have been waived as a basis for the release of Bondable Property retired;

*provided, however*, that neither any reduction in the Cost or Fair Value of property recorded in an account of the Company nor the transfer of any amount from such an account to another such account shall be deemed to be Bondable Property retired.

(m) “*Bonded*” or “*Bonding*” as applied to Bonds or Bondable Property means that such Bonds or Bondable Property are within one or more of the following classes:

(i) (a) the aggregate amount of Bondable Property which has been used as a basis for the authentication and delivery of Bonds pursuant to *Article III* or the withdrawal of cash pursuant to *Section 11.01* and (b) an aggregate amount of Bondable Property with a value equal to 10/7 (ten sevenths) of the sum of (x) the aggregate principal amount of the outstanding Equal and Ratable Notes *plus* (y) the aggregate principal amount of outstanding Prior Lien Debt.

(ii) Bonds which have been used as a basis for the authentication and delivery of Bonds pursuant to *Article IV* or the withdrawal of cash pursuant to *Section 11.01*, and Bonds paid, purchased or redeemed with money used or applied by the Trustee pursuant to *Section 11.01*.

(iii) Bonds which have been used as a basis for a waiver by the Company, pursuant to *Section 10.05*, of its right to the authentication and delivery of Bonds pursuant to *Article IV*.

(iv) Bonds and Bondable Property which have been allocated or used as a basis for any credit or action or pursuant to any provision of, or retired through the operation of, any sinking, improvement, maintenance, replacement or analogous fund for any series of Bonds; *provided, however*, that any such Bonds or Bondable Property so allocated or used shall be reinstated as Unbonded when all of the Bonds of the series of Bonds in connection with such fund was established are Retired Bonds.

All Bondable Property which shall be retired, abandoned, destroyed, released or otherwise disposed of shall be deemed Bondable Property retired, but as in this Indenture provided may at any time thereafter again become Bondable Property.

(n) “*Bondholder*” means Registered Holder of a Bond.

(o) “*Bonds*” means bonds authenticated and delivered under this Indenture.

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

(q) “*Collateral Trust Agreement*” means the Intercreditor and Collateral Trust Agreement, dated as of \_\_\_\_\_, 20\_\_\_\_, among the Trustee and the Collateral Trustee.

(r) “*Collateral Trustee*” means The Bank of New York Mellon Trust Company, N.A., in its capacity as collateral trustee under the Collateral Trust Agreement.

(s) “*Company*” means MidAmerican Energy Company, an Iowa corporation, and its successors and assigns.

(t) “*Company Order*” means a written order, signed in the name of the Company by an Authorized Executive Officer and delivered to the Trustee pursuant to a Supplemental Indenture, for the authentication and delivery of Bonds of the series of Bonds created by such Supplemental Indenture pursuant to any procedures described therein, and (i) specifying in such Company Order certain terms of such Bonds to be authenticated and delivered, or the manner of the determination of such terms, which terms may include, but are not limited to, those set forth in *Section 2.01(c)* or (ii) confirming in such Company Order certain terms of such Bonds to be authenticated and delivered, which terms were given to the Trustee by any agent of the Company which has been designated as agent for such purpose in accordance with such Supplemental Indenture.

(u) “*Cost*” means, as to any property, the actual cost to the Company of such property including (i) cash or its equivalent paid for such property, including without limitation all costs and allowances for funds used during the construction thereof, and other deferred costs relating to such construction, but only to the extent permitted by Generally Accepted Accounting Principles or accounting orders from any governmental regulatory commission, (ii) the fair value to the Company in cash (as of the date of delivery) of any securities or other property delivered in connection with the acquisition of such property, (iii) the principal amount of any Prior Lien Debt secured by such property at the time of its acquisition unless such principal amount of Prior Lien Debt has previously been used in determining the Cost of other property subject to such Prior Lien, (iv) the principal amount of any other indebtedness incurred or assumed in connection with the acquisition of such property and (v) any other amounts which, in accordance with Generally Accepted Accounting Principles, are properly charged or chargeable to the plant or other property accounts of the Company with respect to such property as part of the cost of

construction or acquisition thereof, including, but not limited to, any allowance for funds used during construction or any similar or analogous amount; the Cost of property acquired by the Company without consideration or by merger, consolidation or dissolution shall be deemed to be the Fair Value thereof at the date of its acquisition; *provided, however*, that in no event shall the Cost of any property be required to reflect any depreciation or amortization in respect of such property, or any adjustment to the amount or amounts at which such property is recorded in plant or other property accounts due to the non-recoverability of investment or otherwise.

(v) “*Default*” means any event specified in *Section 12.02(a)*.

(w) “*Depository*” means, with respect to the Bonds of any series issuable or issued in global form, a clearing agency registered under the Securities Exchange Act of 1934, as amended, or any successor thereto, which shall in either case be designated by the Company pursuant to *Section 2.01* or *Section 2.06* until a successor Depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “*Depository*” shall mean or include each Person who is then a Depository hereunder, and if at any time there is more than one such Person, “*Depository*” as used with respect to the Bonds of any such series shall mean the Depository with respect to the Bonds of that series.

(x) “*Discount Bond*” means any Bond which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof pursuant to *Section 12.04*.

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

(z) “*Eligible Obligations*” means:

(i) with respect to Bonds denominated in Dollars, Governmental Obligations; or

(ii) with respect to Bonds denominated in a composite currency or in a currency other than Dollars, such other obligations or instruments as shall be specified with respect to such Bonds in a Supplemental Indenture or Company Order.

(aa) “*Engineer*” means a Person engaged in the engineering business, and who or which, unless required to be Independent, may be employed by or Affiliated with the Company, except that an Independent Engineer shall sign Engineer’s Certificates delivered in connection with the release of Mortgaged Property pursuant to *Section 10.03, 10.04, 10.05, 10.06* or *10.07* if the Fair Value of the Mortgaged Property to be released and of all other Mortgaged Property released since the commencement of the then current calendar year, or the fair value to the Company of any purchase money obligations included in the consideration for such release and of all other securities made a basis of any authentication and delivery of Bonds, withdrawal of cash or release of Mortgaged Property or securities under this Indenture since the commencement of the then current calendar year, as set forth in Engineer’s Certificates required pursuant to *Article X*, is 10% or more of the aggregate principal amount of Bonds at the time Outstanding, unless the Fair Value of the Mortgaged Property to be released or the fair value to

the Company of any purchase money obligations included in the consideration for such release and of all other securities made a basis of any authentication and delivery of Bonds, as set forth in such Engineer's Certificate, is, in each case, less than \$25,000 or less than 1% of the aggregate principal amount of Bonds at the time Outstanding.

(bb) "*Engineer's Certificate*" means a certificate signed by an Engineer.

(cc) "*Excepted Property*" has the meaning assigned to such term in the Mortgage

(dd) "*Equal and Ratable Notes*" means the debt securities described on Schedule 1 hereto for so long as such debt securities are secured by the Lien of the Mortgage.

(ee) "*Fair Value*" when applied to any property means its fair value to the Company as may be determined by reference to (a) the amount which would be likely to be obtained in an arm's-length transaction with respect to such property between an informed and willing buyer and an informed and willing seller, under no compulsion, respectively, to buy or sell, (b) the amount of investment with respect to such property which, together with a reasonable return thereon, would be likely to be recovered through ordinary business operations or otherwise, (c) the Cost, accumulated depreciation, and replacement cost with respect to such property and/or (d) any other relevant factors; *provided, however*, that the Fair Value of property shall be determined without deduction for any Prior Liens upon such property (except as otherwise contemplated by Section 10.06). Fair Value may be determined without physical inspection by use of accounting and engineering records and other data maintained by, or available to, the Company; the "value" of any Mortgaged Property shall be the lesser of its Cost or Fair Value as evidenced by an Engineer's Certificate.

(ff) "*Generally Accepted Accounting Principles*" means generally accepted accounting principles in use in the United States of America at the date of this Indenture, or, at the option of the Company, other generally accepted accounting principles which are in use in the United States of America at the time of their determination; in determining such generally accepted accounting principles, the Company may, but shall not be required to, conform to any accounting order, rule or regulation of any regulatory authority (i) having jurisdiction over the electric generating, transmission and distribution operations of the Company and/or (ii) if property which is an integral part of or used or to be used as an integral part of the gas distribution operations of the Company becomes Mortgaged Property, having jurisdiction over such gas distribution operations.

(gg) "*Governmental Obligations*" means securities which are (a) (i) direct obligations of the United States of America where the payment or payments thereunder are supported by the full faith and credit of the United States of America or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America where the timely payment or payments thereunder are unconditionally guaranteed as a full faith and credit obligation by the United States of America or (b) depository receipts issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended) as custodian with respect to any such Governmental Obligation or a specific payment of interest on or principal of or other amount with respect to any such Governmental Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such

custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Governmental Obligation or the specific payment of interest on or principal of or other amount with respect to the Governmental Obligation evidenced by such depository receipt.

(hh) “*Indenture*” means this instrument as originally executed and as it may from time to time be supplemented or amended by one or more Supplemental Indentures, including, for all purposes of this instrument and any such Supplemental Indenture, the provisions of the TIA that are deemed to be a part of and govern this Indenture and any such Supplemental Indenture, respectively; all references to “herein,” “hereof” and “hereunder” shall respectively mean in, of or under this Indenture.

(ii) “*Independent*” when used with respect to any specified Person means that such Person (i) is in fact independent, (ii) does not have any direct material financial interest in the Company or in any other obligor on the Bonds or in any Affiliate of the Company (other than Berkshire Hathaway Inc.) or any such other obligor and (iii) is not connected with the Company or such other obligor as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions.

(jj) “*Investment Securities*” means any of the following obligations or securities on which none of the Company, MidAmerican Energy Holdings Company nor any other subsidiary of MidAmerican Energy Holdings Company thereof is the obligor: (i) Governmental Obligations; (ii) interest bearing deposit accounts (which may be represented by certificates of deposit) in national or state banks (which may include the Trustee or any Paying Agent) or savings and loan associations having outstanding securities rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (iii) bankers’ acceptances drawn on and accepted by commercial banks (which may include the Trustee or any Paying Agent) having outstanding securities rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (iv) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, any State or Territory of the United States of America or the District of Columbia, or any political subdivision of any of the foregoing, which are rated in any of the three highest rating categories (without regard to modifiers) by a nationally recognized statistical rating organization; (v) bonds or other obligations of any agency or instrumentality of the United States of America; (vi) corporate debt securities rated in any of the two (2) highest rating categories by a nationally recognized statistical rating organization (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for short term securities; (vii) repurchase agreements with respect to any of the foregoing obligations or securities with banking or financial institutions (which may include the Trustee or any Paying Agent) having outstanding securities rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (viii) securities issued by any regulated investment company (including any investment company for which the Trustee or any Paying Agent is the advisor), as

defined in Section 851 of the Internal Revenue Code of 1986, as amended, or any successor section of such Code or successor federal statute, *provided* that the portfolio of such investment company is limited to obligations that are bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed as to principal and interest by the full faith and credit of the United States of America, which portfolio may include repurchase agreements which are fully collateralized by any of the foregoing obligations; and (ix) any other obligations or securities which may be lawfully purchased by the Trustee in its capacity as such.

(kk) “*Lien of the Mortgage*” means the lien created by the Mortgage (including the lien on property acquired after the date of the execution of the Mortgage) and the lien created by any subsequent conveyance to the Collateral Trustee, whether made by the Company or any other Person, effectively constituting any property a part of the security held by the Collateral Trustee for the benefit of the Trustee and the holders of all Outstanding Bonds and, as applicable, the applicable trustee and holders of outstanding Equal and Ratable Notes.

(ll) “*Mortgage*” means the Mortgage, Security Agreement, Fixture Filing and Financing Statement, dated as of \_\_\_\_\_, 20\_\_\_\_, made by the Company in favor of the Collateral Trustee, as originally executed and as it may from time to time be supplemented or amended by one or more Supplemental Mortgages, including, for all purposes of this instrument and any such Supplemental Mortgage.

(mm) “*Mortgage Bond Documents*” means the Bonds collectively with this Indenture.

(nn) “*Mortgage Bond Obligations*” means the obligations of the Company in respect of the due and punctual payment of the principal of, any premium on, any interest on (including, to the extent legally permitted, all interest accrued thereon after the commencement of any insolvency or liquidation proceeding, including any applicable post-default rate, even if such interest is not enforceable, allowable or allowed as a claim in such proceeding), and any other amounts payable in respect of the Bonds (whether now existing or hereinafter issued) in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a) (and any successor provision thereof).

(oo) “*Mortgaged Property*” means as of any particular time all of the property which at such time is subject, or is intended by the terms of the Mortgage or this Indenture to be subject, to the Lien of the Mortgage, however created.

(pp) “*Officers’ Certificate*” means a certificate signed by an Authorized Executive Officer of the Company and delivered to the Trustee.

(qq) “*Opinion of Counsel*” means a written opinion of counsel for the Company, who may be a counsel who is also an employee of the Company.

(rr) “*Outstanding*” means, as of any particular time with respect to Bonds, all Bonds which theretofore have been authenticated and delivered by the Trustee under this Indenture, except (i) Bonds theretofore paid, retired, redeemed, discharged or canceled, or Bonds for the purchase, payment or redemption of which money or Eligible Obligations in the necessary

amount shall have been deposited with, or shall then be held by, the Trustee with irrevocable direction to apply such money or the proceeds of such Eligible Obligations to such purchase, payment or redemption, *provided* that, in the case of redemption, the notice required by *Article IX* shall have been given or provided for to the satisfaction of the Trustee, (ii) Bonds deposited with or held in pledge by the Trustee under this Indenture, including any Bonds so held under any sinking, improvement, maintenance, replacement or analogous fund, and (iii) Bonds paid or in exchange or substitution for and/or in lieu of which other Bonds have been authenticated and delivered, other than any such Bonds in respect of which there shall have been presented to the Trustee proof satisfactory to it and the Company that such Bonds are held by a bona fide purchaser or purchasers in whose hands such Bonds are valid obligations of the Company; *provided, however*, that for purposes of determining whether or not the holders of the requisite principal amount of the Bonds Outstanding under this Indenture, or the Outstanding Bonds of any series, have given any request, demand, authorization, direction, notice, consent, vote or waiver or taken any other action hereunder, or whether or not a quorum is present at a meeting of Bondholders,

(A) Bonds owned by the Company or any other obligor upon the Bonds or any Affiliate of the Company or of such other obligor (unless the Company, such Affiliate or such obligor owns all Bonds Outstanding under this Indenture, or all Outstanding Bonds of each such series, as the case may be) shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver or upon any such determination as to the presence of a quorum, only Bonds which the Trustee knows to be so owned shall be so disregarded; *provided, however*, that Bonds so owned which have been pledged in good faith may be regarded as Outstanding if it is established to the reasonable satisfaction of the Trustee that the pledgee, and not the Company or any such other obligor or Affiliate of either thereof, has the right so to act with respect to such Bonds and that the pledgee is not the Company or any other obligor upon the Bonds or any Affiliate of the Company or of such other obligor;

(B) the principal amount of a Discount Bond that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration that the principal of such Discount Bond is due and payable immediately pursuant to *Section 12.04*; and

(C) the principal amount of any Bond which is denominated in a currency other than Dollars or in a composite currency that shall be deemed to be Outstanding for such purposes shall be the amount of Dollars which could have been purchased by the principal amount of such currency or composite currency evidenced by such Bond, in each such case certified to the Trustee in an Officers' Certificate, based (A) on the average of the mean of the buying and selling spot rates quoted by three (3) banks which are members of the New York Clearing House Association (or its successor) selected by the Company in effect at 11:00 A.M. (New York time) in the City of New York on the fifth Business Day preceding the date of such calculation or (B) if on such fifth Business Day it shall not be possible or practical to obtain such quotations from such three (3) banks, on such other quotations or alternative methods of determination as shall be reasonably selected by an Authorized Executive Officer and which calculation of Dollar equivalents shall be certified to the Trustee in an Officers' Certificate;

(ss) “*Paying Agent*” means any Person, including the Company, authorized by the Company to pay the principal of, and premium, if any, or interest, if any, on any Bonds on behalf of the Company.

(tt) “*Periodic Offering*” means an offering of Bonds of a series from time to time, any or all of the specific terms of which Bonds, including but not limited to the rate or rates of interest, if any, thereon, the stated maturity or maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Company or its agents at or about the time of the issuance of such Bonds in the manner specified in the Supplemental Indenture which creates and establishes such series of Bonds, and Company Orders pursuant to such Supplemental Indenture.

(uu) “*Permissible Encumbrances*” means as of any particular time any of the following:

(i) the Lien of the Mortgage and other liens in favor of the Collateral Trustee securing the Secured Obligations (as defined in the Collateral Trust Agreement) and subject to the Collateral Trust Agreement, and all liens and encumbrances junior thereto;

(ii) liens for taxes or assessments by governmental bodies not yet due or the payment of which is being contested in good faith by the Company;

(iii) any right of any municipal or other governmental body or agency, by virtue of any franchise, grant, license, permit, contract or statute, to occupy, purchase or designate a purchaser of, or to order the sale of, any Mortgaged Property upon payment of reasonable compensation therefor, or to modify or terminate any franchise, grant, license, permit, contract or other right, or to regulate the property and business, of the Company;

(iv) liens and charges incidental to construction or current operations of the Company which are not delinquent or, whether or not delinquent, are being contested in good faith by the Company;

(v) easements, leases, rights of way, restrictions, exceptions or reservations, and zoning ordinances, regulations and restrictions, with respect to any property or rights of way of the Company, which do not, individually or in the aggregate, materially impair the use of such property or rights of way for the purposes for which such property or rights of way are held by the Company;

(vi) irregularities in or defects of title to any property or rights of way of the Company which do not materially impair the use of such property or rights of way for the purposes for which such property or rights of way are held by the Company;

(vii) liens securing obligations neither (A) assumed by the Company nor (B) on account of which it customarily pays interest, directly or indirectly, existing upon real property, or rights in or relating to real property acquired by the Company for rights of way for lines, pipes, structures and appurtenances thereto;

(viii) party-wall agreements and agreements for and obligations relating to the joint or common use of property owned solely by the Company or owned by the Company in common or jointly with one or more Persons;

(ix) liens securing indebtedness incurred by a Person, other than the Company, which indebtedness has been neither assumed nor guaranteed by the Company nor on which it customarily pays interest, existing on property which the Company owns jointly or in common with such Person or such Person and others, if there is an effective bar against partition of such property which would preclude the sale of such property by such other Person or the holder of such lien without the consent of the Company;

(x) any attachment, judgment and other similar lien arising in connection with court proceedings (A) in an amount not in excess of the greater of \$100,000,000 or 5% of the principal amount of the Bonds Outstanding at the time such attachment, judgment or lien arises, or (B) the execution of which has been stayed or which has been appealed and secured, if necessary, by an appeal bond;

(xi) the burdens of any law or governmental rule, regulation, order or permit requiring the Company to maintain certain facilities or to perform certain acts as a condition of its occupancy or use of, or interference with, any public or private lands or highways or any river, stream or other waters;

(xii) any duties or obligations of the Company to any federal, state or local or other governmental authority with respect to any franchise, grant, license, permit or contract which affects any Mortgaged Property;

(xiii) liens in favor of a government or governmental entity securing (A) payments pursuant to a statute (other than taxes and assessments), or (B) indebtedness incurred to finance all or part of the purchase price or Cost of construction of the property subject to such lien;

(xiv) any other liens or encumbrances of whatever nature or kind which, in the Opinion of Counsel, do not, individually or in the aggregate, materially impair the Lien of the Mortgage or the security afforded thereby for the benefit of the Bondholders;

(xv) any trustee's lien hereunder or under the Collateral Trust Agreement;

(xvi) any Prior Lien if such Prior Lien shall not attach to any Mortgaged Property other than the Mortgaged Property that was or became subject to the Prior Lien at the time of acquisition by the Company of such Mortgaged Property, other than pursuant to an after-acquired property clause of such Prior Lien; but, if the Company, as successor corporation, shall have executed a Supplemental Indenture relating thereto in accordance with *Article XIII*, the extension of such Prior Lien to Mortgaged Property subsequently acquired by the Company shall be permitted notwithstanding the limitation expressed in this *Section 1.03(uu)(xvi)*.

(xvii) liens existing at the date of this Indenture;

(xviii) leases existing at the date of this Indenture affecting properties owned by the Company at such date and renewals and extensions thereof; and leases affecting such properties entered into after such date or affecting properties acquired by the Company after such date which, in either case, (i) have respective terms of not more than ten (10) years (including extensions or renewals at the option of the tenant) or (ii) do not materially impair the use by the Company of such properties for the respective purposes for which they are held by the Company;

(xix) liens vested in lessors, licensors, franchisors or permittees for rent or other amounts to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases, licenses, franchises or permits, so long as the payment of such rent or other amounts or the performance of such other obligations or acts is not delinquent or is being contested in good faith and by appropriate proceedings; and

(xx) Prepaid Liens.

For the purposes of this Indenture, no mortgage or other lien on any property of the Company shall be considered as a “mortgage,” “lien,” “charge” or “encumbrance” if money or Governmental Obligations sufficient to pay or redeem the indebtedness secured by such mortgage or lien shall be held in trust for such purpose by the Trustee or by the trustee, mortgagee or other holder of such mortgage or lien; the sufficiency of such money or Governmental Obligations shall be evidenced to the Trustee by an Accountant’s Certificate.

(vv) “*Person*” means any individual, corporation, association, company, limited liability company, business trust, partnership, limited liability partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

(ww) “*Place of Payment*” with respect to the Bonds of any series, means the place or places, specified in a Supplemental Indenture or Company Order, at which principal of, and premium, if any, and interest, if any, on the Bonds of such series are payable.

(xx) “*Prepaid Lien*” means any lien securing indebtedness for the payment, prepayment or redemption of which there have been irrevocably deposited in trust with the trustee or other holder of such lien moneys and/or Investment Securities which (together with the interest reasonably expected to be earned from the investment and reinvestment in Investment Securities of the moneys and/or the principal of and interest on the Investment Securities so deposited) shall be sufficient for such purpose; *provided, however*, that if such indebtedness is to be redeemed or otherwise prepaid prior to the stated maturity thereof, any notice requisite to such redemption or prepayment shall have been given in accordance with the mortgage or other instrument creating such lien or irrevocable instructions to give such notice shall have been given to such trustee or other holder.

(yy) “*Prior Lien*” means any mortgage, lien, charge, encumbrance, security interest on or in, or pledge of, any Mortgaged Property existing both at and immediately prior to the time of the acquisition by the Company of such Mortgaged Property, or created as a purchase money mortgage on such Mortgaged Property at the time of its acquisition by the Company, in each case ranking prior to or on a parity with the Lien of the Mortgage.

(zz) “*Prior Lien Debt*” means indebtedness secured by a Prior Lien.

(aaa) “*Registered Holder*” means the Person or Persons in whose name or names the particular Registered Bond shall be registered in the Bond register required pursuant to *Section 2.06*.

(bbb) “*Required Currency*” means for any Bond the composite currency or currency, if other than Dollars, in which the principal of, premium, if any, or interest, if any, on such Bond is payable, *provided*, that, for purposes of calculations under this Indenture (including calculations of principal amount), any amounts denominated in a composite currency or in a currency other than Dollars shall be converted to Dollar equivalents by calculating the amount of Dollars which could have been purchased by the amount of such other currency based (A) on the average of the mean of the buying and selling spot rates quoted by three (3) banks which are members of the New York Clearing House Association (or its successor) selected by the Company in effect at 11:00 A.M. (New York time) in the City of New York on the fifth Business Day preceding the date of such calculation or (B) if on such fifth Business Day it shall not be possible or practical to obtain such quotations from such three (3) banks, on such other quotations or alternative methods of determination as shall be reasonably selected by an Authorized Executive Officer and which calculation of Dollar equivalents shall be certified to the Trustee in an Officers’ Certificate.

(ccc) “*Requisite Secured Parties*” has the meaning assigned thereto in the Collateral Trust Agreement.

(ddd) “*Responsible Officer*” when used with respect to the Trustee means any officer of the Trustee assigned by the Trustee to administer its corporate trust matters and who shall have direct responsibility for the administration of this Indenture.

(eee) “*Retired Bonds*” means as of any particular time Bonds theretofore but after the date of this Indenture, purchased, paid, retired, redeemed, canceled or otherwise discharged, or for the purchase, payment, retirement or redemption of which money or Eligible Obligations in the necessary amount shall have been deposited with, or shall then be held by, the Trustee with respect to Bonds with irrevocable direction to apply such money or the proceeds of such Eligible Obligations to such purchase, payment, retirement or redemption.

(fff) “*Retired Equal and Ratable Notes*” means as of any particular time Equal and Ratable Notes theretofore but after the date of this Indenture, purchased, paid, retired, redeemed, canceled or otherwise discharged, or for the purchase, payment, retirement or redemption of which money or other eligible property, to the extent permitted under the terms of the agreements governing such Equal and Ratable Notes, shall have been deposited with, or shall then be held by, the trustee therefor with respect to Equal and Ratable Notes with irrevocable direction to apply such money or the proceeds of such eligible property to such purchase, payment, retirement or redemption.

(ggg) “*Supplemental Indenture*” means an indenture supplementing or amending this Indenture and entered into between the Company and the Trustee in accordance with this Indenture.

(hhh) “*Supplemental Mortgage*” means a mortgage supplementing or amending the Mortgage, entered into by the Company in favor of the Collateral Trustee in accordance with this Indenture and the Collateral Trust Agreement.

(iii) “*Triggering Event*” has the meaning assigned thereto in the Collateral Trust Agreement.

(jjj) “*Trust Estate*” has the meaning assigned thereto in the Collateral Trust Agreement.

(kkk) “*Trustee*” means the Person named as the Trustee in the first paragraph of this Indenture and any successor thereto pursuant to *Section 14.14*.

(lll) “*Unbonded*” as applied to Bonds or Bondable Property means that such Bonds or Bondable Property are not Bonded.

## ARTICLE II

### FORMS, EXECUTION, REGISTRATION AND EXCHANGE OF BONDS

*Section 2.01. Series and terms of Bonds.* (a) At the option of the Company, Bonds may be issued under this Indenture in one or more series and in an unlimited amount.

(b) Each series of Bonds shall be created and established in a Supplemental Indenture which shall designate the title of such series of Bonds, any maximum aggregate principal amount of Bonds of such series which may be authenticated and delivered upon the original issuance or issuances of such Bonds, and the currency or currencies, including composite currencies, in which payment of the principal of, and premium, if any, and interest, if any, on such Bonds shall be payable if other than in Dollars;

(c) The Supplemental Indenture which creates and establishes a series of Bonds, or a Company Order, shall specify the form of Bonds of such series any and all of the terms of such Bonds or the method of determining such terms, which terms may include, but are not limited to:

- (i) the principal amount of such Bonds to be authenticated and delivered upon their original issuance at any particular time;
- (ii) the date on which such Bonds are to be issued, and the date from which interest, if any, will accrue on such Bonds;

(iii) the rate of interest, if any, which shall be borne by such Bonds, and if such interest rate is not a fixed rate, the formula for determining such interest rate from time to time;

(iv) the interest payment dates, if any, with respect to such Bonds;

(v) the record dates for the payment of interest on any interest payment dates with respect to such Bonds;

(vi) the date or dates on which the principal of and premium, if any, on such Bonds is payable;

(vii) the place or places where (A) the principal of, and premium, if any, and interest, if any, on such Bonds shall be payable, (B) such Bonds may be surrendered for registration of transfer, (C) such Bonds may be surrendered for exchange and (D) notices and demands to or upon the Company in respect of such Bonds and this Indenture may be served;

(viii) the means, which may include mail, for the payment of principal of, premium, if any, and interest, if any, on such Bonds;

(ix) the period or periods within which, the price or prices at which and the terms and conditions upon which such Bonds may be redeemed, in whole or in part, at the option of the Company;

(x) the obligation, if any, of the Company to redeem or purchase such Bonds pursuant to any sinking, improvement, maintenance, replacement or analogous fund or at the option of a holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which such Bonds shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(xi) if the principal of or premium, if any, or interest, if any, on such Bonds, are to be payable, at the election of the Company or a holder of such Bonds, in a coin or currency other than that in which such Bonds are stated to be payable, the period or periods within which, and the terms and conditions upon which, such election may be made;

(xii) if the principal of or premium, if any, or interest, if any, on such Bonds is to be payable, or is to be payable at the election of the Company or a holder of such Bonds, in securities or other property, the type and amount of such securities or other property, or the method by which such amount shall be determined, and the period or periods within which, and the terms and conditions upon which, any such election may be made; *provided, however*, that for purposes of calculations under this Indenture any such election shall be disregarded;

(xiii) if the amount of payments of principal of or premium, if any, or interest, if any, on such Bonds may be determined with reference to an index or other fact or event ascertainable outside of this Indenture, the manner in which such amounts shall be determined;

(xiv) if other than the principal amount of such Bonds, the portion of such principal amount of such Bonds which shall be payable upon a declaration that the principal of such Bonds is due and payable immediately pursuant to *Section 12.04*;

(xv) the terms, if any, pursuant to which such Bonds may be converted into or exchanged for shares of capital stock or other securities of the Company or of any other Person;

(xvi) the obligations or instruments, if any, which shall be considered to be Eligible Obligations in respect of such Bonds if they are denominated in a composite currency or in a currency other than Dollars;

(xvii) if a service charge will be made for the registration of transfer or exchange of such Bonds, the amount or terms thereof;

(xviii) if the Bonds of such series are to be issued in global form, (A) any limitations on the rights of the Bondholder or Bondholders of such Bonds to transfer or exchange the same or to obtain the registration of transfer thereof, (B) any limitations on the rights of the Bondholder or Bondholders thereof to obtain certificates therefor in definitive form in lieu of global form, (iii) the Depository for the Bonds of such series in global form and (iv) any other matters incidental to such Bonds.

(xix) any variation in the definition of Business Day with respect to such Bonds;

(xx) any addition to or change in events that constitute a Default which applies to any Bonds of the series;

(xxi) any addition to or change in the covenants set forth in Article VII which applies to any Bonds of the series;

(xxii) the form of such Bonds; and

(xxiii) any other terms of such Bonds not inconsistent with the provisions of this Indenture.

(d) The Bonds of any one (1) or more series may be expressed in one (1) or more foreign languages, if also expressed in the English language, and the English text shall govern the construction thereof and both or all texts shall constitute only a single obligation. The English text of Bonds and the authentication certificate of the Trustee shall be in the forms set forth in the Supplemental Indenture creating and establishing such series of Bonds or in a Company Order.

(e) With respect to Bonds of a series subject to a Periodic Offering, the Supplemental Indenture which creates and establishes such series or a Company Order may provide general terms or parameters for Bonds of such series and provide either that the specific terms of

particular Bonds of such series shall be specified in a Company Order or that such terms shall be determined by the Company or its agents in accordance with specified procedures, acceptable to the Trustee, by which such terms are to be established (which procedures may provide for authentication and delivery pursuant to oral or electronic instructions from the Company or any agent or agents thereof, which oral instructions are to be promptly confirmed electronically or in writing)

(f) The Bonds of each series shall be issuable in registered form without coupons. The definitive Bonds shall be produced in such manner as shall be determined by the Authorized Executive Officers executing such Bonds, as evidenced by their execution thereof.

*Section 2.02. Kinds and denomination of Bonds.* Any series of Bonds may be executed, authenticated and delivered originally in denominations of \$1,000 or multiples of \$1,000 or in such other denomination or denominations as may be specified in the Supplemental Indenture which creates and establishes such series, or a Company Order.

*Section 2.03. Dates of and interest on Bonds.* Unless otherwise specifically provided in the Supplemental Indenture which creates and establishes a series of Bonds or in a Company Order, each Bond shall be dated as of the date of its authentication; *provided, however,* that if any Bond shall be authenticated and delivered upon a transfer of, or in exchange for or in lieu of, any Bond or Bonds upon which interest is in Default, it shall be dated so that such Bond shall bear interest from the last preceding date to which interest shall have been paid on the Bond or Bonds in respect of which such Bond shall have been delivered, unless otherwise specifically provided in the Supplemental Indenture which creates and establishes the series of such Bonds or in a Company Order. Unless other provisions (including, but not limited to, provisions establishing record dates for the payment of interest) are specifically provided in the Supplemental Indenture which creates and establishes a series of Bonds or in a Company Order, (a) the Bonds of such series shall bear interest, if any, from the beginning of the interest period for such series during which such Bonds were authenticated, and (b) the first interest period for each series of Bonds shall begin on the date of their issuance.

*Section 2.04. Legends on Bonds.* Any Bond may have imprinted thereon or included therein any legend or legends required in order to comply with any law or with any rules or regulations thereunder, the rules or regulations of any securities exchange or clearing system, any contract to which the Company is a party concerning such Bond, or to conform to usage, and the Company may at any time by Company Order delivered to the Trustee amend the form of any legend to be used on Bonds then Outstanding so as to comply with any such law, rule or regulation or contract, or so as to conform to usage.

*Section 2.05. Exchange of Bonds.* Unless otherwise specifically provided in the Supplemental Indenture which creates and establishes a series of Bonds or in a Company Order, in all cases in which the privilege of exchanging Bonds exists and is exercised, the Bonds to be exchanged shall be surrendered at such place or places as shall be set forth in such Supplemental Indenture or Company Order, or designated by the Company for that purpose, and the Trustee shall authenticate and the Company shall deliver in exchange therefor the Bond or Bonds of like tenor which the Bondholder making the exchange shall be entitled to receive. All Bonds so surrendered and delivered for exchange shall be accompanied by a written instrument or

instruments of transfer, if required by the Company, duly executed by the Registered Holder of such Bond or the duly authorized attorney of such Registered Holder, at the office or agency of the Company designated by it. All Bonds so surrendered and delivered for exchange shall be delivered to the Trustee for cancellation. Upon any transfer of Bonds permitted by *Section 2.06*, and upon any exchange of Bonds, the Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge and in addition may charge a sum not exceeding a sum, if any, provided as a term of such series of Bonds for each Bond authenticated and delivered upon any such transfer or exchange, which sum shall be paid by the party requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Company shall not be required to execute or to provide for the registration of transfer of or the exchange of (a) Bonds of any series during a period of fifteen (15) days immediately preceding any interest payment date of such series (unless such series has a record date for the payment of interest) or the date notice is to be given identifying the serial numbers of the Bonds of such series called for redemption or (b) any Bond so selected for redemption in whole or in part, except the unredeemed portion of any Bond being redeemed in part.

*Section 2.06. Transfer and exchange of Bonds.* (a) The Company shall keep, at such place or places as shall be designated by the Company for the purpose, a Bond register for the registration and transfer of Bonds, which, at all reasonable times, shall be open for inspection by the Trustee; and upon presentation for such purpose at any such place or places, the Company will register or cause to be registered therein, and permit to be transferred thereon, under such reasonable procedures as it may prescribe, any Bonds entitled to registration or transfer at such office. Upon the transfer of any Bond, the Trustee shall authenticate and the Company shall issue in the name of the transferee or transferees a new Bond or new Bonds of the same series for a like principal amount. All Bonds so surrendered for transfer shall be delivered to the Trustee for cancellation.

(b) If at any time the Depository for the Bonds of a series notifies the Company that it is unwilling or unable to continue as Depository for the Bonds of such series or if at any time the Depository for the Bonds of a series shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, the Company shall appoint a successor Depository with respect to the Bonds of such series. If a successor Depository for the Bonds of such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such condition, the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Bonds of such series, shall authenticate and deliver Bonds of such series in definitive form in an aggregate principal amount equal to the principal amount of the Bond or Bonds in global form representing such series in exchange for such Bond or Bonds in global form.

(c) The Company may at any time and in its sole discretion determine that the Bonds of any series issued in the form of one or more Bonds in global form shall no longer be represented by a Bond or Bonds in global form. In such event the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Bonds of such series, shall authenticate and deliver, Bonds of such series in definitive registered form without coupons, in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Bond or Bonds in global form representing such series in exchange for such Bond or Bonds in global form.

(d) If (1) a Default has occurred and is continuing and (2) beneficial owners of interests representing a majority in aggregate principal amount of the Bonds of a series represented by a Bond or Bonds in global form advise the Trustee through the Depositary for such Bond or Bonds in global form in writing that the maintenance of a Depositary for such series is no longer in such beneficial owners' best interests, the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Bonds of such series, shall authenticate and deliver, Bonds of such series in definitive registered form without coupons, in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Bond or Bonds in global form representing such series in exchange for such Bond or Bonds in global form.

*Section 2.07. Execution of Bonds.* All Bonds authenticated and delivered under this Indenture shall, from time to time, be executed on behalf of the Company by an Authorized Executive Officer, whose signature may be by facsimile, and attested by its Secretary or an Assistant Secretary, whose signature may be by facsimile. In case any officer of the Company who has executed or attested any Bonds shall cease to be such officer before the Bonds so executed and/or attested shall have been actually authenticated and delivered by the Trustee or issued by the Company, such Bonds nevertheless may be authenticated, delivered and issued with the same force and effect as though the person or persons who executed or attested such Bonds had not ceased to be such officer or officers of the Company.

*Section 2.08. Temporary Bonds.* There may be authenticated and delivered and issued from time to time in lieu of (or in exchange for) any definitive Bond or Bonds of any series issued or issuable under this Indenture, one or more temporary Bonds substantially of the tenor of such definitive Bonds, and such temporary Bond or Bonds may be in such denomination or denominations as may be specified in the Supplemental Indenture which creates and establishes such series or in a Company Order. Until a definitive Bond or Bonds are delivered in exchange therefor, the holder of each such temporary Bond or Bonds shall be entitled to the Lien and benefit of this Indenture. Upon the exchange by the Company of definitive Bonds for temporary Bonds (which exchange the Company shall make as permitted by applicable law and on request of, and without charge to, the holder of temporary Bonds, when definitive Bonds are ready for delivery) such temporary Bond or Bonds shall be canceled by the Trustee. The holder of one or more temporary Bonds may surrender and exchange them for cancellation accompanied by a written instrument or instruments of transfer, if required by the Company, duly executed by the registered holder or by the duly authorized attorney of such holder, at the office or agency of the Company designated by it, and shall be entitled to receive a temporary Bond or Bonds of the same series of like aggregate principal amount of such other denominations as may be specified in the Supplemental Indenture which creates and establishes such series or in a Company Order.

*Section 2.09. Replacement of stolen, lost, destroyed or mutilated Bonds.* Upon receipt by the Company and the Trustee of evidence satisfactory to them of the theft, loss, destruction or mutilation of any Outstanding Bond, and of indemnity satisfactory to them, and upon payment, if the Company or the Trustee shall require it, of a reasonable charge and upon reimbursement to the Company and the Trustee of all reasonable expense incident thereto, and upon surrender and

cancellation of such Bond, if mutilated, the Company may execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and of the same series in lieu of such stolen, lost, destroyed or mutilated Bond, or if any such Bond shall have matured or be about to mature, then instead of issuing a substituted Bond, the Company may pay the same. Any indemnity bond shall name as obligees the Company, the Trustee, and if requested by the Company, any Paying Agent.

*Section 2.10. Trustee's certificate on Bonds.* The Trustee's certificate of authentication on all Bonds shall be in substantially the following form:

This is one of the Bonds of the series designated herein and referred to in the within-mentioned Indenture.

Dated: \_\_\_\_\_

\_\_\_\_\_, as Trustee

By: \_\_\_\_\_, as Trustee  
Authorized Signatory

-or-

\_\_\_\_\_, as Trustee

By: \_\_\_\_\_, as  
Authentication Agent

By: \_\_\_\_\_,  
Authorized Signatory

*Section 2.11. Payment to be made in Required Currency.* If the Company is obligated to pay the principal of, or premium, if any, or interest, if any, on any Bond in a Required Currency, such obligation shall not be discharged or satisfied by any tender by the Company, or recovery by the Trustee, in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the Trustee timely holding the full amount of the Required Currency then due and payable. If any such tender or recovery is in a currency other than the Required Currency, the Trustee shall sell such other currency and purchase the Required Currency solely from the proceeds thereof in public or private sales and purchases in any commercially reasonable manner. The costs and risks of any such exchange, including without limitation the risks of delay and exchange rate fluctuation, shall be borne by the Company, the Company shall remain fully liable for any deficiency or delinquency in the full amount of Required Currency then due and payable, and in no circumstances shall the Trustee be liable therefor to any Person except to the Company in the case of the negligence or willful misconduct of the Trustee. The Company hereby waives any defense of payment based upon any such tender or recovery which is not in the Required Currency, or which, when exchanged for the Required Currency by the Trustee, is less than the full amount of Required Currency then due and payable.

*Section 2.12. Cancellation of Bonds.* All Bonds surrendered for payment, redemption, transfer or exchange, if surrendered to the Trustee, shall be promptly cancelled by it, and, if surrendered to any Person other than the Trustee, shall be delivered to the Trustee and, if not already cancelled, shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Bonds previously authenticated and delivered hereunder, which the Company may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Trustee. No Bonds shall be authenticated in lieu of or in exchange for any Bond cancelled as provided in this *Section 2.12*, except as expressly provided in this Indenture. All cancelled Bonds shall be held by the Trustee and disposed of by it in accordance with its customary practices and the Trustee shall upon request deliver to the Company written notification of the disposal of cancelled Bonds.

### ARTICLE III

#### ISSUANCE OF BONDS BASED ON BONDABLE PROPERTY

*Section 3.01. Bonds issuable on basis of Bondable Property.* The Trustee shall, from time to time, after receipt of (a) a written application of the Company to the Trustee signed by an Authorized Executive Officer and its Secretary, an Assistant Secretary, its Treasurer or an Assistant Treasurer, and (b) the Supplemental Indenture creating and establishing a series of Bonds, authenticate and deliver Bonds of such series, or any portion of such series, upon the basis of Bondable Property, but only in accordance with and subject to the conditions, provisions and limitations set forth in this *Article III*.

*Section 3.02. No Bonds issuable on basis of Bonded Bondable Property.* No Bonds shall be authenticated and delivered at any time under this *Article III* upon the basis of Bonded Bondable Property.

*Section 3.03. Bonds issuable to specified percentage of Bondable Property.* Bonds of any one or more series may be authenticated and delivered under this *Article III* in a principal amount not exceeding 70% of the amount of Unbonded Bondable Property existing at the time of such application as stated on the Engineer's Certificate provided for in *Section 3.04(c)*.

*Section 3.04. Requirements for issuance.* No Bonds shall be authenticated or delivered under this *Article III* by the Trustee upon the basis of Bondable Property until the Trustee shall have received:

(a) a Board resolution (i) authorizing the Supplemental Indenture creating and establishing the series of Bonds to be issued and (ii) authorizing the issuance of such Bonds;

(b) an Officers' Certificate, dated the date of such application, stating that to the knowledge of the signers of such Officers' Certificate none of the events which constitute or with notice or a lapse of time would constitute a Default is continuing and as to compliance with all conditions precedent to the execution and delivery by the Trustee of the Supplemental Indenture which creates and establishes such series of Bonds, and to the authentication and delivery of such Bonds by the Trustee;

(c) an Engineer's Certificate, dated the date of such application, stating:

(i) the amount, as of a date not more than ninety (90) days prior to the date of such application, of Bondable Property made a basis for such application;

(ii) that all such Bondable Property is Bondable Property as defined in *Section 1.03(l)*;

(iii) that all such Bondable Property is desirable for use or is used in the proper conduct of the business of the Company;

(iv) that such amount of Bondable Property is not then Bonded;

(v) that the amount of any cash forming all or part of the Cost of such Bondable Property was equal to or more than an amount stated in such Engineer's Certificate;

(vi) a brief description, with respect to any such Bondable Property acquired, made or constructed in whole or in part through the delivery of securities, of the securities so delivered and stating the date of such delivery;

(vii) that the Cost of such Bondable Property is a specified amount and, except as to Bondable Property for which a statement is to be made in an Independent Engineer's Certificate as provided in *Section 3.04(d)*, that the Fair Value of such Bondable Property as of a date not more than ninety (90) days prior to the date of such application is a specified amount;

(viii) the amount required to be deducted in respect of Bondable Property under *Section 1.03(l)(iii)(A)* and the amount elected to be added under *Section 1.03(l)(iii)(B)*;

(ix) what part, if any, of such Bondable Property includes property which within six (6) months prior to the date of acquisition thereof by the Company has been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company and showing whether or not the Fair Value thereof as of a date not more than ninety (90) days prior to the date of such application is less than \$25,000 and whether or not such Fair Value is less than 1% of the aggregate principal amount of the Bonds Outstanding at the date of such application; and

(x) that any property or rights of way included in such Bondable Property are not subject to any easements, rights of way, restrictions, exceptions or reservations or zoning ordinances, regulations or restrictions or irregularities in or defects of title which materially impair the use of such property or rights of way for the purposes for which such property or rights of way are held by the Company;

(d) in case any Bondable Property is shown by the Engineer's Certificate provided for in *Section 3.04(c)* to include property which within six (6) months prior to the date of acquisition thereof by the Company has been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company and such certificate does not show the Fair Value thereof, as of a date not more than ninety (90) days prior to the date of such application, to be less than \$25,000 or less than 1% of the aggregate principal

amount of the Bonds Outstanding at the date of such application, an Independent Engineer's Certificate stating as to such Bondable Property and (at the option of the Company) as to any other Bondable Property included in the Engineer's Certificate provided for in *Section 3.04(c)*, that the then aggregate Fair Value thereof, as of a date not more than ninety (90) days prior to the date of such application, in the opinion of the signer of such Engineer's Certificate is a specified amount, and the Fair Value in the opinion of such signer of any Bondable Property so used or operated which has been subjected to the Lien of the Mortgage since the commencement of the calendar year which includes the date of such application, as a basis for the authentication and delivery of Bonds, and as to which an Independent Engineer's Certificate has not previously been furnished to the Trustee;

(e) in case any Bondable Property is shown by the Engineer's Certificate provided for in *Section 3.04(c)* to have been acquired, made or constructed in whole or in part through the delivery of securities, an Appraiser's Certificate, dated the date of such application, stating the fair value to the Company, in the opinion of the signer of such Appraiser's Certificate, in cash of such securities at the time of delivery thereof in payment for or for the acquisition of such Bondable Property;

(f) an Opinion of Counsel, dated the date of such application, stating the opinion of such counsel:

(i) to the effect that (except as to paving, grading and other improvements to, under or upon public highways, bridges, parks or other public property of analogous character) the Mortgage is, or upon the delivery of, and/or the filing and/or recording in the proper places and manner of, the instruments of conveyance, assignment or transfer, if any, specified in such Opinion of Counsel, will be, a lien on the Bondable Property made the basis of such application, subject to no lien thereon prior or equal to the Lien of the Mortgage, except Permissible Encumbrances;

(ii) to the effect that the Company has corporate authority to operate the Bondable Property made the basis of such application; and

(iii) as to the general nature and extent of any Prior Liens existing upon any of such Bondable Property, and the principal amount of the then outstanding Prior Lien Debt secured thereby, if any;

(g) an Opinion of Counsel, dated the date of such application, stating the opinion of such counsel to the effect that:

(i) such issue of Bonds has been duly authorized by the Company;

(ii) the form and terms of such Bonds have been established in compliance with this Indenture;

(iii) the Company has duly authorized, executed and delivered the Supplemental Indenture which creates and establishes such series of Bonds, and such Supplemental Indenture and Bonds constitute valid and binding obligations of the Company subject to such exceptions as such counsel shall specify;

(iv) such issue of Bonds has been duly authorized by any and all governmental authorities the consent of which is requisite to the legal issue of such Bonds, specifying any official orders or certificates, or other documents, by which such consent is or may be evidenced, or that no consent of any governmental authorities is requisite; and

(v) all conditions precedent to the execution and delivery by the Trustee of such Supplemental Indenture and the authentication and delivery by the Trustee of such Bonds have been complied with;

(h) copies of the instruments of conveyance, assignment and transfer, if any, specified in the Opinion of Counsel provided for in *Section 3.04(f)*;

(i) copies of the orders or certificates, or other documents, if any, specified in the Opinion of Counsel provided for in *Section 3.04(g)*; and

(j) a Company Order, which may be dated and delivered on, or dated and delivered on any date after, the date of such application, specifying or confirming the terms of such Bonds to be authenticated and delivered, or the manner of the determination of such terms, which terms may include those set forth in *Section 2.01(c)*, to the extent that such terms are not specified in the Supplemental Indenture creating and establishing such series of Bonds; *provided*, that, no such Company Order is required to be delivered if all of the terms of such Bonds are specified in such Supplemental Indenture.

*Section 3.05. Counsel may obtain additional facts; reliance on other documents.* If, in connection with the Opinion of Counsel provided for in *Section 3.04(f)* or *Section 3.04(g)*, counsel shall request that additional facts or matters be stated in the Engineer's Certificate provided for in *Section 3.04(c)*, then such Engineer's Certificate may state all such additional facts or matters as such counsel may request. In addition, in giving the Opinion of Counsel provided for in *Section 3.04(f)(i)*, counsel may rely upon (i) prior or concurrent opinions of other counsel, (ii) title insurance policies, title insurance commitments and reports, lien search certificates, certified abstracts of title and other similar evidences of the existence of liens on property and (iii) certificates of officers and other representatives of the Company and its Affiliates.

*Section 3.06. Determination of Cost or Fair Value.* The Cost or Fair Value of any Bondable Property and the fair value to the Company in cash of any securities or other property delivered in payment therefor or for the acquisition thereof and the amounts of any deductions and any additions made in respect of Bondable Property pursuant to *Section 1.03(1)(ii)* or *Section 1.03(1)(iii)* shall be determined for the purposes of this *Article III* by the certificates provided for in *Section 3.04*.

## ARTICLE IV

### ISSUANCE OF BONDS BASED ON RETIRED BONDS OR RETIRED EQUAL AND RATABLE NOTES

*Section 4.01. Requirements for issuance.* Subject to *Section 4.02*, the Trustee shall, from time to time, after receipt of (a) a written application of the Company to the Trustee signed by an Authorized Executive Officer and its Secretary, an Assistant Secretary, its Treasurer or an

Assistant Treasurer, and (b) the Supplemental Indenture creating and establishing a series of Bonds, authenticate and deliver Bonds of such series, or any portion of such series, in a principal amount equal to and on the basis of the principal amount of any Retired Bonds or Retired Equal and Ratable Notes, but only after the Trustee shall have received:

(a) the Board resolution provided for in *Section 3.04(a)*;

(b) the Officers' Certificate provided for in *Section 3.04(b)*;

(c) an Officers' Certificate, dated the date of such application, stating that (i) Bonds theretofore authenticated and delivered under this Indenture of a specified principal amount (not less, or together with Retired Equal and Ratable Notes referred to in clause (ii) below not less, than the principal amount of Bonds for which such request for authentication and delivery is made under this *Section 4.01*) have become Retired Bonds or concurrently with the authentication and delivery of the Bonds for which such request is made, will become Retired Bonds and further stating that no part of such principal amount of Bonds has theretofore been Bonded and/or (ii) Equal and Ratable Notes of a specified principal amount (not less, or together with Retired Bonds referred to in clause (i) above not less, than the principal amount of Bonds for which such request for authentication and delivery is made under this *Section 4.01*) have become Retired Equal and Ratable Notes or concurrently with the authentication and delivery of the Bonds for which such request is made will become Retired Equal and Ratable Notes and further stating that no part of such principal amount of Equal and Ratable Notes has theretofore been Bonded;

(d) the Opinion of Counsel provided for in *Section 3.04(g)*;

(e) copies of the orders or certificates, or other documents, if any, specified in the Opinion of Counsel provided for in *Section 3.04(g)*; and

(f) the Company Order, if required, provided for in *Section 3.04(j)*.

*Section 4.02. No Bonds issued on basis of Bonded Bonds.* No Bonds shall be authenticated and delivered at any time under this *Article IV* upon the basis of Bonded Bonds.

## ARTICLE V

### ISSUANCE OF BONDS BASED ON DEPOSIT OF CASH WITH TRUSTEE

*Section 5.01. Requirements for issuance.* The Trustee shall, from time to time, after receipt of (a) a written application of the Company to the Trustee signed by an Authorized Executive Officer and its Secretary, an Assistant Secretary, its Treasurer or an Assistant Treasurer, and (b) the Supplemental Indenture creating and establishing a series of Bonds, authenticate and deliver Bonds of such series, or any portion of such series, upon deposit with the Trustee by the Company of cash equal to the aggregate principal amount of the Bonds so requested to be authenticated and delivered, but only after the Trustee shall have received:

(a) the Board resolution provided for in *Section 3.04(a)*;

(b) the Officers' Certificate provided for in *Section 3.04(b)*;

(c) the Opinion of Counsel provided for in *Section 3.04(g)*;

(d) copies of the orders or certificates, or other documents, if any, specified in the Opinion of Counsel provided for in *Section 3.04(g)*; and

(e) the Company Order, if required, provided for in *Section 3.04(j)*.

*Section 5.02. Withdrawal of cash deposited under Section 5.01.* All cash deposited with the Trustee under *Section 5.01* shall be held and applied in accordance with *Article XI*.

## ARTICLE VI

*Section 6.01. [Reserved.]*

## ARTICLE VII

### COVENANTS OF THE COMPANY

*Section 7.01. Payment of principal and interest.* The Company will duly and punctually pay the principal of, premium, if any, and interest, if any, on all Outstanding Bonds at the times and places and in the manner provided for in the Bonds and this Indenture.

*Section 7.02. Possession, maintenance of Lien and right to mortgage.* On the date of the execution of this Indenture the Company is lawfully seized and possessed of all the Mortgaged Property in existence on such date, free and clear of all liens other than Permissible Encumbrances; the Company will maintain and preserve the Lien of the Mortgage so long as any Bond is Outstanding, subject to its right to create Prior Liens which are Permissible Encumbrances; and the Company has good right and lawful authority to mortgage the Mortgaged Property, as provided in and by the Mortgage and this Indenture.

*Section 7.03. Corporate existence.* The Company will, subject to *Article XIII*, at all times maintain its corporate existence and right to carry on business, and duly procure all renewals and extensions thereof, if and when any such renewals and extensions shall be necessary.

*Section 7.04. Appointment of Trustee.* Whenever necessary to avoid or fill a vacancy in the office of Trustee, the Company will in the manner provided in *Section 14.14* appoint a Trustee so that there shall be at all times a Trustee which shall at all times be a bank or trust company having its principal office and place of business in the United States of America and a corporation or association organized and doing business under the laws of the United States of America or of any State or the District of Columbia, with a combined capital and surplus of not less than Fifty Million Dollars (\$50,000,000) evidenced as provided in *Section 14.01(a)*, and authorized under such laws to exercise corporate trust powers and be subject to supervision or examination by Federal, State or District of Columbia authority.

*Section 7.05. Recordation of Mortgage.* The Company will cause the Mortgage and all Supplemental Mortgages or notices in respect thereof to be promptly recorded and filed and rerecorded and refiled in such manner and in such places as may be required by law in order fully to preserve and protect the security of the Bondholders and all rights of the Trustee, and will deliver to the Trustee:

(a) promptly after the execution and delivery of the Mortgage and of each Supplemental Mortgage, an Opinion of Counsel either stating that in the opinion of such counsel the Mortgage or such Supplemental Mortgage or notice in respect thereof has been properly recorded and filed, so as to make effective the Lien of the Mortgage intended to be created hereby, and reciting the details of such action, or stating that in the opinion of such counsel no such action is necessary to make the Lien of the Mortgage effective. The requirements of this *Section 7.05(a)* shall be deemed satisfied if (i) such Opinion of Counsel states that the Mortgage or such Supplemental Mortgage or notice has been received for recording or filing in each jurisdiction in which it is required to be recorded or filed and that, in the opinion of such counsel (if such is the case), such receipt for recording or filing makes effective the Lien of the Mortgage intended to be created thereby, and (ii) such Opinion of Counsel is delivered to the Trustee within such time, following the date of the execution and delivery of the Mortgage or such Supplemental Mortgage, as shall be reasonably practicable having due regard to the number and distance of the jurisdictions in which the Mortgage or such Supplemental Mortgage is required to be recorded or filed; and

(b) on or before June 1 of each year, beginning with the year 2014, an Opinion of Counsel either stating that in the opinion of such counsel such action has been taken, since the date of the most recent Opinion of Counsel furnished pursuant to this *Section 7.05 (b)* or the first Opinion of Counsel furnished pursuant to *Section 7.05(a)*, with respect to the recording, filing, rerecording and refiling of the Mortgage and of each Supplemental Mortgage, and each notice with respect thereto as is necessary to maintain the Lien of the Mortgage, and reciting the details of such action, or stating that in the opinion of such counsel no such action is necessary to maintain such lien.

*Section 7.06. Paying Agents.* (a) If the Company shall appoint one or more Paying Agents other than the Trustee, the Company will cause each such Paying Agent to (i) execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to this *Section 7.06*, that such Paying Agent shall hold in trust for the benefit of the Bondholders or the Trustee all sums held by such Paying Agent for the payment of the principal of, premium, if any, and interest on the Bonds; and (ii) that such Paying Agent shall give to the Trustee notice of any default by the Company in the making of any deposit with it for the payment of the principal of, premium, if any, or interest on the Bonds, and of any default by the Company in the making of any such payment; such Paying Agent shall not be obligated to segregate such sums from other funds of such Paying Agent except to the extent required by law or unless otherwise directed by the Company.

(b) If the Company acts as its own Paying Agent, the Company will, on or before each installment of principal of, premium, if any, or interest on the Bonds is required to be paid, set aside and segregate and hold in trust for the benefit of the Bondholders or the Trustee a sum sufficient to pay such principal, premium, if any, or interest on the Bonds and will notify the Trustee of such action, or of any failure to take such action.

(c) Anything in this *Section 7.06* to the contrary notwithstanding, the Company may at any time, for the purpose of obtaining a release or satisfaction of this Indenture or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by the Company or any Paying Agent as required by this *Section 7.06*, such sums to be held by the Trustee upon the trusts contained in this Indenture.

(d) Anything in this *Section 7.06* to the contrary notwithstanding, the holding of sums in trust as provided in this *Section 7.06* is subject to *Section 18.02*.

*Section 7.07. Payment of Taxes.* The Company will pay all taxes and assessments and other governmental charges lawfully levied or assessed upon the Mortgaged Property, any income from the Mortgaged Property, or the interest of the Collateral Trustee in the Mortgaged Property, before the same shall result in the attachment of a lien on the Mortgaged Property and will use its best efforts duly to observe and conform to all valid requirements of any governmental authority relative to any Mortgaged Property, and all covenants, terms and conditions upon or under which any Mortgaged Property is held; *provided, however*, that nothing in this *Section 7.07* shall require the Company to use its best efforts to observe or conform to any requirement of any governmental authority or to cause to be paid or discharged, or to make provisions for, any such lien or charge, or to pay any such tax, assessment or governmental charge so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings.

*Section 7.08. Instruments of further assurance.* The Company will execute and deliver such Supplemental Indentures or Supplemental Mortgages and such further instruments and do such further acts as may be necessary or proper to carry out more effectually the purposes of this Indenture and the Mortgage and to make subject to the Lien of the Mortgage any property (other than Excepted Property) hereafter acquired and intended or required to be so subject.

*Section 7.09. Books of record and account.* The Company will keep proper books of record and account, in which full and correct entries shall be made of all dealings or transactions of or in relation to the Bonds and the business, properties and affairs of the Company in accordance with Generally Accepted Accounting Principles.

*Section 7.10. Maintenance of Mortgaged Property.* The Company will cause the Mortgaged Property to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on by the Company with the Mortgaged Property may be properly conducted at all times; *provided, however*, that nothing in this *Section 7.10* shall prevent the Company from discontinuing the operation and maintenance of any Mortgaged Property if, in the judgment of the Company, such discontinuance is desirable in the conduct of its business, and, in the judgment of the Company, is not in any material respect adverse to the interests of the Bondholders.

*Section 7.11. Insurance.* (a) The Company will keep or cause to be kept all the Mortgaged Property insured with reasonable deductibles and retentions against loss by fire to the extent that property of similar character is usually so insured by companies similarly situated and operating like properties, by insurance companies which the Company believes to be reputable; or the Company will, in lieu of or supplementing such insurance in whole or in part, adopt some other method or plan of protection or, alone or in conjunction with any other Person or Persons, create an insurance fund to protect the Mortgaged Property against loss by fire.

(b) Proceeds of any insurance or alternative method or plan of protection of the Company against losses of the kind specified in *Section 7.11(a)* shall, at the request of the Company, be paid to the Company or, if received by or held by the Collateral Trustee, then the Trustee shall instruct the Collateral Trustee to remit such proceeds to the Company, and the Company shall be under no obligation to use such proceeds to rebuild or repair damaged or destroyed Mortgaged Property to the extent that the Fair Value of all of the Mortgaged Property after the damage or destruction of Mortgaged Property with respect to which such proceeds are payable equals or exceeds an amount equal to 10/7 (ten sevenths) of the sum of (x) the aggregate principal amount of Outstanding Bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt, as evidenced by, and within ten (10) days after receipt by the Trustee of:

(i) an Engineer's Certificate stating that the Fair Value of the Mortgaged Property remaining after such damage or destruction of Mortgaged Property is a specified amount;

(ii) an Accountant's Certificate stating that the Fair Value of all of the Mortgaged Property, as certified in the Engineer's Certificate provided for in *Section 7.11(b)(i)* equals or exceeds an amount equal to 10/7 (ten sevenths) of the sum of (x) the aggregate principal amount of Outstanding Bonds *plus* (y) the aggregate principal amount of the outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of the outstanding Prior Lien Debt; and

(iii) an Officers' Certificate and Opinion of Counsel pursuant to *Section 21.01(b)*.

(c) To the extent that the Fair Value of all of the Mortgaged Property after such damage or destruction of Mortgaged Property does not equal or exceed an amount equal to 10/7 (ten sevenths) of the sum of (x) the aggregate principal amount of Outstanding Bonds *plus* (y) the aggregate principal amount of the outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of the outstanding Prior Lien Debt, as evidenced by an Engineer's Certificate and an Accountant's Certificate similar to those described in *Section 7.11(b)(i)* and *(ii)*, (i) the proceeds of such insurance paid with respect to any such loss shall be paid to the Collateral Trustee, as the interest of the Collateral Trustee may appear, or to the trustee or other mortgagee under any Prior Lien upon the Mortgaged Property so destroyed or damaged, if the terms of such Prior Lien require such proceeds so to be paid; or (ii) if the Company shall adopt such other method or plan, it will pay or cause to be paid to the Collateral Trustee on account of any loss sustained because of the destruction or damage of any Mortgaged Property by fire, an amount of cash equal to such loss less any amount otherwise paid with respect to such loss to the Collateral

Trustee, or to the trustee or other mortgagee under any such Prior Lien upon the Mortgaged Property so destroyed or damaged, if the terms of such Prior Lien require payments for such loss so to be paid. Any amounts of cash so required to be paid by the Company pursuant to any such method or plan shall for the purposes of this Indenture, the Mortgage and the Collateral Trust Agreement be deemed to be proceeds of insurance.

(d) The Trustee shall direct the Collateral Trustee to hold, subject to *Section 7.11(b)* and to the requirements of any Prior Lien, all moneys paid to the Collateral Trustee by the Company or received by the Collateral Trustee as proceeds of any insurance and, subject to such requirements, the Trustee shall, at the request of the Company, direct the Collateral Trustee to pay such moneys to the Company to reimburse the Company for an equal amount spent for the purchase or other acquisition of property which becomes Mortgaged Property at the time of such purchase or acquisition, or in the rebuilding or renewal of the Mortgaged Property destroyed or damaged, upon receipt by the Trustee of (i) an Officers' Certificate requesting such reimbursement, (ii) an Accountant's Certificate stating the amounts so spent and the Cost of any Mortgaged Property so purchased or acquired, (iii) an Engineer's Certificate stating the nature of such rebuilding or renewal and the Fair Value of the Mortgaged Property so rebuilt or renewed, (iv) an Opinion of Counsel to the effect that the Mortgaged Property so purchased, rebuilt or renewed is subject to the Lien of the Mortgage to the same extent as was the Mortgaged Property so destroyed or damaged, and (v) an Officers' Certificate and Opinion of Counsel pursuant to *Section 21.01(b)*.

(e) Any moneys not applied in accordance with *Section 7.11(d)* within eighteen (18) months after the receipt of such moneys by the Collateral Trustee, or in respect of which notice in writing of the intention of the Company to apply such moneys to the work of rebuilding or renewal then in progress and uncompleted shall not have been given to the Trustee by the Company within such eighteen (18) months, or which the Company shall at any time notify the Trustee is not to be so applied, shall be held and applied in accordance with *Article XI*.

(f) There shall be delivered to the Trustee, on or before June 1 of each year, a detailed statement, signed by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Company, of any fire insurance policies then outstanding and in force upon any Mortgaged Property, including the names of the insurance companies which have issued such policies and the policy amounts and expiration dates thereof, together with a detailed statement, signed by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Company, of any alternative method or plan of protection. Any such detailed statement shall be sufficient if it refers to the most recent prior statement delivered pursuant to this *Section 7.11(f)* and describes in detail the changes, if any, that have occurred since the date of such prior statement.

*Section 7.12. Issuance of Additional Equal and Ratable Notes.* So long as any Bonds are Outstanding, the Company will not issue any debt securities, other than additional Bonds, which are required by their terms to be equally and ratably secured with the Bonds, except to replace any mutilated, lost, destroyed or stolen Equal and Ratable Notes or to effect exchanges and transfers of Equal and Ratable Notes.

*Section 7.13. Annual Officer's Certificate as to Compliance.* Not later than June 1 in each year, commencing June 1, 2014, the Company shall deliver to the Trustee an Officer's Certificate which need not comply with the requirements of *Section 21.01*, executed by its principal executive officer, principal financial officer or principal accounting officer, as to such officer's knowledge of the Company's compliance with all conditions and covenants under this Indenture, such compliance to be determined without regard to any period of grace or requirement of notice under this Indenture.

## ARTICLE VIII

### COLLATERAL

*Section 8.01. Collateral Trust Agreement.* (a) Each Bondholder, by accepting a Bond, (i) agrees that the Lien of the Mortgage on the Mortgaged Property is subject to the terms of the Collateral Trust Agreement and equally and ratably secures the Secured Obligations (as defined therein) and hereby authorizes and directs the Trustee to enter into the Collateral Trust Agreement as such Bondholder's authorized representative thereunder, and further agrees that such Bondholder is bound by the provisions of the Collateral Trust Agreement applicable to such Bondholder in its capacity as such to the same extent as if such Bondholder were a party thereto.

(b) Each Bondholder, by accepting a Bond, will be deemed (i) to have irrevocably authorized the appointment of the Collateral Trustee pursuant to the terms of the Collateral Trust Agreement, to act as its agent under the Collateral Trust Agreement, the Mortgage and any Supplemental Mortgages, and (ii) to have irrevocably authorized the Collateral Trustee to perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Collateral Trust Agreement, the Mortgage and any Supplemental Mortgages, together with any other rights, powers and discretions as are reasonably incidental thereto.

*Section 8.02. Relative rights.* The Collateral Trust Agreement and Mortgage define the relative rights, as lienholders, of the Bondholders and the holders of Equal and Ratable Notes with respect to the Mortgaged Property. Nothing in this Indenture, the Collateral Trust Agreement, the Mortgage or any Supplemental Mortgage will:

(a) impair, as between the Company and Bondholders, the obligation of the Company, which is absolute and unconditional, to pay principal of, premium and interest on any Bonds in accordance with their terms or to perform any other obligation of the Company under this Indenture, the Bonds, the Collateral Trust Agreement, the Mortgage or any Supplemental Mortgage;

(b) restrict the right of any Bondholder to sue for payments that are then due and owing, in a manner not inconsistent with the express provisions of the Indenture, the Collateral Trust Agreement, the Mortgage or any Supplemental Mortgage; or

(c) prevent the Trustee or (to the extent permitted by the Indenture) any Bondholder from exercising against the Company any of its other available remedies upon a Default (other than its rights as a secured party, which are subject to the Collateral Trust Agreement, the Mortgage and any Supplemental Mortgages).

*Section 8.03. Mortgage documents.* (a) The payment of the principal of, premium, if any, and interest, if any, on all Bonds issued and Outstanding under this Indenture when payable in accordance with the provisions thereof and hereof are secured as provided in the Collateral Trust Agreement and the Mortgage and will be secured by the Mortgage hereafter delivered as required or permitted by this Indenture.

(b) The Company will deliver to the Trustee true and complete copies of all documents delivered to the Collateral Trustee pursuant to the Collateral Trust Agreement, and will do or cause to be done all such acts and things as may be necessary or proper, or as may be required by the provisions of the Collateral Trust Agreement, to assure and confirm to the Trustee and the Collateral Trustee the security interest in the Mortgaged Property contemplated hereby, by the Collateral Trust Agreement, the Mortgage or any Supplemental Mortgage, or by any part thereof, as from time to time constituted, so as to render the same available for the security and benefit of this Indenture and of the Bonds secured hereby, according to the intent and purposes herein expressed.

(c) The Company shall take all such further actions necessary to maintain (at the sole cost and expense of the Company) the security interests created by the Collateral Trust Agreement, the Mortgage and any Supplemental Mortgages in the Mortgaged Property as perfected security interests to the extent perfection is required by the Collateral Trust Agreement, the Mortgage or any Supplemental Mortgages, subject to Permissible Encumbrances.

*Section 8.04. Trustee and Collateral Trustee.* (a) The Bondholders, by accepting a Bond, acknowledge that the Collateral Trustee shall have all the rights and protections provided in the Collateral Trust Agreement, the Mortgage and any Supplemental Mortgage.

(b) Except as required or permitted by the Collateral Trust Agreement, the Mortgage and any Supplemental Mortgages, the Bondholders, by accepting a Bond, acknowledge that the Collateral Trustee will not be obligated:

(i) to act upon directions purported to be delivered to it by any Person, except in accordance with the Collateral Trust Agreement, the Mortgage and any Supplemental Mortgages;

(ii) to foreclose upon or otherwise enforce any Lien of the Mortgage on the Mortgaged Property; or

(iii) to take any other action whatsoever with regard to the Lien of the Mortgage on the Mortgaged Property or the Collateral Trust Agreement, the Mortgage or any Supplemental Mortgages.

*Section 8.05. Authorization of actions to be taken.* (a) Each Bondholder, by accepting a Bond, (i) consents and agrees to the terms of each of the Collateral Trust Agreement, the Mortgage and any Supplemental Mortgage, as originally in effect and as amended, supplemented or replaced from time to time, each in accordance with its respective terms and the terms of this Indenture, (ii) authorizes and directs the Trustee and the Collateral Trustee to enter into the Collateral Trust Agreement, the Mortgage and any Supplemental Mortgage to which each may be a party, and (iii) authorizes and empowers the Trustee and the Collateral Trustee to bind the Bondholders as set forth in the Collateral Trust Agreement, the Mortgage or any Supplemental Mortgage to which the Trustee or the Collateral Trustee is a party, and to perform its obligations and exercise its rights and powers thereunder.

(b) Each Bondholder, by accepting a Bond, authorizes and directs the Trustee and the Collateral Trustee to enter into one or more amendments to the Collateral Trust Agreement or

enter into any additional collateral trust or intercreditor agreement or any Supplemental Mortgage in accordance with the provisions of this Indenture, the Collateral Trust Agreement, the Mortgage and any Supplemental Mortgages.

(c) At the written direction of the Company and without the consent of the Bondholders, the Trustee and the Collateral Trustee shall (so long as not prohibited by this Indenture) from time to time enter into one or more amendments to the Collateral Trust Agreement or any additional intercreditor agreement or deed to: (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) add guarantors or other parties so long as such addition will not materially impair the security of this Indenture or materially adversely affect the Outstanding Bonds thereto, (iii) further secure the Bonds (including any additional Bonds issued under this Indenture) and, as applicable, the Equal and Ratable Notes, (iv) provide more fully or clearly for the equal and ratable sharing of the Lien of the Mortgage in accordance with the intent set forth in Section 7.01 of the Collateral Trust Agreement, (v) remove any series of the Equal and Ratable Notes from the equal and ratable sharing in the Lien of the Mortgage, in whole or in part, to the extent such sharing is no longer required under the terms of the 2002 Notes Indenture or 2006 Notes Indenture, as applicable, for such series of Notes, (vi) otherwise remove, lessen or release any Lien or rights provided for the benefit of the Equal and Ratable Notes (or any portion thereof) to the extent the Company determines that such Lien or rights are not required to be granted for the benefit of the Equal and Ratable Notes (or such portion thereof) or (vii) make any other such change thereto which will not materially impair the security of this Indenture or materially adversely affect the Outstanding Bonds. The Company shall not, except as provided in *Section 15.01*, otherwise direct the Trustee or the Collateral Trustee to enter into any amendment to the Collateral Trust Agreement or, if applicable, any additional intercreditor agreement or deed, without the consent of the holders of a majority in principal amount of the Outstanding Bonds.

(d) Each Bondholder, by accepting a Bond, shall be deemed to have (i) appointed and authorized the Trustee to give effect to such provisions in *Section 8.05(c)*; (ii) authorized the Trustee to become a party to any future collateral trust or intercreditor arrangements described in *Section 8.05(b)*; (iii) agreed to be bound by such provisions in *Section 8.05(b)* and the provisions of any future intercreditor arrangements described in *Section 8.05(b)*; and (iv) irrevocably appointed the Trustee to act on its behalf to enter into and comply with such provisions in *Section 8.05(b)* and the provisions of any future intercreditor arrangements in *Section 8.05(b)*.

(e) Each of the Trustee and the Collateral Trustee is authorized and empowered to receive for the benefit of the Bondholders any funds collected by or distributed to the Collateral Trustee under the Collateral Trust Agreement and, subject to the terms of the Collateral Trust Agreement, to make further distributions of such funds to the Bondholders according to the provisions of this Indenture.

(f) Subject to the provisions of *Section 12.06*, *Section 14.01*, *Section 14.02* and the Collateral Trust Agreement, the Trustee may, and upon the written direction of the Bondholders holding a majority of the aggregate outstanding principal amount of the Bonds shall, on behalf of the Bondholders, direct the Collateral Trustee to take all actions it deems necessary or appropriate in order to:

- (i) foreclose upon or otherwise enforce the Lien of the Mortgage on the Mortgaged Property; or
- (ii) enforce any of the terms of the Collateral Trust Agreement, the Mortgage or any Supplemental Mortgage.

*Section 8.06. Collateral Trustee as Third Party Beneficiary.* *Sections 7.10 and 7.11 and Article VIII* are intended for the benefit of, and shall be enforceable as a third party beneficiary by, the Collateral Trustee as a holder of Lien of the Mortgage on the Mortgaged Property.

## ARTICLE IX

### REDEMPTION OF BONDS

*Section 9.01. Certain Bonds redeemable.* Any Outstanding Bonds which are, by their terms, redeemable before maturity, at the option of the Company or pursuant to the requirements of this Indenture, may be redeemed at such times, in such amounts and at such prices as may be specified therein and in accordance with this *Article IX*.

*Section 9.02. General provisions and mechanics of redemption.* (a) If less than all of the Outstanding Bonds of any series are to be redeemed, the particular Bonds or portions thereof to be redeemed shall be selected by the Trustee from the Outstanding Bonds of such series which have not previously been called for redemption by lot or such other method as the Trustee shall deem appropriate, but special provisions for the selection of the particular Bonds to be redeemed within a particular series may be provided by the Supplemental Indenture which creates and establishes such series or a Company Order.

(b) Unless otherwise provided in a Supplemental Indenture, notice of the intention of the Company to redeem any Bonds shall be mailed to the holders of such Bonds not less than thirty (30) nor more than sixty (60) days before the date fixed for such redemption, at the last address appearing for each of such holders in the Bond register maintained pursuant to *Section 2.06*. If less than all Bonds of any particular series are to be redeemed and unless otherwise provided in the Supplemental Indenture which creates and establishes a particular series of Bonds or in a Company Order, the numbers of particular Bonds to be redeemed shall be stated in such notice and may be stated: (i) individually; (ii) in groups from one number to another number, both inclusive, except such as shall have been previously called for redemption or otherwise retired; or (iii) in any other way satisfactory to the Trustee.

(c) If at the time of mailing of any notice of redemption the Company shall not have irrevocably directed the Trustee to apply from moneys and/or the proceeds of Eligible Obligations deposited with the Trustee or held by it and available to be used for the redemption of Bonds sufficient to redeem all the Bonds called for redemption, such notice may state that it is subject to the receipt of such moneys and/or the proceeds of Eligible Obligations by the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys and/or proceeds of Eligible Obligations are so received on or before such date.

(d) Failure duly to give notice of the intention of the Company to redeem any Bond by mailing to the owner or holder of such Bond shall not affect the validity of the proceedings for the redemption of any other Bond.

*Section 9.03. Bonds due on redemption date.* Mailing of the notice of redemption having been completed as provided in *Section 9.02(b)* or *9.02(c)* and the Company having before the redemption date specified in such notice irrevocably directed the Trustee to apply from moneys and/or proceeds of Eligible Obligations deposited with the Trustee or held by it and available to be used for the redemption of Bonds, moneys and/or the proceeds from such Eligible Obligations in an amount sufficient to redeem all of the Bonds called for redemption, including accrued interest, the Bonds called for redemption shall become due and payable on such redemption date.

*Section 9.04. Moneys for redemption held in trust.* All moneys and/or Eligible Obligations held by the Trustee for the redemption of Bonds shall, subject to *Section 18.02*, be held in trust for the account of the holders of the Bonds so to be redeemed, and such moneys and/or the proceeds of such Eligible Obligations shall be paid to them respectively, upon presentation and surrender of such Bonds. On and after such date fixed for redemption, if moneys and/or proceeds of Eligible Obligations in the amount necessary for the redemption of the Bonds to be redeemed shall be held by the Trustee for that purpose, such Bonds shall cease to bear interest and shall cease to be entitled to the Lien of the Mortgage.

*Section 9.05. Partial redemption of Bond.* If any Bond shall be called for redemption in part only, the notice of such redemption shall specify the principal amount thereof to be redeemed, and such Bond shall be presented for cancellation at or after the date fixed for the redemption of such Bonds so called for redemption, and thereupon the payment with respect to such Bonds shall be made upon surrender of such Bonds, and a Bond or Bonds for the unpaid balance of the principal amount of the Bonds so presented and surrendered shall be executed by the Company and authenticated and delivered by the Trustee without charge therefor to the holder thereof.

**ARTICLE X**  
POSSESSION, USE AND RELEASE  
OF THE MORTGAGED PROPERTY

*Section 10.01. [Reserved.]*

*Section 10.02. Actions without consent of Trustee.* The Company may at any time and from time to time, without any release or consent by the Trustee:

(a) sell or otherwise dispose of, free from the Lien of the Mortgage, or abandon or otherwise retire, any personality or fixtures which are part of the Mortgaged Property and which, in the judgment of the Company, shall have become old, inadequate, obsolete, worn out, unfit, unadapted, unserviceable, undesirable or unnecessary for use in the Company's electric generating, transmission and distribution operations or, if property which is an integral part of or used or to be used as an integral part of the gas distribution operations of the Company becomes Mortgaged Property, in the Company's gas distribution operations;

(b) cancel or make changes in or alterations of or substitutions for any and all leases;

(c) alter, change the location of, add to, repair or replace any and all transmission and distribution lines, pipes, substations, machinery, fixtures or other equipment;

(d) cancel, make changes in or substitutions for or dispose of any and all rights of way (including easements and licenses);

(e) surrender or assent to the modification of any franchise (including in that term any ordinances, indeterminate permits, licenses or other operating rights, however denominated, granted by Federal, state, municipal or other governmental authority) under which the Company may be operating if, in the judgment of the Company, it is advisable to do so;

(f) abandon, or permit the abandonment of, the operation of any Mortgaged Property and surrender any franchise (including in that term any ordinances, indeterminate permits, licenses or other operating rights, however denominated, granted by Federal, state, municipal or other governmental authority) under which such Mortgaged Property is operated, if, in the judgment of the Company, the operation of such Mortgaged Property and such franchise is not, under the circumstances, necessary or important for the operation of the remaining Mortgaged Property, or whenever the Company deems such abandonment or surrender to be advisable for any reason; *provided, however*, that if the amount at which such Mortgaged Property and all other Mortgaged Property so abandoned or surrendered during the same calendar year was originally charged to the fixed property accounts of the Company is equal to 10% or more of the aggregate principal amount of Bonds Outstanding immediately prior to such abandonment or surrender, there shall be furnished to the Trustee an Independent Engineer's Certificate to the effect that neither such Mortgaged Property nor such franchise is, under the circumstances, necessary or important for the operation of the remaining property of the Company or that such abandonment or surrender is advisable for some other specified reason, and in either case that such abandonment or surrender will not impair the security under this Indenture in contravention of the provisions hereof; and

(g) grant or convey rights of way and easements over or in respect of any real Mortgaged Property owned by the Company, *provided* that such grant or conveyance will not, in the judgment of the Company, impair the usefulness of such real Mortgaged Property in the Company's electric generating, transmission and distribution operations or, if property which is an integral part of or used or to be used as an integral part of the gas distribution operations of the Company becomes Mortgaged Property, in the Company's gas distribution operations.

Section 10.03. Release of Mortgaged Property if Bonding ratio test satisfied. Subject to *Section 10.12*, upon receipt of a written application of the Company to the Trustee signed by an Authorized Executive Officer, the Trustee shall direct the Collateral Trustee to execute and deliver to the Company the documents and instruments described in *Section 10.03(a)*, releasing from the Lien of the Mortgage any Mortgaged Property if the Fair Value of all of the Mortgaged Property (excluding the Mortgaged Property to be released but including any Mortgaged Property to be acquired by the Company with the proceeds of, or otherwise in connection with, such release) stated on the Engineer's Certificates delivered pursuant to *Section 10.03(b)* and *Section 10.03(c)* equals or exceeds an amount equal to 10/7 (ten sevenths) of the sum of (x) the

aggregate principal amount of Outstanding Bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt at the date of such application as stated on the Accountant's Certificate delivered pursuant to *Section 10.03(d)*, upon receipt by the Trustee of:

(a) documents and instruments releasing without recourse the interest of the Collateral Trustee in the Mortgaged Property to be released, and describing in reasonable detail the Mortgaged Property to be released;

(b) an Engineer's Certificate, dated the date of such application, stating (i) that the signer of such Engineer's Certificate has examined such Officers' Certificate in connection with such release, (ii) the Fair Value, in the opinion of the signer of such Engineer's Certificate, of (A) all of the Mortgaged Property, and (B) the Mortgaged Property to be released, in each case as of a date not more than ninety (90) days prior to the date of such application, and (iii) that in the opinion of such signer, such application will not impair the security under this Indenture in contravention of the provisions hereof;

(c) in case any Bondable Property is being acquired by the Company with the proceeds of, or otherwise in connection with, such release, an Engineer's Certificate, dated the date of such application, as to the Fair Value, as of a date not more than ninety (90) days prior to the date of such application, of the Bondable Property being so acquired (and if within six (6) months prior to the date of acquisition by the Company of the Bondable Property being so acquired, such Bondable Property has been used or operated by a Person or Persons other than the Company in a business similar to that in which it has been or is to be used or operated by the Company, and the Fair Value to the Company of such Bondable Property, as set forth in such Certificate, is not less than \$25,000 and not less than 1% of the aggregate principal amount of Bonds at the time Outstanding, such certificate shall be an Independent Engineer's Certificate);

(d) an Accountant's Certificate, dated the date of such application, stating the sum of (x) the aggregate principal amount of Outstanding Bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt at the date of such application, and stating that the Fair Value of all of the Mortgaged Property (excluding the Mortgaged Property to be released but including any Bondable Property to be acquired by the Company with proceeds of, or otherwise in connection with, such release) stated on the Engineer's Certificates filed pursuant to *Section 10.03(b)* and *Section 10.03(c)* equals or exceeds an amount equal to 10/7 (ten sevenths) of such sum;

(e) an Officers' Certificate, dated the date of such application, pursuant to *Section 21.01(b)* and stating that no event has occurred and is continuing that constitutes a Default; and

(f) an Opinion of Counsel, dated the date of such application, pursuant to *Section 21.01(b)*.

*Section 10.04. Release of limited amount of Mortgaged Property.* If the Company is unable, or elects not, to obtain, in accordance with *Section 10.03*, the release from the Lien of the Mortgage of Mortgaged Property, subject to *Section 10.12*, upon receipt of a written application of the Company to the Trustee signed by an Authorized Executive Officer, the Trustee shall

direct the Collateral Trustee to execute and deliver to the Company the documents and instruments described in *Section 10.04(a)* releasing from the Lien of the Mortgage any Mortgaged Property if the Fair Value thereof, as stated on the Engineer's Certificate delivered pursuant to *Section 10.04(b)*, is less than  $\frac{1}{2}$  of 1% of the sum of (x) the aggregate principal amount of Outstanding Bonds plus (y) the aggregate principal amount of outstanding Equal and Ratable Notes plus (z) the aggregate principal amount of outstanding Prior Lien Debt at the date of such application, provided that the aggregate Fair Value of all Mortgaged Property released pursuant to this *Section 10.04*, as stated on all Engineer's Certificates filed pursuant to this *Section 10.04(b)* in any period of twelve (12) consecutive calendar months which includes the date of such Engineer's Certificate, shall not exceed 1% of the aggregate principal amount of Outstanding Bonds, outstanding Equal and Ratable Notes and outstanding Prior Lien Debt at the date of such application as stated on the Accountant's Certificate delivered pursuant to *Section 10.04(c)*, upon receipt by the Trustee of:

(a) documents and instruments releasing without recourse the interest of the Collateral Trustee in the Mortgaged Property to be released, and describing in reasonable detail the Mortgaged Property to be released;

(b) an Engineer's Certificate, dated the date of such application, stating (i) that the signer of such Engineer's Certificate has examined such Officers' Certificate in connection with such release, (ii) the Fair Value, in the opinion of the signer of such Engineer's Certificate, of such Mortgaged Property to be released as of a date not more than ninety (90) days prior to the date of such application, and (iii) that in the opinion of such signer such release will not impair the security under this Indenture in contravention of the provisions hereof;

(c) an Accountant's Certificate, dated the date of such application, stating (i) the sum of (x) the aggregate principal amount of Outstanding Bonds plus the (y) the aggregate principal amount of outstanding Equal and Ratable Notes plus (z) the aggregate principal amount of outstanding Prior Lien Debt at the date of such application, (ii) that  $\frac{1}{2}$  of 1% of such sum exceeds the Fair Value of the Mortgaged Property for which such release is applied for, and (iii) that 1% of such sum exceeds the aggregate Fair Value of all Mortgaged Property released from the Lien of the Mortgage pursuant to this *Section 10.04*, as shown by all Engineer's Certificates filed pursuant to *Section 10.04(b)* in such period of twelve (12) consecutive calendar months;

(d) an Officers' Certificate, dated the date of such application, pursuant to *Section 21.01(b)* and stating that no event has occurred and is continuing that constitutes a Default; and

(e) an Opinion of Counsel, dated the date of such application, pursuant to *Section 21.01(b)*.

*Section 10.05. Release of Mortgaged Property not subject to a Prior Lien.* (a) If the Company is unable, or elects not, to obtain, in accordance with *Section 10.03*, the release from the Lien of the Mortgage of Mortgaged Property which is not subject to a Prior Lien, subject to *Section 10.12* and on the basis of cash, Governmental Obligations, purchase money obligations, Bondable Property acquired by the Company with the proceeds of, or otherwise in connection with, such release, or the waiver of the right to the authentication and delivery of Bonds as described in *Section 10.05(a)(iii)(B)*, or a combination thereof, upon receipt of a written

application of the Company to the Trustee signed by an Authorized Executive Officer, the Trustee shall direct the Collateral Trustee to execute and deliver to the Company the documents and instruments described in *Section 10.05(a)(i)* releasing such Mortgaged Property from the Lien of the Mortgage, upon receipt by the Trustee or Collateral Trustee, as applicable, of:

(i) documents and instruments releasing without recourse the interest of the Collateral Trustee in the Mortgaged Property to be released, describing in reasonable detail the Mortgaged Property to be released and stating the amount and character of the proceeds to be received by the Company therefor;

(ii) an Engineer's Certificate, dated the date of such application, stating (A) that the signer of such Engineer's Certificate has examined such Officers' Certificate in connection with such release, (B) the Fair Value, in the opinion of the signer of such Engineer's Certificate, of the Mortgaged Property to be released as of a date not more than ninety (90) days prior to the date of such application, (C) the fair value to the Company in cash, in the opinion of such signer (which opinion may be based on an Appraiser's Certificate), of any Governmental Obligations and purchase money obligations included in the consideration for such release and (D) that in the opinion of such signer such release will not impair the security under this Indenture in contravention of the provisions hereof;

(iii) (A) an aggregate amount of Governmental Obligations and purchase money obligations having a fair value to the Company in cash as evidenced by an Appraiser's Certificate, cash and evidence of the acquisition by the Company of Bondable Property with the proceeds of, or otherwise in connection with, such release (the amount of such Bondable Property shall be the Fair Value thereof as of a date not more than ninety (90) days prior to the date of such application, as evidenced to the Trustee by an Engineer's Certificate dated the date of such application, and if within six months prior to the date of acquisition by the Company of the Bondable Property being so acquired such Bondable Property has been used or operated by a Person or Persons other than the Company in a business similar to that in which it has been or is to be used or operated by the Company, and the Fair Value of such Bondable Property, as stated in such Certificate, is not less than \$25,000 and not less than 1% of the aggregate principal amount of Bonds at the time Outstanding, such certificate shall be an Independent Engineer's Certificate), such that the sum of (x) 100% of the fair value of the cash and Governmental Obligations received *plus* (y) 70% of the fair value of such purchase money obligations received, *plus* (z) 70% of the Fair Value of such Bondable Property received equals or exceeds 70% of the Fair Value, as stated in the Engineer's Certificate described in *Section 10.05(a)(ii)*, of the Mortgaged Property to be released, or (B) an Officers' Certificate, dated the date of such application, waiving the right of the Company to the authentication and delivery of an aggregate principal amount of Bonds up to the amount required by *Section 10.05(a)(iii)(A)*, on the basis of Retired Bonds or Retired Equal and Ratable Notes under *Article IV* and stating the matters required to be stated in the Officers' Certificates provided for in *Section 3.04(b)* and in *Section 4.01(c)*, appropriately modified to reflect that the action being taken is the waiver of the right to, rather than a request for, the authentication and delivery of Bonds, or (C), a combination of the items specified in *Section 10.05(a)(iii)(A)* and (B);

(iv) in case any obligations secured by purchase money mortgage upon the Mortgaged Property to be released are included in the consideration for such release and are delivered to the Collateral Trustee in connection with such release, an Opinion of Counsel, dated the date of such application, stating that such obligations are valid obligations and that any purchase money mortgage securing such obligations is closed and is, or upon recording or filing in designated places will be, sufficient to afford a valid lien upon the Mortgaged Property to be released from the Lien of the Mortgage, subject to no lien prior thereto, except such liens, if any, as shall have existed thereon immediately prior to such release as Permissible Encumbrances;

(v) an Officers' Certificate, dated the date of such application, pursuant to *Section 21.01(b)* and stating that no event has occurred and is continuing that constitutes a Default; and

(vi) an Opinion of Counsel, dated the date of such application, pursuant to *Section 21.01(b)*.

(b) Any purchase money obligations received or to be received by the Collateral Trustee in consideration for the release of any Mortgaged Property from the Lien of the Mortgage by the Collateral Trustee upon the direction of the Trustee, and the purchase money mortgage securing such purchase money obligations shall be released by the Collateral Trustee from the Lien of the Mortgage and delivered or assigned to the Company, or as it shall request, upon payment by the Company to the Collateral Trustee of the unpaid principal of such purchase money mortgage and/or of the obligations thereby secured; the principal of any such purchase money obligations not so released shall be paid to or collected by the Collateral Trustee as and when such principal shall become payable, and the Collateral Trustee may take any action which in its judgment may be desirable or necessary to preserve the security of such purchase money mortgage.

(c) Any cash received by the Collateral Trustee pursuant to this *Section 10.05* shall be held and applied in accordance with *Article XI*.

*Section 10.06. Release of Mortgaged Property subject to a Prior Lien.* (a) If the Company is unable, or elects not, to obtain, in accordance with *Section 10.03*, the release from the Lien of the Mortgage of Mortgaged Property which is subject to a Prior Lien, subject to *Section 10.12*, upon receipt of a written application of the Company to the Trustee signed by an Authorized Executive Officer, the Trustee shall direct the Collateral Trustee to execute and deliver to the Company the documents and instruments described in *Section 10.06(a)(i)* releasing such Mortgaged Property from the Lien of the Mortgage if there has been or is being substituted for such Mortgaged Property, by delivery to the Collateral Trustee (at least in proportion to the extent such Mortgaged Property has been Bonded) and to the trustee, mortgagee or other holder of such Prior Lien, an aggregate amount of Governmental Obligations or purchase money obligations having a fair value to the Company in cash as evidenced by an Appraiser's Certificate, cash and evidence of Bondable Property acquired by the Company with the proceeds of, or otherwise in connection with, such release, or the waiver of the right to the authentication and delivery of Bonds as described in *Section 10.06(a)(v)(B)*, or a combination thereof, not less than the amount referred to in *Section 10.06(a)(v)(A)* below, upon receipt by the Trustee, the Collateral Trustee or the trustee, mortgagee or other holder of such Prior Lien (as applicable) of:

(i) documents and instruments releasing without recourse the interest of the Collateral Trustee in the Mortgaged Property to be released, describing in reasonable detail the Mortgaged Property to be released;

(ii) an Officers' Certificate, dated the date of such application, describing in reasonable detail the Prior Lien to which such Mortgaged Property is subject, the amount of cash, Governmental Obligations, or purchase money obligations to be delivered to the trustee, mortgagee or other holder of such Prior Lien and/or to the Collateral Trustee, or both, and any Bondable Property acquired by the Company with the proceeds of, or otherwise in connection with, such release, in each case in substitution for such Mortgaged Property, and stating the reason for such release;

(iii) an Opinion of Counsel, dated the date of such application, that the Mortgaged Property to be released from the Lien of the Mortgage is subject to the Prior Lien described in the foregoing Officers' Certificate, and that, based upon documents received by such counsel, the Company appears to have complied with all the terms and conditions for such release under such Prior Lien;

(iv) an Engineer's Certificate, dated the date of such application, stating (A) that the signer of such Engineer's Certificate has examined such Officers' Certificate in connection with such application, (B) the Fair Value, in the opinion of such signer, of the Mortgaged Property to be released as of a date not more than ninety (90) days prior to the date of such application, (C) the fair value to the Company in the opinion of such signer (which opinion may be based on an Appraiser's Certificate), of any Governmental Obligations and purchase money obligations included in the consideration for such release and (D) that in the opinion of such signer such release will not impair the security under this Indenture in contravention of the provisions hereof;

(v) (A) an aggregate amount of Governmental Obligations and purchase money obligations having a fair value to the Company in cash as evidenced by an Appraiser's Certificate, cash and evidence of the acquisition by the Company of Bondable Property with the proceeds of, or otherwise in connection with, such release (the amount of such Bondable Property shall be the Fair Value thereof as of a date not more than ninety (90) days prior to the date of such application, as evidenced to the Trustee by an Engineer's Certificate dated the date of such application, and if within six (6) months prior to the date of acquisition by the Company of the Bondable Property being so acquired such Bondable Property has been used or operated by a Person or Persons other than the Company in a business similar to that in which it has been or is to be used or operated by the Company, and the Fair Value of such Bondable Property, as stated in such Certificate, is not less than \$25,000 and not less than 1% of the aggregate principal amount of Bonds at the time Outstanding, such certificate shall be an Independent Engineer's Certificate), such that the sum of (x) 100% of the fair value of the Governmental Obligations and the cash received *plus* (y) 70% of the fair value of such purchase money obligations received *plus* (z) 70% of the Fair Value of such Bondable Property received equals or exceeds 70% of the Fair Value, as stated in the Engineer's Certificate described in *Section 10.06(a)(iv)*, of the Mortgaged Property to be released;

or (B) an Officers' Certificate, dated the date of such application, waiving the right of the Company to the authentication and delivery of an aggregate principal amount of Bonds up to the amount required by *Section 10.06(a)(v)(A)*, on the basis of Retired Bonds or Retired Equal and Ratable Notes under *Article IV* and stating the matters required to be stated in the Officers' Certificates provided for in *Section 3.04(b)* and in *Section 4.01(c)*, in either case appropriately modified to reflect that the action being taken is the waiver of the right to, rather than a request for, the authentication and delivery of Bonds, or (C) a combination of the items specified in *Section 10.06(a)(v)(A)* and (B);

(vi) in case any obligations secured by purchase money mortgage upon the Mortgaged Property to be released are included in the consideration for such release and are delivered to the Collateral Trustee in connection with such application, an Opinion of Counsel, dated the date of such application, stating that such obligations are valid obligations and that any purchase money mortgage securing such obligations is closed and is, or upon recording or filing in designated places will be, sufficient to afford a valid lien upon the Mortgaged Property to be released from the Lien of the Mortgage, subject to no lien prior thereto, except such liens, if any, as shall have existed thereon immediately prior to such release as Permissible Encumbrances;

(vii) an Officers' Certificate, dated the date of such application, pursuant to *Section 21.01(b)* and stating that no event has occurred and is continuing that constitutes a Default; and

(viii) an Opinion of Counsel, dated the date of such application, pursuant to *Section 21.01(b)*.

(b) Any cash received by the Collateral Trustee pursuant to this *Section 10.06* shall be held and applied in accordance with the Collateral Trust Agreement and *Article XI*.

*Section 10.07. Eminent Domain.* In case (a) any Mortgaged Property shall be taken by exercise of the power of eminent domain, or by similar right or power, or if any governmental authority shall exercise any right which it may now or hereafter have to purchase or designate a purchaser of, or order the sale of, all or any Mortgaged Property, or in case of any sale or conveyance of Mortgaged Property in lieu and in reasonable anticipation of any such event, and (b) the Company is unable, or elects not, to obtain, in accordance with *Section 10.03*, the release from the Lien of the Mortgage of such Mortgaged Property, all net proceeds of each such taking, purchase or sale or, in case of a sale or conveyance in anticipation thereof, an aggregate amount of Governmental Obligations or purchase money obligations having a fair value to the Company in cash as evidenced by an Appraiser's Certificate, and cash, not less than the Fair Value, as of a date not more than ninety (90) days prior to the date of an application of the Company to the Trustee signed by an Authorized Executive Officer for the release of such Mortgaged Property from the Lien of the Mortgage (which application shall be accompanied by documents and instruments releasing without recourse the interest of the Collateral Trustee in the Mortgaged Property to be released, and describing in reasonable detail the Mortgaged Property to be

released), as stated in an Engineer's Certificate, dated the date of such application, of the Mortgaged Property taken, purchased, sold or conveyed, together with all net sums payable for any damage to any Mortgaged Property by or in connection with any such taking, purchase, sale or conveyance, to the extent not deposited under a Prior Lien with the trustee, mortgagee or other holder of such Prior Lien, shall be deposited with the Collateral Trustee, to be held and applied in accordance with the Collateral Trust Agreement and *Article XI*; and upon receipt of such application the Trustee (subject to *Section 10.12*) shall direct the Collateral Trustee to execute and deliver to the Company the documents and instruments described in *Section 10.07(b)* releasing from the Lien of the Mortgage the Mortgaged Property so taken, purchased, sold or conveyed, upon receipt by the Trustee of:

(i) an Opinion of Counsel, dated the date of such application, to the effect that such Mortgaged Property has been lawfully taken, purchased, sold or conveyed as aforesaid; or

(ii) in case of any such sale or conveyance in anticipation of such taking, purchase or sale, (a) a Board resolution to the effect that such sale or conveyance was in lieu and in reasonable anticipation of such taking, purchase or sale; and (b) an Opinion of Counsel, dated the date of such application, pursuant to *Section 21.01(b)*.

*Section 10.08. Consideration for release of Mortgaged Property.* (a) Any Governmental Obligations and purchase money obligations received or to be received by the Collateral Trustee pursuant to this Indenture or the Mortgage in consideration for the release of any Mortgaged Property from the Lien of the Mortgage by the Collateral Trustee at the direction of the Trustee, and the purchase money mortgage securing such purchase money obligations, shall be released by the Collateral Trustee at the direction of the Trustee from the Lien of the Mortgage and delivered or assigned, by the Collateral Trustee at the direction of the Trustee, to the Company, or as the Company shall request, upon payment by the Company to the Collateral Trustee of the unpaid principal of such Governmental Obligations or such purchase money mortgage and/or of the obligations thereby secured or at any time after the Collateral Trustee shall have received on account of the principal thereof an amount in cash equal to the aggregate principal amount of any such Governmental Obligations or such purchase money obligations to the extent made a basis of a credit in the application for the release from the Lien of the Mortgage of such Mortgaged Property.

(b) Any cash received by the Collateral Trustee pursuant to this *Section 10.08* shall be held and applied in accordance with the Collateral Trust Agreement and *Article XI*.

*Section 10.09. [Reserved.]*

*Section 10.10. Receiver, trustee, etc.* In case a receiver or trustee of the Company, or of all or a substantial part of the Mortgaged Property or business of the Company, shall be lawfully appointed, all acts or requests which the Company may do or make under the foregoing provisions of this *Article X* may be done or made by such receiver or trustee. In case the Collateral Trustee shall be in possession of the Mortgaged Property, the Trustee in its absolute discretion, without any action or request by the Company or any receiver or trustee, and without thereby limiting any other right or power of the Trustee, may take any action (or direct the

Collateral Trustee to take any action) authorized by this Indenture to be taken by the Company, by the Company and the Trustee or by the Trustee on the request of the Company notwithstanding the continuance of any Default.

*Section 10.11.* [Reserved.]

*Section 10.12. Suspension of rights in case of Default.* (a) At any time when a Default has occurred and is continuing, the Company shall not have the right to exercise any privilege or to take any action permitted by this *Article X* (except under *Section 10.02*) except to the extent that it shall have obtained the written consent of the Trustee; which consent the Trustee may, subject to *Section 14.01* and *Section 14.02*, give or withhold in its discretion.

(b) For purposes of this *Section 10.12*, a Default shall be deemed to be continuing during the continuance of any of the events specified in *Section 12.02* without giving effect to any requirement of notice or lapse of time.

## ARTICLE XI

### APPLICATION OF FUNDS HELD BY TRUSTEE

*Section 11.01. Withdrawal or application of moneys held by Trustee.* (a) Unless the Company is in default in the payment of any principal of or any interest on any Bonds then Outstanding or any Default shall be continuing, any cash received by the Trustee pursuant to *Section 5.01* shall be held by the Trustee and such cash, and any other cash which, under any other provision of this Indenture (whether referred to as cash or moneys in any such provision), is required to be held and applied in accordance with the Collateral Trust Agreement, if applicable, and this *Article XI*, upon the written request of the Company signed by an Authorized Executive Officer:

(i) if received by or held by the Collateral Trustee in accordance with the terms of the Collateral Trust Agreement and permitted by the Collateral Trust Agreement to be transferred to the Trustee for application hereunder, may be directed by the Trustee to be transferred by the Collateral Trustee for application in accordance with this *Article XI*;

(ii) may be withdrawn from time to time by the Company (A) in the case of cash deposited with the Trustee pursuant to *Section 5.01*, to the extent of 70% of the lesser of the Cost or the Fair Value of Unbonded Bondable Property, and (B) in the case of cash received by the Trustee under any other provision of this Indenture, to the extent of 100% of the lesser of the Cost or Fair Value of Unbonded Bondable Property, in each case after making any deductions and additions in respect of Bondable Property pursuant to *Section 1.03(l)(ii)* or *(iii)*;

(iii) may be withdrawn from time to time by the Company in an amount equal to the principal amount of Bonds which the Company shall have the right to have authenticated and delivered under *Article IV*;

(iv) may be applied by the Trustee to the payment at maturity of any Outstanding Bonds or to the redemption of any Outstanding Bonds which are, by their terms, redeemable, of such series as may be designated by the Company in such request; and/or

(v) may be used or applied to the purchase of Bonds; *provided, however*, that none of such cash shall be applied to the payment of more than the principal amount of any Bonds so purchased, except to the extent that the aggregate principal amount of all Bonds theretofore and then to be so purchased shall exceed the aggregate cost for principal of and interest, brokerage and premium, if any, on all Bonds theretofore and then to be so purchased.

(b) Such cash referred to in *Section 11.01(a)* shall, from time to time, be withdrawn, used or applied by the Trustee, as aforesaid, upon the request of the Company, and upon receipt by the Trustee of an Officers' Certificate dated the date of such request stating that the Company is not in default in the payment of any principal of or interest on any Bonds then Outstanding and that no Default is continuing. To the extent such withdrawal of cash is based upon Unbonded Bondable Property as permitted by *Section 11.01(a)(ii)*, the Company shall comply with all applicable provisions of *Article III* as if such Unbonded Bondable Property were made a basis for the authentication and delivery of Bonds thereon equivalent in principal amount to the amount of the cash to be withdrawn on such basis. To the extent such withdrawal of cash is based upon the right to the authentication and delivery of Bonds pursuant to *Section 11.01(a)(iii)*, the Company shall comply with all applicable provisions of *Article IV* relating to such authentication and delivery as if new Bonds were being authenticated and delivered in principal amount equal to the amount of cash being withdrawn; recognizing that, in each such case, the action being taken is the withdrawal of cash rather than the authentication and delivery of Bonds.

(c) Any withdrawal of cash pursuant to *Section 11.01(a)(ii)* or *Section 11.01(a)(iii)* shall operate as a waiver by the Company of its right to the authentication and delivery of Bonds on the basis of which such cash was withdrawn, and such Bonds may not thereafter be authenticated and delivered hereunder on such basis, and the amount of any Bondable Property, Bonds or Prior Lien Debt which have been made the basis for such withdrawal shall be Bonded.

(d) The Trustee shall use reasonable efforts to collect the principal of and interest on any Governmental Obligations and purchase money obligations secured by a purchase money mortgage held by the Trustee as and when such principal and interest become payable. Unless the Company is in default in the payment of any principal of or interest on any Outstanding Bond or any Default shall be continuing, the interest on any such obligation received by the Trustee shall be paid over to the Company, and any payments received by the Trustee on account of the principal of any such obligation in excess (as evidenced by an Officers' Certificate) of the amount of credit used by the Company in respect of such obligation upon the release of any Mortgaged Property from the Lien of the Mortgage shall also be paid to the Company.

(e) The Trustee shall have and may exercise all the rights and powers of an owner of obligations secured by purchase money mortgage held by the Trustee and of all substitutions therefor and, without limiting the generality of the foregoing, may collect and receive all insurance moneys payable to it under any provision thereof and apply the same in accordance

with the provisions thereof, may consent to extensions thereof at a higher or lower rate of interest, may join in any plan or plans of voluntary or involuntary reorganization or readjustment or rearrangement and may accept and hold under this Indenture new obligations, stocks or other securities issued in exchange therefor under any such plan, and any discretionary action which the Trustee may be entitled to take in connection with any such obligations or substitutions therefor shall be taken, so long as no Default has occurred and is continuing, in accordance with the written request of the Company, evidenced by an Officers' Certificate, or, while a Default is continuing, in the discretion of the Trustee, provided that the Trustee shall have no obligation to exercise any such discretion unless it receives instructions satisfactory to it from the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds pursuant to *Section 12.15(d)*.

*Section 11.02. Moneys to be held in trust; investment thereof.* (a) Subject to *Section 18.02*, all cash received by the Trustee shall, until withdrawn, used, invested or applied as provided in this Indenture, be held in trust uninvested, for the purposes for which such cash was received, but need not be segregated from other funds except as directed by the Company or as and to the extent required by law.

(b) After compliance with any applicable legal requirements, the Trustee may deposit all or any part of cash received by it as Trustee in certificates of deposit or demand accounts, to its credit as Trustee in its own banking department or, with the consent of the Company, in any bank or trust company having a combined capital and surplus of not less than Fifty Million Dollars (\$50,000,000), evidenced in the manner described in *Section 14.01*; so long as no Default is continuing, the Trustee shall pay to the Company any interest earned on any such certificate or account.

(c) When so directed by an Officers' Certificate, the Trustee shall invest all or any part of such cash received by it in any Investment Securities; and the Trustee, when so directed by an Officers' Certificate, shall sell or repurchase all or any part of such Investment Securities. Such Investment Securities shall be held in trust for the account of the Bondholders by the Trustee (or, in the case of moneys delivered pursuant to *Section 9.03*, held in trust for the account of the holders of the Bonds to be redeemed); *provided, however*, that the proceeds of such Investment Securities representing interest shall be paid or credited to the Company and shall not constitute Mortgaged Property. If any such sale or any payment on the maturity of any such Investment Securities held by the Trustee, shall produce a net sum less than the cost (including accrued interest and investment expenses) of such Investment Securities sold or paid, the Company will promptly pay to the Trustee such amount of cash as will, with the net proceeds of such sale or such payment, equal the cost (including accrued interest and investment expenses) of such Investment Securities so sold or paid; and if any such sale or any payment at the maturity of any such Investment Securities held by the Trustee, shall produce a net sum greater than the cost (including accrued interest and investment expenses) of such Investment Securities so sold or paid the Trustee shall, if no Default is continuing, pay to the Company the amount of such excess. The Company will also pay to the Trustee all brokers' fees and other expenses reasonably incurred by the Trustee in connection with its investment of such cash and the sale of such Investment Securities.

(d) The Trustee shall allow interest on any cash held by it under this Indenture and deposited by it in its banking department, at the current rate or rates, if any, from time to time paid by it on similar deposits of like size and nature over like periods of time, unless in a particular instance the Trustee and the Company shall otherwise agree. Interest so allowed and interest received by the Trustee from deposits in other banks and trust companies of cash which is a part of the Mortgaged Property made pursuant to *Section 11.02 (b)*, except as otherwise provided in respect of particular cash, shall, if no Default is continuing, be paid or credited to the Company by the Trustee.

(e) When so directed by an Officers' Certificate, the Trustee shall establish one or more accounts for the deposit and/or investment of monies received by it, including a separate account from which all cash payable by the Trustee on behalf of the Company shall be paid and into which cash shall be deposited by the Company, or by the Trustee on behalf of the Company from other accounts or investments held or managed by the Trustee, as needed, so that such account shall be operated with a zero balance.

## ARTICLE XII

### DEFAULT AND REMEDIES

*Section 12.01. When no entitlement to benefit of Indenture upon Default.* If any claim for interest on any Bond is deposited with the Trustee or any Paying Agent, or if the payment date of such claim is extended, whether with or without the consent of the Company, the holder of such claim shall not be entitled, in case of Default, to the benefit or security of this Indenture, except after the prior payment in full of the principal of, and premium, if any, on all Outstanding Bonds and of all claims for interest for which such deposit has not been made, or such date extended. The holders of any claims for interest on any Bonds owned by the Company at or after the maturity of such claims shall not be entitled to the benefit or security of this Indenture; and the Company covenants that all such claims for interest so owned by the Company shall promptly be canceled.

*Section 12.02. Events of Default; notice of Default; action by Trustee.* (a) Each of the following events is a Default:

(i) default in the due and punctual payment of the principal of or premium, if any, on any Bond, when such principal or premium, if any, shall have become due and payable, whether at maturity, pursuant to any sinking, improvement, maintenance, replacement or analogous fund, or by declaration or otherwise, which default shall have continued for a period of more than three (3) Business Days;

(ii) default in the payment of any interest on any Bond, when and as the same shall have become due and payable, which default shall have continued for a period of ninety (90) days;

(iii) default in the payment of any Prior Lien Debt in one or more series, in each case in an aggregate principal amount of \$100,000,000 or greater, outstanding, continued beyond the period of grace, if any, specified in the documents governing such Prior Lien Debt;

(iv) default in the due observance or performance of any other covenant or condition in this Indenture, including any Supplemental Indenture, which is required to be kept or performed by the Company, and which default shall have continued for the period of ninety (90) days after written notice thereof shall have been given to the Company by the Trustee, or to the Company and the Trustee by the holders of not less than 33% of the aggregate principal amount of the Outstanding Bonds;

(v) by decree of a court of competent jurisdiction the Company is adjudicated a bankrupt or insolvent, or an order is made by such court for the winding up or liquidation of the affairs of the Company or approving a petition seeking reorganization or arrangement of the Company under the bankruptcy law or other law or statute of the United States of America or of any State, or, by order of such court, a trustee or liquidator or receiver is appointed for the Company or for the property of the Company, and such decree or order shall continue in effect for a period of ninety (90) days;

(vi) the Company files a petition for voluntary bankruptcy, or consents to the filing of any such petition, or makes an assignment for the benefit of creditors, or consents to the appointment of a trustee or liquidator or receiver of the Company or of all or a substantial part of the Mortgaged Property, or files a petition or answer or consent seeking reorganization or arrangement under the bankruptcy law or other law or statute of the United States of America or of any State, or consents to the filing of any such petition, or files a petition to take advantage of any debtors' act; or

(vii) the occurrence of a Triggering Event, to the extent not otherwise a Default pursuant to any above clause of this *Section 12.02(a)*.

(b) The Trustee shall, within ninety (90) days after the occurrence thereof, give to the Bondholders, in the manner and to the extent provided in *TIA Section 313(c)*, notice of all defaults known to the Trustee, unless such defaults shall have been cured before the giving of such notice (the term "defaults" for the purposes of this *Section 12.02(b)* being hereby defined to be the events specified in *Section 12.02(a)*, not including any requirements of notice or lapse of time provided for therein); but in the case of defaults of the character specified in *Sections 12.02(a)(iv)*, no such notice shall be given until at least sixty (60) days after the occurrence thereof; *provided that*, except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Bonds or in the payment of any sinking, improvement, maintenance, replacement or analogous fund installment, the Trustee shall be protected in withholding such notice if and so long as the Board of Directors, the Executive Committee, or a trust committee of directors and/or Responsible Officers, of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders.

*Section 12.03. Upon Default Trustee may instruct Collateral Trustee to sell Mortgaged Property.* Subject to the provisions of *Section 12.06*, during the continuance of any Default, the Trustee, in its discretion from time to time (i) may direct the Collateral Trustee to sell, subject to Prior Liens, all or any part of the Mortgaged Property pursuant to and in the manner set forth in

the Mortgage or exercise any other rights or remedies provided for under the Mortgage; or (ii) may proceed, and may instruct the Collateral Agent to proceed, to protect and to enforce the rights of the Trustee and of the Bondholders under this Indenture and the rights of the Collateral Trustee and the Bondholders under the Mortgage and the Collateral Trust Agreement, by suit or suits in equity or at law, whether for the specific performance of any covenant or agreement in this Indenture, the Mortgage or the Collateral Trust Agreement (as applicable) or in aid of the execution of any power granted by this Indenture, the Mortgage or the Collateral Trust Agreement or for the foreclosure of the Mortgage, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee, being advised by counsel, may deem most effectual to protect and enforce any of its rights or exercise of any of its duties hereunder; provided, that the Trustee shall have no obligation to exercise any such discretion unless it receives instructions satisfactory to it from the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds pursuant to Section 12.15(d).

*Section 12.04. Upon Default and request of holders of a majority of Bonds, Trustee must declare principal due; restoration of parties to former positions.* During the continuance of any Default, the Trustee may, and upon the written request of the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds shall, by notice in writing delivered to the Company, declare the principal of all Bonds then Outstanding to be due and payable immediately, and upon any such declaration, the same shall be immediately due and payable. This provision, however, is subject to the condition that if at any time after the principal of such Bonds shall have been so declared due and payable and before any sale of the Mortgaged Property shall have been made pursuant to the Collateral Trust Agreement, all arrears of interest upon all of such Bonds, with interest upon overdue installments of interest at the same rates respectively as were borne by the respective Bonds on which installments of interest were overdue, shall either be paid by or on behalf of the Company or be collected out of the Mortgaged Property, and all Defaults shall have been remedied, then the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds, by written notice to the Company and to the Trustee, may rescind such declaration and its consequences and in such event the Trustee shall promptly direct the Collateral Trustee to discontinue its proceedings to enforce its rights under the Mortgage by foreclosure or otherwise; but no such rescission shall extend to or affect any subsequent Default, or impair any right consequent thereon.

*Section 12.05. Duty of Trustee to act on request of holders of a majority of Bonds.* Subject to the provisions of *Section 12.06*, upon the written direction of the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds pursuant to *Section 12.15(d)*, during the continuance of any Default the Trustee shall take all action so directed to protect and enforce its rights and the rights of the Bondholders hereunder, under the Mortgage and under the Collateral Trust Agreement, or to take appropriate judicial proceedings by action, suit or otherwise; but anything in this Indenture (other than *Section 12.06*) to the contrary notwithstanding, the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds, from time to time shall pursuant to *Section 12.15(d)* have the right to direct and control the actions of the Trustee under this *Article XII* and the Trustee, subject to *Section 14.01* and *Section 14.02*, shall have no obligation to take any action under this *Article XII* (including directing the time, method and place of conducting any proceeding or exercising any remedy available to the Trustee, including to cause the giving of instructions to the Collateral Trustee to exercise any remedy available to the Collateral Trustee) unless so directed; *provided*,

that the Trustee shall not be obligated to follow any such direction which would conflict with any law or this Indenture, which would be unjustly prejudicial to Bondholders not joining in such direction or which would be likely to cause the Trustee to incur any liability or expense not indemnified against to its satisfaction, but the Trustee need not make any determination as to such conflict, prejudice, liability or expense, and may take any other action not inconsistent with such direction.

*Section 12.06. Right of Requisite Secured Parties.* It is acknowledged that, notwithstanding any contrary provision in this Indenture, pursuant to *Section 2.03(b)* of the Collateral Trust Agreement, following the occurrence of a Triggering Event, the Requisite Secured Parties will have the right at any time to direct the time, method and place of conducting any proceeding for the exercise of any right or remedy available to the Collateral Trustee with respect to the Shared Collateral, or of exercising any trust or power conferred on the Collateral Trustee, or for the taking of any other action authorized by the instruments comprising the Trust Estate (including the making of any determinations to be made by the Collateral Trustee thereunder), upon delivery of prior written notice to the Trustee and the Collateral Trustee, and, thereafter, shall have the exclusive right and authority to direct the Collateral Trustee as to such matters, all as provided in *Section 2.03(b)* of the Collateral Trust Agreement.

*Section 12.07. Inspection.* The Company shall permit the Trustee, and the Trustee's agents, representatives and employees, upon reasonable prior notice to the Company, to inspect the Mortgaged Property.

*Section 12.08. [Reserved.]*

*Section 12.09. [Reserved.]*

*Section 12.10. [Reserved.]*

*Section 12.11. Principal of Bonds to become due in case of sale.* In case of any sale of Mortgaged Property under the Mortgage, whether under the power of sale granted therein or pursuant to judicial proceedings, the principal amount of all Bonds then Outstanding, if not previously due, shall at once become due and payable as though the principal of such Bonds had been declared due and payable immediately pursuant to *Section 12.04*.

*Section 12.12. Application of sale proceeds.* The purchase money received by the Trustee from the Collateral Trustee from the sale of Mortgaged Property under the power of sale granted in the Mortgage, or a sale pursuant to judicial proceedings under the Mortgage resulting from any remedy thereunder pursued by the Collateral Trustee against any Mortgaged Property, together with any other moneys which are or may be received by or held by the Trustee under any provision of this Indenture or the Collateral Trust Agreement, shall be applied as follows:

*First.* To the payment of all expenses, liabilities or advances made or incurred by the Trustee under this Indenture, including any compensation and reimbursement payable to the Trustee pursuant to *Section 14.09* and to the payment of all taxes, assessments or Prior Liens, except any taxes, assessments or Prior Liens subject to which such sale shall have been made.

*Second.* To the payment of the whole amount then owing or unpaid upon the Outstanding Bonds with interest accruing on the overdue principal, premium, if any, and interest at the same rates respectively as were borne by the respective Bonds whereof the principal, premium, if any, or interest are overdue, and in case such proceeds shall be insufficient to pay in full such whole amount, then to the payment of such principal, premium, if any, and interest, without preference or priority, ratably according to the aggregate of such principal, premium, if any, and interest, subject to *Section 12.01*. Such payments shall be made on a date fixed by the Trustee, upon presentation of the Outstanding Bonds and stamping thereon the amount paid if such Bonds are only partly paid, and upon surrender thereof if fully paid.

*Third.* To the payment of the surplus, if any, to the Company, its successors or assigns.

*Section 12.13. Bonds may be applied against purchase price.* In case of any sale of any Mortgaged Property under the Mortgage, whether under power of sale granted therein or pursuant to judicial proceedings, any Bondholder or the Trustee, subject to *Section 14.01* and *Section 14.02*, may bid for and purchase any Mortgaged Property, and, upon compliance with the terms of sale, may hold, retain, possess and dispose of such property in absolute right of such Bondholder or the Trustee, without further accountability, and shall be entitled, for the purpose of making settlement or payment for the Mortgaged Property purchased, to use and apply any Bonds by presenting such Bonds, in order that there may be credited thereon the sum apportionable and applicable thereto out of the net proceeds of such sale; and thereupon such purchaser shall be credited on account of such purchase price, with the sum apportionable and applicable out of such net proceeds to the payment of or as credit on the Outstanding Bonds so presented.

*Section 12.14. Control by majority.* Subject to the terms of the Collateral Trust Agreement, the Mortgage and any Supplemental Mortgages, the holders of a majority in principal amount of the then-Outstanding Bonds will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee (including, for the avoidance of doubt, to cause the Trustee to give instructions to the Collateral Trustee to exercise any remedy available to the Collateral Trustee). However, the Trustee and the Collateral Trustee may refuse to follow any direction that conflicts with law, this Indenture, the Collateral Trust Agreement, the Mortgage or any Supplemental Mortgage that may involve the Trustee's or the Collateral Trustee's personal liability, or that the Trustee or the Collateral Trustee determines in good faith may be unduly prejudicial to the rights of Bondholders not joining in the giving of such direction.

*Section 12.15. Bondholder not to institute suit without request to Trustee; Trustee may enforce rights without possession of Bonds; undertaking for costs.* (a) No holder of any Outstanding Bond shall have any right to institute any suit, action or proceeding in equity or at law for the foreclosure of the Mortgage, or for the appointment of a receiver or for any other remedy under this Indenture, unless (i) the holders of not less than 33% in aggregate principal amount of the Outstanding Bonds shall (A) have requested the Trustee in writing to take action in respect of such matter and (B) have offered to the Trustee security and indemnity satisfactory to it against loss, liability or expense to be incurred therein or thereby, and (ii) the Trustee for a period of sixty (60) days shall have refused or neglected to act on such notice, request and indemnity by either proceeding to exercise the powers granted in this Indenture to the Trustee, or by instituting such action, suit or proceeding in its own name; such notification, request and offer of indemnity are hereby declared, in every such case, at the option of the Trustee, to be conditions precedent to the execution by the Trustee of its powers and trusts under this Indenture and to any action or cause of action the Trustee may take or possess for foreclosure of the Mortgage or for the appointment of a receiver or any other remedy hereunder; it being understood and intended that no one or more holders of Outstanding Bonds shall have any right in any manner whatever to affect, disturb or prejudice the Lien of the Mortgage by action of such one or more holders, or to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the ratable benefit of all holders of such Outstanding Bonds.

(b) All rights of action under this Indenture may be enforced by the Trustee without the possession of any Bond or the production thereof at trial or other proceedings relative thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its own name, and any recovery of judgment shall be for the ratable benefit of the holders of such Bonds.

(c) All parties to this Indenture agree, and each holder of any Bond by his, her or its acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, the Mortgage or the Collateral Trust Agreement, or in any suit against the Trustee or the Collateral Trustee, as the case may be, for any action taken or omitted by it as Trustee or the Collateral Trustee, as the case may be, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but this *Section 12.15(c)* shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder or Bondholders holding more than 10% in aggregate principal amount of Outstanding Bonds, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal of, premium, if any, or interest, if any, on any Bond on or after the respective due dates expressed in such Bond.

(d) Any direction or instruction under *Section 11.01(e)* or this *Article XII* by any Bondholder to the Trustee shall be evidenced as provided in *Article XX* or in any other manner reasonably satisfactory to the Trustee. By giving any such direction or instruction, a Bondholder agrees to indemnify, defend and save harmless the Trustee for all loss, liability or expense incurred by the Trustee in connection with its compliance with such direction or instruction, except to the extent that such loss, liability or expense is determined to have been caused by the negligence or willful misconduct of the Trustee or is paid to the Trustee pursuant to *Section 14.09*; *provided*, that at the request of the Trustee such Bondholder will enter into such undertakings as the Trustee may reasonably request to evidence and effectively provide for the payment of its obligations set forth in this *Section 12.15(d)*; *provided, further*, that such obligations of each Bondholder are limited to its several obligation with each other Bondholder joining in such direction or instruction to pay such Bondholder's *pro rata* portion thereof based upon the portion that the aggregate principal amount of the Outstanding Bonds held by such Bondholder represents of the aggregate principal amount of all Outstanding Bonds held by all Bondholders which joined in such direction or instruction.

*Section 12.16. Remedies cumulative.* No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy or remedies; but each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity or by statute. No delay or omission of the Trustee or Bondholders in exercising any right or power accruing upon any continuing Default shall impair any such right or power or shall be construed to be a waiver of any such Default, or an acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

*Section 12.17. Covenant to pay Trustee; judgment by Trustee; application of monies.* (a) In case (i) default shall be made in the payment of any interest on any Outstanding Bond and such default shall have continued for a period of ninety (90) days or (ii) default shall be made in the payment of the principal of or premium, if any, on any Outstanding Bond when payable, whether upon the maturity of such Bond, or upon a declaration of maturity as authorized by this Indenture, or upon a sale as set forth in *Section 12.11*; then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the holders of the Outstanding Bonds, the whole amount that then shall have become due and payable on all such Outstanding Bonds, for principal, premium, if any, or interest and with interest upon the overdue principal, premium, if any, and interest payable at the same rates respectively as were borne by the respective Bonds whereof the principal, premium, if any, or interest shall be overdue; and in case the Company shall fail to pay the same forthwith upon such demand, the Trustee, in its own name and as the trustee of an express trust, shall be entitled to recover judgment against the Company for the whole amount so due and unpaid and any compensation and reimbursement payable to the Trustee pursuant to *Section 14.09*.

(b) The Trustee shall be entitled to recover judgment as described in *Section 12.17(a)*, either before, after or during the pendency of any proceedings for the enforcement of the Lien of the Mortgage by the Collateral Trustee, and the right of the Trustee to recover such judgment shall not be affected by any entry upon or sale of Mortgaged Property by the Collateral Trustee, or by the exercise by the Trustee or the Collateral Trustee of any right, power or remedy for the enforcement of this Indenture or the Mortgage; and in case of a sale of Mortgaged Property, and of the application of the proceeds of such sale to the payment of the obligations secured by the Lien of the Mortgage, the Trustee, in its own name and as trustee of an express trust, shall be entitled to enforce payment of and to receive all amounts then remaining due and unpaid upon any and all of the Outstanding Bonds for the benefit of the Bondholders, and shall be entitled to recover judgment for any portion of such obligations remaining unpaid, with interest. No recovery of any such judgment by the Trustee or the Collateral Trustee, and no levy of execution of any such judgment upon any of the Mortgaged Property, or any other property, shall in any manner or to any extent affect the rights of the Trustee, the Bondholders and the Collateral Trustee in respect of the Lien of the Mortgage upon any Mortgaged Property, or any rights, powers or remedies of the Trustee or the Collateral Trustee, or any lien, rights, powers or remedies of the Bondholders, but such lien, rights, powers and remedies of the Trustee and the Collateral Trustee and of the Bondholders shall continue unimpaired as before.

(c) Any moneys received by the Trustee under this *Section 12.17* shall be applied by the Trustee to the payment of the amounts then due and unpaid on the Outstanding Bonds in respect of which such moneys shall have been received, ratably and without any preference or priority of any kind, according to the amounts due and payable on such Bonds, respectively, at the date fixed by the Trustee for the distribution of such moneys, upon presentation of the several Bonds and stamping the amount of such payment thereon, if partly paid, and upon surrender thereof, if fully paid.

*Section 12.18. Other remedies.* If a Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium, if any, and interest on the Bonds or to enforce the performance of any provision of the Bonds, the Collateral Trust Agreement, the Mortgage or any Supplemental Mortgage. The Trustee may maintain a proceeding even if it does not possess any of the Bonds or does not produce any of them in the proceeding.

*Section 12.19. Provisions solely for benefit of parties and Bondholders.* Nothing in this Indenture, or in any Bond, expressed or implied, is intended, or shall be construed, to give to any Person, other than the Trustee, the Bondholders and the Company, any legal or equitable right, remedy, or claim under or in respect of this Indenture, or under any of its covenants, conditions or provisions; all of which are intended to be and are for the sole and exclusive benefit of the Trustee, the Bondholders and the Company.

*Section 12.20. Trustee and Collateral Trustee may file proofs of claims.* The Trustee may, and may direct the Collateral Trustee to, and the Collateral Trustee may, file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee, the Collateral Trustee and of the Bondholders allowed in any judicial proceedings relative to the Company, its creditors or Mortgaged Property. Nothing contained in this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Bondholder, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

*Section 12.21. Right of Bondholders to receive payment.* Notwithstanding any other provision of this Indenture, the right of any holder of any Bond to receive payment of the principal of, premium, if any, and interest, if any, on such Bond, on or after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder.

*Section 12.22. Waivers of past Defaults by holders of Bonds.* The holders of not less than a majority in aggregate principal amount of Outstanding Bonds which would be affected by such waiver, and in case one or more series of Outstanding Bonds would be materially adversely affected by such waiver, the holders of not less than 60% in aggregate principal amount of the Outstanding Bonds of such series so affected (which need not include 60% of the aggregate principal amount of the Outstanding Bonds of each such series) may, on behalf of the holders of all Bonds so affected, waive any past Default and its consequences, except (a) a Default in the payment of the principal of or premium, if any, or interest on any Bond, (b) a Default arising from the creation of any Prior Lien, except Permissible Encumbrances, or (c) a Default in respect of a covenant or provision hereof which under Article XV cannot be modified or amended without the consent of the holder of each Outstanding Bond affected thereby. For the purposes of this *Section 12.23*, Bonds shall be deemed to be materially adversely affected by such waiver if such waiver materially adversely affects or materially diminishes the rights of holders of such Bonds against the Company or against the Mortgaged Property. The Trustee may in reliance on an Opinion of Counsel determine whether or not, in accordance with the foregoing, Bonds of any particular series would be materially adversely affected by any such waiver and any such determination shall be conclusive upon the holders of Bonds of such series and all other series. Subject to *Section 14.01* and *Section 14.02*, the Trustee shall not be liable for any such determination made in good faith.

*Section 12.23. Waiver of Usury, Stay or Extension Laws.* The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

### ARTICLE XIII

#### EFFECT OF MERGER, CONSOLIDATION, CONVEYANCE AND LEASE

*Section 13.01. Company may merge or consolidate if no impairment of Lien of the Mortgage and with assumption of obligations by successor.* Nothing in this Indenture shall prevent any consolidation or merger of the Company with or into, or any conveyance, transfer or lease, subject to the Lien of the Mortgage, of all or substantially all of the Mortgaged Property to, any Person lawfully entitled to acquire, lease or operate the Mortgaged Property; *provided, however,* and the Company covenants and agrees, that such consolidation, merger, conveyance, transfer or lease shall be upon terms which would fully preserve, and in no respect create any Prior Lien (other than Permissible Encumbrances) on, the Mortgaged Property, or impair the Lien or security of the Mortgage, or any of the rights or powers of the Trustee or the Bondholders under this Indenture or the Collateral Trustee under the Mortgage or the Collateral Trust Agreement; and *provided further,* that no such consolidation, merger, conveyance, transfer or lease shall be entered into or made by the Company with or to another Person which has outstanding, or which proposes to issue in connection with any such consolidation, merger, conveyance, transfer or lease, any obligations secured by a mortgage, pledge or other lien if as a result of such consolidation, merger, conveyance or lease any of the Mortgaged Property owned by the Company immediately prior thereto would be subjected to the lien of such mortgage, pledge or other lien, unless simultaneously therewith or prior thereto effective provision shall be made to establish the Lien of the Mortgage as superior to the lien of such mortgage, pledge, or other lien with respect to any of the Mortgaged Property then or thereafter acquired by the Company or such other Person, or covenanted to be subject to the Lien of the Mortgage; and *provided further,* that any such lease shall be made expressly subject to immediate termination by the Company or by the Trustee at any time during the continuance of a Default, and also by the purchaser of the Mortgaged Property so leased at any sale thereof under this Indenture, whether such sale is made under the power of sale conferred in this Indenture or judicial proceedings; and *provided further,* that, upon any such consolidation, merger, conveyance or transfer, or upon any such lease the term of which extends beyond the date of maturity of any of the then Outstanding Bonds, the due and punctual payment of the principal of, and premium, if any, and interest on all such Bonds according to their tenor and the due and punctual performance and observance of all the covenants and conditions of this Indenture, the Mortgage and the Collateral Trust Agreement to be kept or performed by the Company shall be expressly assumed by a Supplemental Indenture, Supplemental Mortgage and an amendment to the Collateral Trust Agreement, as applicable, executed with the Collateral Trustee as applicable and, in the case of such Supplemental Mortgage, caused to be recorded by the Person formed by

such consolidation or surviving such merger, or acquiring all or substantially all the Mortgaged Property, or by the lessee under any such lease the term of which extends beyond the date of maturity of any of the then Outstanding Bonds; *provided, however*, that in order to confirm of record the Lien of the Mortgage and to preserve and protect the rights of the Bondholders thereunder, if the successor does not enter a Supplemental Mortgage containing an express grant by the successor to the Collateral Trustee, as further security for all Bonds issued and to be issued hereunder and the outstanding Equal and Ratable Notes, of a first (subject only to liens affecting the property of the Company prior to such consolidation, merger, conveyance, transfer or lease) lien upon all its property then owned and which it may thereafter acquire (other than Excepted Property), then the successor:

(i) shall enter into a Supplemental Mortgage confirming the prior Lien of the Mortgage upon the Mortgaged Property and extending the Lien of the Mortgage as a first lien, or as a lien subject only to liens affecting the property of the Company prior to such consolidation, merger, conveyance, transfer or lease, to (A) all property which such successor shall thereafter acquire or construct which shall form an integral part of, or be essential to the use or operation of, any property then or thereafter subject to the Lien of the Mortgage, and (B) all renewals, replacements and additional property as may be purchased, constructed or otherwise acquired by such successor from and after the date of such consolidation, merger, conveyance, transfer or lease, as the case may be; and

(ii) shall enter a Supplemental Indenture containing covenants by such successor to maintain the Mortgaged Property in good repair, working order and condition as an operating system or systems and to comply with any covenant or condition of this Indenture to be kept or observed by the Company; and to keep the Mortgaged Property as far as practicable identifiable; and a stipulation that the Trustee and the Collateral Trustee shall not be taken impliedly to waive, by accepting or joining in the Supplemental Indenture, any rights each would otherwise have.

*Section 13.02. Upon merger or consolidation Indenture not to constitute lien upon certain properties.* In the absence of an express grant by any successor, this Indenture and the Mortgage shall not by reason of any consolidation, merger, conveyance, transfer or lease or otherwise, constitute or become a lien upon, and the Mortgaged Property shall not include or comprise:

(i) any property or franchises owned prior to such consolidation, merger, conveyance, transfer or lease by any Person with or into which the Company or any successor may be consolidated or merged or to which the Company or any successor may make any such conveyance, transfer or lease, and which, prior to such consolidation, merger, conveyance, transfer or lease, were not subject to the Lien of the Mortgage; and

(ii) any property or franchises which may be purchased, constructed or otherwise acquired by any such successor after the date of any such consolidation, merger, conveyance, transfer or lease; excepting only the property referred to in *Section 13.02(b)(i)* which shall be and become subject to the Lien of the Mortgage, notwithstanding any such consolidation, merger, conveyance, transfer or lease.

*Section 13.03. Right of successor.* In case the Company, as permitted by *Section 13.01*, shall be consolidated with or merged into any other Person or shall convey or transfer, subject to the Lien of the Mortgage, all or substantially all the Mortgaged Property, the successor formed by such consolidation, or into which the Company shall have been merged, or which shall have received a conveyance or transfer as aforesaid, and upon executing with the Trustee the Supplemental Indenture and Supplemental Mortgage provided for in *Section 13.01* and causing such Supplemental Mortgage to be recorded, shall succeed to and be substituted for the Company with the same effect as if such Person had been named herein, and shall have and may exercise under this Indenture the same powers and rights as the Company, and, without in any way limiting or impairing by the enumeration of the following rights and powers the scope and intent of the foregoing, such Person thereafter may cause to be executed, authenticated and delivered, either in its own name or in the name of the Company, such Bonds as might have been executed, issued and delivered by the Company after the date of such consolidation, merger, conveyance or transfer, and had such consolidation, merger, conveyance or transfer not occurred, and upon the order of such Person in lieu of the Company, but subject to all the terms, conditions and restrictions prescribed in this Indenture concerning the authentication and delivery of Bonds, the Trustee shall authenticate and deliver any Bonds delivered to it for authentication which shall have been previously executed by the proper officers of the Company, and such Bonds as such Person shall thereafter, in accordance with this Indenture, cause to be executed and delivered to the Trustee for such purpose, and such Person shall also have and may exercise, subject to all applicable terms, conditions and restrictions prescribed in this Indenture, the rights and powers of the Company as to withdrawal of cash and release of Mortgaged Property from the Lien of the Mortgage, which the Company might have exercised after the date of such consolidation, merger, conveyance or transfer, and had such consolidation, merger, conveyance or transfer not occurred. All of the Bonds so issued or delivered shall in all respects have the same legal right and security as the Bonds theretofore issued or delivered in accordance with the terms of this Indenture as though all of such Bonds had been authenticated and delivered at the date of the execution of this Indenture. As a condition precedent to the execution by such Person and the authentication and delivery by the Trustee of any such Bonds, the withdrawal of cash or the release of Mortgaged Property from the Lien of the Mortgage, under any provision of this Indenture on the basis of Bondable Property acquired, made or constructed by such Person, the Supplemental Mortgage provided for in *Section 13.01*, or a subsequent Supplemental Mortgage, shall contain a conveyance or transfer and mortgage in terms sufficient to subject such property to the Lien of the Mortgage; and *provided further* that the lien created thereby and the lien thereon shall have the same force, effect and standing as the Lien of the Mortgage would have if the Company was not consolidated with or merged into such other Person or did not convey or transfer, subject to the Lien of the Mortgage, all or substantially all the Mortgaged Property, as aforesaid, to such Person, and would itself on or after the date of such consolidation, merger, conveyance or transfer, acquire or construct such property, and in respect thereof request the authentication and delivery of Bonds or the withdrawal of cash or the release of Mortgaged Property from the Lien of the Mortgage as provided in this Indenture.

*Section 13.04. Transfer of less than substantially all.* Without limiting the generality of *Section 13.01*, if following a conveyance, transfer or lease by the Company of any part of the Mortgaged Property the Fair Value of the Mortgaged Property retained by the Company exceeds an amount equal to 10/7 (ten sevenths) of the sum of (x) the aggregate principal amount of Outstanding Bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable

Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt, then the part of the Mortgaged Property so conveyed, transferred or leased shall, in any event, be deemed not to constitute all or substantially all of the Mortgaged Property. Such Fair Value may be established by the delivery to the Trustee of an Independent Engineer's Certificate stating the Independent Engineer's opinion of such Fair Value as of a date not more than ninety (90) days before or after such conveyance, transfer or lease. This *Article XIII* is not intended to limit the Company's conveyances, transfers or leases of less than all or substantially all of the Mortgaged Property.

## ARTICLE XIV

### THE TRUSTEE

*Section 14.01. Qualification of Trustee and acceptance of trust.* (a) The Trustee shall at all times be a bank or trust company eligible under *Section 7.04* and TIA *Section 310(a)* and have a combined capital and surplus of not less than Fifty Million Dollars (\$50,000,000). If the Trustee publishes reports of condition at least annually, pursuant to law or to the requirement of any supervising or examining authority referred to in *Section 7.04*, then for the purposes of this *Section 14.01* and *Section 7.04* the combined capital and surplus of the Trustee shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The Trustee hereby accepts the trust created by this Indenture. The Trustee and, if a separate or co-trustee is appointed pursuant to *Section 14.15*, such separate or co-trustee, undertakes prior to Default, and after the curing of all Defaults which may have occurred, to perform such duties and only such duties as are specifically set forth in this Indenture, and in case of Default (which has not been cured) to exercise such of the rights and powers vested in it by this Indenture, and to use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. For purposes of this *Section 14.01* and *Section 14.02*, a Default shall be deemed cured when the act or omission or other event giving rise to such Default shall have been cured, remedied or terminated.

(c) The Trustee, upon receipt of evidence furnished to it by or on behalf of the Company pursuant to any provision of this Indenture, will examine such evidence to determine whether or not it conforms to the requirements of this Indenture.

*Section 14.02. Trustee rights and duty of care.* (a) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to Default, and after the curing of all Defaults which may have occurred, the Trustee shall not be liable except for the performance of such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee;

(ii) prior to Default, and after the curing of all Defaults which may have occurred, and in the absence of willful misconduct on the part of the Trustee, the Trustee may conclusively rely upon certificates or opinions conforming to the requirements of this Indenture as to the truth of the statements and the correctness of the opinions expressed therein;

(iii) no Trustee which is a corporation shall be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of such Trustee unless it shall be proved that such Trustee was negligent in ascertaining pertinent facts and no Trustee who is an individual shall be liable for any error of judgment made in good faith by such individual unless it shall be proved that such individual was negligent in ascertaining the pertinent facts;

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

(v) the Trustee may execute any of the trusts or powers or perform any duties under this Indenture either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney who is not, in either case, an employee of the Trustee, appointed with due care by it hereunder;

(vi) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any Bondholders pursuant to this Indenture, unless such Bondholders shall have offered to the Trustee security or indemnity satisfactory to it against any loss, liability or expense which might be incurred by it in compliance with such request or direction;

(vii) in no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action;

(viii) the Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Securities and this Indenture; and

(ix) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.

(b) The provisions of this *Section 14.02* which have been made specifically applicable to the Trustee shall apply to the Trustee and, if a separate or co-trustee is appointed pursuant to *Section 14.15*, to any separate or co-trustee.

*Section 14.03. Recitals deemed made by Company.* The recitals in this Indenture and in the Bonds (except the authentication certificate of the Trustee) shall be taken as the statements of the Company and the Trustee assumes no responsibility for the correctness of such statements. The Trustee makes no representations as to the condition, genuineness, validity or value of the Mortgaged Property or any part thereof, or as to the title of the Company thereto, or as to the validity or adequacy of the security afforded thereby and hereby, or as to the validity of this Indenture or of the Bonds issued hereunder. The Trustee shall be under no responsibility or duty with respect to the disposition of any Bonds authenticated and delivered hereunder or the application of the proceeds thereof or the application of any moneys paid to the Company under any provision hereof.

*Section 14.04. Trustee not liable for debts from operation of Mortgaged Property; Trustee may own Bonds.* (a) The Trustee and any separate or co-trustee shall not be liable in case of entry by it or the Collateral Trustee upon the Mortgaged Property for debts contracted or liability or damages incurred in the management or operation of Mortgaged Property.

(b) The Trustee, any Paying Agent, Bond registrar, or Authenticating Agent, in its individual or any other capacity, may become the holder, owner or pledgee of Bonds and, subject to *Section 14.11* and *Section 14.12*, may otherwise deal with the Company with the same rights the Trustee would have if it were not Trustee, Paying Agent, bond registrar or authenticating agent.

*Section 14.05. Trustee may give notices incidental to action by it.* Whenever it is provided in this Indenture that the Trustee shall take any action upon the happening of a specified event or upon the fulfillment of any condition or upon the request of the Company or of Bondholders, the Trustee taking such action shall have full power to give any and all notices and to do any and all acts and things incidental to such action.

*Section 14.06. [Reserved.]*

*Section 14.07. Trustee may rely on certificates and may consult counsel; responsibility in selection of experts.* To the extent permitted by *Section 14.01* and *Section 14.02*:

(a) the Trustee may conclusively rely and shall be fully protected in acting upon any Accountant's Certificate, Appraiser's Certificate, Officers' Certificate, Engineer's Certificate, Company Order, Opinion of Counsel, Board resolution, certificate, opinion, notice, demand, request, waiver, consent, order, appraisal, report, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties; and any request or direction of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate, Company Order, Board resolution or other written order;

(b) the Trustee may consult with counsel, who may be counsel to the Company, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in good faith and in accordance with the opinion of such counsel;

(c) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request,

direction, consent, order, bond, debenture or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney at the expense of the Company and shall incur no liability of any kind by reason of such inquiry or investigation; and

(d) the Trustee shall not have any responsibility for the selection, appointment or approval by the Company of any expert for any purpose expressed in this Indenture.

*Section 14.08. Trustee not required to expend its own funds.* No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it.

*Section 14.09. Compensation and indemnification of Trustee; lien therefor.* (a) The Company shall pay to the Trustee from time to time, and the Trustee shall be entitled to receive from the Company, reasonable compensation for all services rendered by the Trustee in its execution of the trusts created by this Indenture and in its exercise and performance of any of the powers and duties of the Trustee hereunder, which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust, and the Company shall reimburse the Trustee for all appropriate advances made by the Trustee and shall reimburse to the Trustee from time to time its expenses and disbursements (including the reasonable compensation and the expenses and disbursements of all persons not regularly in its employ and of its counsel) except to the extent that such expenses and disbursements are determined to have been caused by the negligence or willful misconduct of the Trustee. The Company also covenants to indemnify the Trustee for, and to defend and hold it harmless against, any loss, liability or expense (including the reasonable compensation and expenses and disbursements of all persons not regularly in its employ and of its counsel), arising out of or in connection with the acceptance or administration of the trust created by this Indenture and the performance of its duties hereunder, including the costs and expenses of defending against any claim of liability in the premises, except to the extent that such expenses and disbursements are determined to have been caused by the negligence or willful misconduct of the Trustee. To secure the performance of the obligations of the Company under this *Section 14.09*, the Trustee shall have (in addition to any other rights under this Indenture) a lien prior to that of the Bondholders upon the Mortgaged Property, including all Mortgaged Property and funds held or collected by the Trustee. "Trustee" for purposes of this *Section 14.09(a)* shall include any predecessor Trustee, but the negligence or willful misconduct of any Trustee shall not affect the indemnification of any other Trustee.

(b) If, and to the extent that, the Trustee and its counsel and other persons not regularly in its employ do not receive compensation for services rendered, reimbursement of its or their advances, expenses and disbursements, or indemnity, as provided in *Section 14.09(a)*, as the result of allowances made in any reorganization, bankruptcy, receivership, liquidation or other proceeding or by any plan of reorganization or readjustment of obligations of the Company, the Trustee shall be entitled, in priority to the Bondholders, to receive any distribution of any securities, dividends or other disbursements which would otherwise be made to the

Bondholders in any such proceeding or proceedings and the Trustee is hereby authorized to collect and receive such distributions, dividends or other disbursements, to deduct therefrom the amounts due to the Trustee, its counsel and other persons not regularly in its employ on account of services rendered, advances, expenses and disbursements made or incurred, or indemnity, and to pay and distribute the balance, pro rata, to the Bondholders. The Trustee shall have a lien upon any securities or other consideration to which the Bondholders may become entitled pursuant to any such plan of reorganization or readjustment of obligations, or in any such proceeding or proceedings.

(c) The benefits of this *Section 14.09* shall survive the termination of this Indenture, the payment of the Bonds and the resignation or removal of the Trustee.

*Section 14.10. Trustee may rely on facts established by Officers' Certificate.* Whenever in the administration of the trusts created by this Indenture, prior to a Default, or after the curing of Default, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof is herein specifically prescribed) may to the extent permitted by *Sections 14.01* and *14.02* be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such Officers' Certificate shall be full warrant to the Trustee for any action taken by it under this Indenture in reliance hereon.

*Section 14.11. Action to be taken by Trustee which becomes creditor of Company.* The Trustee will comply with TIA *Section 311(a)*, excluding any creditor relationship listed in TIA *Section 311(b)*. A trustee which has resigned or been removed shall be subject to TIA *Section 311(a)* to the extent indicated therein.

*Section 14.12. Action to be taken by Trustee acquiring conflicting interest.* The Trustee will comply with TIA *Section 310(b)*; provided, however, that each series of Bonds with respect to each other series of Bonds shall be excluded from the requirements of TIA *Section 310(b)(1)* pursuant to the proviso to TIA *Section 310(b)(1)*.

*Section 14.13. Resignation or removal of Trustee.* (a) The Trustee may at any time resign and be discharged of the trusts created by this Indenture by giving written notice to the Company specifying the day upon which such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor trustee shall have been appointed by the Bondholders or the Company in the manner provided in *Section 14.14*, and in such event such resignation shall take effect immediately on the appointment of such successor trustee. This *Section 14.13* shall not be applicable to resignations pursuant to TIA *Section 310(b)*.

(b) Any Trustee may be removed at any time by an instrument or concurrent instruments in writing filed with such Trustee and signed and acknowledged by the holders of not less than a majority in aggregate principal amount of the then Outstanding Bonds or by their attorneys in fact duly authorized.

(c) In case at any time the Trustee shall cease to be eligible in accordance with *Section 7.04* or *Section 14.01*, then the Trustee so ceasing to be eligible shall resign immediately

in the manner and with the effect provided in this *Section 14.13*; and in the event that it does not resign immediately in such case, then it may be removed forthwith by an instrument or concurrent instruments in writing filed with the Trustee so ceasing to be eligible and either (i) signed by an Authorized Executive Officer attested to by the Secretary or an Assistant Secretary of the Company or (ii) signed and acknowledged by the holders of a majority in aggregate principal amount of Outstanding Bonds or by their attorneys in fact duly authorized.

(d) The resignation or removal of the Trustee shall not be effective until a successor Trustee which is eligible in accordance with *Sections 7.04* and *14.01* and qualified in accordance with TIA *Section 310(b)* and *Section 14.12*, shall have been appointed and accepted such appointment in a writing delivered to the Company and the predecessor Trustee.

*Section 14.14. Appointment of successor Trustee.* (a) In case at any time the Trustee shall resign or shall be removed or shall become adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if 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, or a vacancy shall be deemed to exist in the office of the Trustee for any other reason, the Company, by a Board resolution, shall promptly appoint a successor trustee. Within one (1) year after such resignation, removal, adjudication, appointment or taking, or the occurrence of such vacancy, a successor Trustee may be appointed by the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds, and the successor trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor trustee and supersede the successor trustee appointed by the Company or by such receiver or trustee.

(b) The Company shall give notice of any appointment of a successor Trustee made by it or by Bondholders in the manner provided in *Section 14.13(a)*.

(c) If no appointment of a successor Trustee shall be made pursuant to *Section 14.14(a)* within six (6) months after a vacancy shall have occurred in the office of Trustee, any Bondholder or any resigning Trustee may at the expense of the Company apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(d) If any Trustee resigns because of a conflict of interest as provided in TIA *Section 310(b)* and a successor Trustee has not been appointed by the Company or the Bondholders or, if appointed, has not accepted the appointment, within thirty (30) days after the date of such resignation, the resigning Trustee may at the expense of the Company apply to any court of competent jurisdiction for the appointment of a successor trustee.

(e) Any Trustee appointed under this *Section 14.14* as successor Trustee shall be a bank or trust company eligible under *Section 7.04* and *Section 14.01* and qualified under *Section 14.12*.

*Section 14.15. Appointment of additional trustees or co-trustees; notice by Bondholders to Trustee, notice to all trustees; contents, filing, etc. of instrument appointing trustee.* (a) At any time or times, for the purpose of conforming to any legal requirements, restrictions or conditions

in any State or jurisdiction in which any Mortgaged Property may be located, the Company and the Trustee shall have the power to appoint, and, upon the request of the Trustee, the Company shall for such purpose join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee, either to act as separate trustee or trustees, or co-trustee or co-trustees jointly with the Trustee, of all or any of the Mortgaged Property. In the event that the Company shall not have joined in such appointment within fifteen (15) days after the receipt by it of a request to do so, the Trustee alone shall have the power to make such appointment.

(b) Every separate trustee, every co-trustee and every successor trustee, other than any trustee which may be appointed as successor to the original Trustee, shall, to the extent permitted by law, but to such extent only, be appointed subject to the following provisions and conditions:

(i) the rights, powers, duties and obligations conferred or imposed upon trustees hereunder or any of them shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and such separate trustee or separate trustees or co-trustee or co-trustees jointly, except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations shall be exercised and performed by such separate trustee or separate trustees or co-trustee or co-trustees;

(ii) the Bonds shall be authenticated and delivered, and all powers, duties, obligations and rights conferred upon the Trustee in respect of the custody of all Bonds and other securities and of all cash pledged or deposited hereunder, shall be exercised solely by the original Trustee or its successors in the trust hereunder; and

(iii) the Company and the Trustee, at any time by an instrument in writing executed by them jointly, may accept the resignation of or remove any separate trustee or co-trustee appointed under this *Section 14.15* or otherwise, and, upon the request of the Trustee, the Company shall, for such purpose, join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to make effective such resignation or removal. In the event that the Company shall not have joined in such action within fifteen (15) days after the receipt by it of a request so to do, the Trustee alone shall have power to accept such resignation or to remove such separate trustee or co-trustee. A successor to any separate trustee or co-trustee so resigned or removed may be appointed in the manner provided in this *Section 14.15*.

(c) No Trustee shall be liable by reason of any act or omission of any other trustee hereunder.

(d) Any notice, request or other writing, by or on behalf of the Bondholders delivered to the original Trustee, or its successor in the trust hereunder, shall be deemed to have been delivered to all of the then trustees or co-trustees as effectually as if delivered to each of them. Every instrument appointing any trustee or trustees other than a successor to the original Trustee shall refer to this Indenture and the conditions expressed in this *Article XIV* and upon the

acceptance in writing of such appointment, such trustee or trustees, or co-trustee or co-trustees, shall be vested with the estates or property specified in such instrument, either jointly with the original Trustee, its successor, or separately, as may be provided in such instrument subject to all the trusts, conditions, and provisions of this Indenture; and every such instrument shall be filed with the original Trustee or its successor in the trust hereunder. Any separate trustee or trustees, or any co-trustee or co-trustees, may at any time by an instrument in writing constitute and appoint the original Trustee or its successor in the trust hereunder the agent or attorney in fact for such trustee, with full power and authority, to the extent which may be permitted by law, to do any and all acts and things and exercise any and all discretion authorized or permitted by such trustee, for and on behalf of such trustee, and in the name of such trustee. In case any separate trustee or trustees or co-trustee or co-trustees, or a successor to any of them, shall die, become incapable of acting, resign or be removed, all the estates, property, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the original Trustee or its successor in the trust hereunder, without the appointment of a new trustee as successor to such separate trustee or co-trustee.

*Section 14.16. Acceptance by successor trustee; requirements of predecessor Trustee upon retiring.* Any successor trustee appointed hereunder shall execute, acknowledge and deliver to the predecessor trustee, and also to the Company, an instrument accepting such appointment hereunder, and thereupon such successor trustee, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named as trustee herein; but the trustee ceasing to act shall nevertheless, on the written request of the Company, or of the successor trustee, or of the holders of not less than 10% in aggregate principal amount of the then Outstanding Bonds, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor trustee all the right, title and interest of the trustee to which such trustee succeeds in such rights, powers, trusts, duties and obligations, and the trustee ceasing to act shall also, upon like request, pay over, assign and deliver to the successor trustee any money or any pledged securities which may then be in the possession of such trustee. If any deed, conveyance or instrument in writing from the Company is required by the new trustee for more fully and certainly vesting in and confirming to such new trustee such estates, properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Company.

*Section 14.17. Merger or consolidation of Trustee.* Any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation in which the Trustee shall be a party or any corporation to which substantially all the business and assets of the Trustee may be transferred, provided such corporation shall be eligible under *Section 7.04* and *Section 14.01* and qualified under *Section 14.12*, shall be the successor trustee under this Indenture, without the execution or filing of any instrument or the performance of any further act on the part of the Company or any other trustee hereunder, anything herein to the contrary notwithstanding. In case any of the Bonds contemplated to be issued hereunder shall have been authenticated but not delivered, any such successor to the Trustee may, subject to the same terms and conditions as though such successor had itself authenticated such Bonds, adopt the certificate of authentication of the original Trustee

or of any successor to it as trustee hereunder, and deliver such Bonds so authenticated; and in case any of such Bonds shall not have been authenticated, any successor to the Trustee may authenticate such Bonds either in the name of any predecessor trustee or in the name of the successor trustee, and in all such cases such certificate shall have the same full force which the certificate of the Trustee shall have; *provided, however*, that the right to authenticate Bonds in the name of the original Trustee shall apply only to its successor or successors by merger or consolidation or sale as aforesaid.

*Section 14.18. [Reserved.]*

*Section 14.19. Appointment of Authenticating Agent.* (a) The Trustee may appoint an Authenticating Agent or Agents with respect to the Bonds of one or more series, which shall be authorized to act on behalf of the Trustee to authenticate Bonds of such series issued upon original issuance, exchange, registration of transfer or partial redemption thereof or pursuant to *Section 2.09*, and Bonds so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Bonds by the Trustee or the certificate of authentication of the Trustee, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent.

(b) Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America or of a State, authorized under such laws to act as authenticating agent, having a combined capital and surplus of not less than Fifty Million Dollars (\$50,000,000), and being subject to supervision or examination by Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority referred to in *Section 7.04*, then for the purposes of this *Section 14.19* the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with this *Section 14.19(b)*, such Authenticating Agent shall resign immediately in the matter and with the effect specified in *Section 14.19(d)*.

(c) Any corporation into which any Authenticating Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency business of any Authenticating Agent, shall become the Authenticating Agent without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

(d) Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and the Company. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of such termination to such Authenticating Agent and the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible in accordance with *Section 14.19(b)*, the Trustee promptly shall appoint a successor Authenticating

Agent acceptable to the Company. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers, duties and responsibilities of its predecessor hereunder, with like effect as if originally named as Authenticating Agent herein. No successor Authenticating Agent shall be appointed unless eligible in accordance with *Section 14.19 (b)*.

(e) Each Authenticating Agent by the acceptance of its appointment shall be deemed to have agreed with the Company and the Trustee that: it will timely perform and carry out the duties of an Authenticating Agent as herein set forth, including among other things, the duty to authenticate and deliver Bonds when presented to it in connection with the original issuance, exchange or registration of transfer or partial redemptions of Bonds; it will furnish from time to time as requested by the Company or the Trustee appropriate records of all transactions carried out by it as Authenticating Agent and will furnish to the Company or the Trustee such other information and reports as the Company or the Trustee may reasonably require; it is eligible for appointment as Authenticating Agent and will notify the Company and the Trustee promptly if it shall cease to be so eligible; it will indemnify the Trustee against any loss, liability or expense incurred by the Trustee and will defend any claims asserted against the Trustee by reason of any acts or failures to act of the Authenticating Agent, but it shall have no liability for any action taken by it at the specific direction of the Trustee.

(f) The Company agrees to pay to the Authenticating Agent from time to time reasonable compensation for its services.

## ARTICLE XV

### SUPPLEMENTAL INDENTURES AND SUPPLEMENTAL MORTGAGES

#### *Section 15.01. Provision for Supplemental Indentures, Supplemental Mortgages and amended Collateral Trust Agreement.*

Without the consent of any Bondholder, (i) the Trustee and the Company, when authorized by a Board resolution, from time to time and at any time, may enter into Supplemental Indentures hereto which shall thereafter form a part hereof, (ii) the Company, when authorized by a Board resolution, from time to time and at any time, may enter into Supplemental Mortgages to the Mortgage which shall thereafter form a part thereof and/or (iii) the Trustee, as requested by the Company, may direct the Collateral Trustee to enter into an amendment with the Company to the Collateral Trust Agreement or consent to any Supplemental Mortgage entered into by the Company; in each case for any one or more of the following purposes, as applicable:

(a) to amplify or correct the description of any property conveyed or pledged or intended so to be by the Mortgage, or to convey, transfer and assign to the Collateral Trustee and to subject to the Lien of the Mortgage with the same force and effect as if included in the granting clause hereof, additional property and franchises, together with such other provisions as may be appropriate to express the respective rights of the Collateral Trustee and the Company in regard thereto;

(b) to grant, bargain, sell, warrant, release, convey, assign, transfer, mortgage, pledge, set over and confirm unto the Collateral Trustee, and to specifically subject to the Lien of the

Mortgage, any Excepted Property, including property, rights and interests in all real and personal property then owned and thereafter acquired by the Company which is (i) outside the State of Iowa and an integral part of or used or to be used as an integral part of the electric generating, transmission and distribution operations of the Company in or outside of the State of Iowa, or (ii) is an integral part of or used or to be used as an integral part of the gas distribution operations of the Company either in the State of Iowa or wherever located in or outside of the State of Iowa, and such Supplemental Mortgage shall specifically describe all such property which is then owned by the Company; and all of such property then owned and thereafter acquired by the Company shall cease to be Excepted Property and shall be Mortgaged Property or all purposes of this Indenture;

(c) to close this Indenture against the issue of additional Bonds or to add limitations on the amount, terms, provisions, authentication, delivery, issue and purposes of the issue of Bonds under this Indenture;

(d) to establish and create one or more series of Bonds and to specify certain terms of such series of Bonds, which terms may include, but are not limited to, those set forth in *Section 2.01(c)*, all in a manner not inconsistent with the provisions of this Indenture;

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

(f) to reflect changes in Generally Accepted Accounting Principles;

(g) to comply with the rules or regulations of any national securities exchange on which any of the Bonds may be listed;

(h) to modify the provisions of this Indenture to such extent as shall be necessary to continue the qualification of this Indenture under the TIA, or under any similar federal statute hereafter enacted;

(i) to evidence the succession of another corporation to the Company, or successive successions, and the assumption by such successor corporation of the covenants and obligations of the Company under this Indenture, the Mortgage and the Collateral Trust Agreement; to evidence the succession of a new trustee to any trustee hereunder; or to evidence the appointment and the terms of such appointment of any co-trustee or separate trustee appointed pursuant to *Section 14.15*;

(j) to change, alter, modify, vary or eliminate any of the terms, provisions, restrictions or conditions of this Indenture; *provided, however,* that if any such change, alteration, modification, variation or elimination made in a Supplemental Indenture pursuant to this *Section 15.01(j)* would materially adversely affect the rights of the holders of any then Outstanding Bonds against the Company or its property, then such change, alteration, modification, variation or elimination shall be expressly stated in such Supplemental Indenture to become effective only as to Bonds issued thereafter;

(k) to make such provision in regard to matters or questions arising under this Indenture or the Mortgage as may be necessary or desirable and not inconsistent with this

Indenture or the Mortgage or for the purpose of supplying any omission, curing any ambiguity, or curing, correcting or supplementing any defective or inconsistent provision contained in this Indenture, any Supplemental Indenture, the Mortgage or any Supplemental Mortgage, or for any other purpose not inconsistent with this Indenture or the Mortgage and which will not materially impair the security of this Indenture or the Mortgage or materially adversely affect the Outstanding Bonds; and

(l) in the case of the Collateral Trust Agreement, for the purposes provided in, and in accordance with, *Section 8.05(c)*, and in the case of the Mortgage, to make changes corresponding to changes permitted to be made in the Collateral Trust Agreement by clauses (iii) through (vii) of *Section 8.05(c)*.

*Section 15.02. Requirements for Supplemental Indentures and Supplemental Mortgages.* (a) With the consent of the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds which would be affected by the action to be taken, and in case one or more of the series of Outstanding Bonds would be materially adversely affected by the action to be taken, with the consent of the holders of not less than 60% in aggregate principal amount of the Outstanding Bonds of such series so affected (which need not include 60% of the aggregate principal amount of the Outstanding Bonds of each such series), the Company, when authorized by a Board resolution, and the Trustee, may from time to time and at any time, enter into a Supplemental Indenture or the Trustee may instruct the Collateral Trustee to enter into or consent to a Supplemental Mortgage or enter into an amendment to the Collateral Trust Agreement, for the purpose of adding any provision to, or changing in any manner or eliminating any provision of, this Indenture, the Mortgage, any Supplemental Indenture, any Supplemental Mortgage or the Collateral Trust Agreement, as applicable or of modifying in any manner the rights of the holders of Bonds; *provided, however*, that anything in this *Section 15.02* to the contrary notwithstanding, no such Supplemental Indenture or Supplemental Mortgage shall, without the consent of the holder of each Outstanding Bond affected thereby, (i) extend the fixed maturity of any Bonds, change any terms of any sinking, improvement, maintenance, replacement or analogous fund or conversion rights with respect to any Bonds, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof, or, subject to *Article XII*, limit the right of a holder of Bonds to institute suit for the enforcement of payment of principal of, or premium, if any, or interest, if any, on such Bonds in accordance with the terms of such Bonds, or (ii) reduce the aforesaid percentage of Outstanding Bonds, the holders of which are required to consent to any such Supplemental Indenture or Supplemental Mortgage, or (iii) permit the creation by the Company of any Prior Lien (but no merger or consolidation permitted by *Section 13.01* of the Company with any other Person owning property which is subject to a Prior Lien, shall be deemed to be the creation of any Prior Lien). For the purposes of this *Section 15.02* and *Sections 15.01(j)* and *15.01(k)*, Bonds shall be deemed to be materially adversely affected by a Supplemental Indenture or Supplemental Mortgage, as applicable, if such Supplemental Indenture or Supplemental Mortgage, as applicable, materially adversely affects or materially diminishes the rights of holders of such Bonds against the Company or against its property. The Trustee may in reliance on an Opinion of Counsel determine whether or not, in accordance with the foregoing, Bonds of any particular series would be materially adversely affected by any Supplemental Indenture or Supplemental Mortgage and any such determination shall be conclusive upon the holders of Bonds of such series and all other series. Subject to *Section 14.01* and *Section 14.02*, the Trustee shall not be liable for any such determination made in good faith.

(b) Upon the request of the Company, accompanied by a copy of a Board resolution authorizing the execution of any such Supplemental Indenture or Supplemental Mortgage, and upon the filing with the Trustee of evidence of the consent of Bondholders as aforesaid, the Trustee shall join with the Company in the execution of such Supplemental Indenture and/or instruct the Collateral Trustee to join with the Company in the execution of, or consent to, such Supplemental Mortgage, or the execution of such amendment to the Collateral Agency Agreement, as applicable.

(c) It shall not be necessary for the consent of the Bondholders under this *Section 15.02* to approve the particular form of any proposed Supplemental Indenture or Supplemental Mortgage or amendment to the Collateral Trust Agreement, but it shall be sufficient if such consent shall approve the substance thereof.

*Section 15.03. Execution of Supplemental Indentures.* In executing, or accepting the additional trusts created by, any Supplemental Indenture or Supplemental Mortgage or amendment to the Collateral Trust Agreement permitted by this *Article XV* or the modification thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and, subject to *Section 14.01*, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplemental Indenture, Supplemental Indenture or amendment to the Collateral Trust Agreement is authorized or permitted by this Indenture. The Trustee may, but shall not, except to the extent required in the case of a Supplemental Indenture entered into under *Section 14.01(b)*, be obligated to, enter into any such Supplemental Indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

*Section 15.04. Effect of Supplemental Indentures.* Upon the execution of any Supplemental Indenture under this *Article XV*, this Indenture shall be modified in accordance therewith and such Supplemental Indenture shall form a part of this Indenture for all purposes; and every holder of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

*Section 15.05. Conformity with Trust Indenture Act.* Every Supplemental Indenture executed pursuant to this *Article XV* shall conform to the requirements of the TIA as then in effect if this Indenture shall then be qualified under the TIA.

*Section 15.06. Reference in Bonds to Supplemental Indentures.* Bonds authenticated and delivered after the execution of any Supplemental Indenture pursuant to this *Article XV* may, and if required by the Trustee shall, bear a notation in a form approved by the Trustee as to any matter provided for in such Supplemental Indenture. If the Company shall so determine, new Bonds so modified as to conform, in the opinion of the Trustee and the Company, to any such Supplemental Indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

## ARTICLE XVI

### MEETINGS OF BONDHOLDERS

*Section 16.01. Manner of calling meetings and determination of Bonds affected.* (a) The Trustee shall on request of the Company pursuant to a Board resolution or upon written request of the holders of not less than a majority in aggregate principal amount of Outstanding Bonds call a meeting of Bondholders to be held at such time and at such place in either the Borough of Manhattan, the City and State of New York, or the city in which the principal office of the Trustee or the city in which the principal office of the Company is located, as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting and specifying each series of Bonds which would be affected by the proposed action, shall be mailed not less than twenty-one (21) or more than one hundred eighty (180) days before such meeting (i) to each holder as of a record date not more than fifteen (15) days prior to the date of such mailing of Bonds which would be affected by the action proposed to be taken at the meeting and then Outstanding, addressed to such holder at the address appearing on the Bond register maintained pursuant to *Section 2.06*, (ii) to all Bondholders whose names and addresses are preserved at the time by the Trustee, as provided in TIA *Section 312(a)*, (iii) to the Trustee at the address provided in *Section 21.03*, or at such other place as may be designated by the Trustee from time to time, and (iv) to the Company at the address provided in *Section 21.03*, or at such other place as may be designated by the Company from time to time; *provided, however*, that the mailing of such notice to any Bondholder shall in no case be a condition precedent to the validity of any action taken at such meeting.

(b) The Trustee may in its discretion determine whether or not Bonds of any particular series would be affected by action proposed to be taken at a meeting, and if such action is a waiver of a past Default as provided in *Section 12.24* or the authorization of a Supplemental Indenture or Supplemental Mortgage as provided in *Section 15.02*, whether or not the holders of such Bonds would be materially adversely affected, and any such determination shall be conclusive upon the holders of Bonds of such series and all other series. Subject to *Section 14.01*, *Section 14.02* and *Section 14.07*, the Trustee shall not be liable for any such determination made in good faith.

*Section 16.02. Calling of meetings by Company or Bondholders.* In case at any time the Company, pursuant to a Board resolution, or the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds which would be affected by the action proposed to be taken, shall have requested the Trustee to call a meeting of Bondholders, by written request setting forth in general terms the action proposed to be taken at such meeting, and the Trustee shall not have made the first publication of the notice of such meeting or mailed the notice of such meeting, if publication need not be made, within twenty (20) days after receipt of such request, then the Company or the holders of Bonds in the amount above specified may determine the time and place in the Borough of Manhattan, the City and State of New York, or in the city in which the principal office of the Trustee or the city in which the principal office of the Company is located, for such meeting and may call such meeting by giving notice thereof as provided in *Section 16.01*.

*Section 16.03. Persons entitled to vote at meeting.* To be entitled to vote at any meeting of Bondholders a Person shall: (a) be a holder of one or more Bonds of such a series; or (b) be the holder of a certificate (with respect to one or more Bonds of such a series) then in effect and satisfactory to the Trustee issued pursuant to *Section 20.01*; or (c) be a Person appointed by an instrument in writing as a proxy for such a holder or holders of Bonds of such a series or for a holder of such a certificate, provided that no Person who holds a Bond which is excluded in the determination of the requisite amount concurring in any action as set forth in *Section 20.03* shall be permitted to vote. The only Persons who shall be entitled to be present or to speak at any meeting of Bondholders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel, and any representatives of the Company and its counsel.

*Section 16.04. Conduct of meetings; procedures.* (a) Notwithstanding any other provision of this Indenture, the Trustee on its own initiative or on request of the Company may, or upon request of the holders of a majority in aggregate principal amount of the Outstanding Bonds shall, from time to time, make such reasonable procedures, and may vary such procedures, as it may deem advisable for any meeting of Bondholders, in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and, except as otherwise provided in this *Section 16.04* and in *Section 16.05*, such other matters concerning the conduct of the meeting as the Trustee may deem advisable. Except as otherwise permitted or required by any such procedures, the holding of Bonds shall be proved in the manner specified in *Section 20.01* and the appointment of any proxy shall be proved in the manner specified in *Section 20.01* or by having the signature of the Person executing the proxy witnessed or guaranteed by any trust company, bank, banker or other depository authorized by *Section 20.01* to certify to the holding of Bonds which are transferable by delivery.

(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Bondholders as provided in *Section 16.02*, in which case the Company or the Bondholders calling the meeting, as the case may be, shall in a similar manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the holders of a majority in aggregate principal amount of the Outstanding Bonds represented at the meeting and entitled to vote.

(c) Subject to *Section 20.03*, upon the submission of any resolution at any meeting, each Bondholder or proxy shall be entitled to one vote for each \$1,000 principal amount of Outstanding Bonds held by such Bondholder or by the Bondholders represented by such proxy, as the case may be, the holders of which are entitled by this *Article XVI* to vote; *provided, however*, that no vote shall be cast or counted at any meeting in respect of any Bond challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Outstanding Bonds held by such chairman or instruments in writing as aforesaid duly designating such chairman as the person to vote on behalf of other Bondholders. Any meeting of Bondholders duly called pursuant *Section 16.01* or *Section 16.02* may be adjourned from time to time, and the meeting may be held as so adjourned without further notice.

*Section 16.05. Manner of voting.* (a) The vote upon any action proposed to be taken at such meeting, which action shall be submitted to the meeting in the form of a resolution, shall be by written ballots on which shall be subscribed the signatures of the holders of Outstanding Bonds or their representatives by proxy and the serial number or numbers of the Outstanding Bonds held or represented by them. The chairman of the meeting shall appoint two (2) inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Bondholders shall be prepared by the secretary of the meeting and there shall be attached to such record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts, setting forth a copy of the notice of the meeting. The record shall show the serial numbers and principal amounts of the Outstanding Bonds voting in favor of any resolution submitted in accordance with *Article XVI*. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one (1) of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee.

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

*Section 16.06. Rights of Trustee or Bondholders not to be hindered or delayed.* Nothing in this *Article XVI* contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Bondholders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Bondholders under any provision of this Indenture or of the Outstanding Bonds.

*Section 16.07. Action by written consent.* Any action which may be taken at a meeting of Bondholders, including the authorization of a Supplemental Indenture or Supplemental Mortgage as provided in *Section 15.02(a)*, may be taken without a meeting, without prior notice and without a vote, if such action is consented to in writing (evidenced as provided in *Article XX*) by the holders of Outstanding Bonds holding not less than the minimum aggregate principal amount of Outstanding Bonds which is necessary to authorize or take such action at a meeting of Bondholders.

## ARTICLE XVII

### BONDHOLDER LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE

*Section 17.01. Company to furnish Bondholder lists.* The Company shall, so long as any Bonds are Outstanding under this Indenture, furnish or cause to be furnished to the Trustee not later than June 30 and December 31 in each year, and at such other times as the Trustee may request in writing, the information required by TIA *Section 312(a)* (as of a date not more than fifteen (15) days prior to the date such information is furnished), which the Trustee shall preserve in as current a form as is reasonably practicable; provided that no such information need be furnished so long as the Trustee is Bond registrar pursuant to *Section 2.06*. The Trustee will also comply with TIA *Section 312(b)*, but the Trustee, the Company and each person acting on behalf of the Trustee or the Company shall have the protection of TIA *Section 312(c)*.

*Section 17.02. Company to comply with TIA Section 314.* The Company shall file with the Trustee, within fifteen (15) days after it files the same with the Securities and Exchange Commission, copies of the reports, information and documents (or portions thereof) required to be so filed pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended. The Company shall be deemed to have complied with the previous sentence to the extent that such information, documents and reports are filed with the Commission via EDGAR (or any successor electronic delivery procedure). The Company shall also comply with the other provisions of TIA *Section 314(a)(1)-(3)*.

*Section 17.03. Trustee reports to Bondholders and compliance with TIA Section 313.* The Trustee shall (a) transmit within sixty (60) days after May 15 in each year, beginning with the year 2014, to the Bondholders specified in TIA *Section 313(c)* and to the Securities and Exchange Commission, a brief report dated as of such May 15th and complying with the requirements of TIA *Section 313(a)*, but no such report shall be required if no event described in TIA *Section 313(a)* shall have occurred during the twelve (12) month period ended on such May 15th, and (b) comply with the other provisions of TIA *Section 313*.

*Section 17.04. Company reports to Trustee regarding ordinary course disposition.* In the case of transactions permitted by Section 10.02 hereof, the Company shall deliver to the Trustee, within fifteen (15) days after the end of each of the six-month periods ended on June 30 and December 31 in each year, an Officers' Certificate to the effect that all transactions effected pursuant to Section 10.02 hereof during the preceding six-month period were made in the ordinary course of business and that all proceeds therefrom were used by the Company as permitted herein.

## ARTICLE XVIII

### DEFEASANCE

*Section 18.01. Effect of payment of indebtedness; deposit of money or Eligible Obligations in certain instances deemed payment.* (a) The Trustee may, and upon request of the Company shall, cause the Collateral Trustee to satisfy and discharge the Lien of the Mortgage and execute and deliver to the Company upon its written request such deeds and instruments as shall be required to discharge the Lien of the Mortgage, and reconvey and transfer to the Company the Mortgaged Property, whenever all Bonds have become Retired Bonds, and thereupon the Bondholders shall have no rights under this Indenture except to payment of principal of, premium, if any, and interest, if any, on their Bonds.

(b) Notwithstanding the satisfaction and discharge of this Indenture, the Trustee shall have an unsecured right to receive compensation and reimbursement of expenses pursuant to *Section 14.09* through the date of such satisfaction and discharge, and to charge and be reimbursed by the Company for any reasonable expenditures and liabilities (incurred in good faith and without negligence by the Trustee) which it may thereafter incur.

(c) Bonds for the payment of which at their stated maturity within one (1) year and Bonds for the redemption of which within one (1) year, moneys in the necessary amount and/or Eligible Obligations in an amount which, taking into account any reinvestment and proceeds thereof, will, in the opinion of an Accountant as certified to the Trustee in an Accountant's Certificate, provide moneys which, together with the moneys, if any, deposited with or held by the Trustee, shall be sufficient to pay when due the principal of, premium, if any, and interest, if any, due and to become due on such Bonds on the redemption or maturity date thereof and on any interest payment dates thereof, as the case may be, shall have been set apart by or deposited with the Trustee, with irrevocable direction to apply the same to such payment, subject to *Section 18.02* (with or without any additional right given to the Bondholders to surrender their Bonds or obtain therefrom payment therefor prior to such redemption or maturity date) shall for all purposes under this Indenture, including satisfying the Lien of the Mortgage, be deemed to have been paid; provided that in case of redemption the notice of such redemption shall have been given or arrangements shall have been made to the satisfaction of the Trustee that such notice will be given.

*Section 18.02. Unclaimed moneys.* In case any moneys deposited with the Trustee or any Paying Agent or proceeds of the investment in or sale of Eligible Obligations held in trust for the payment of the principal of, premium, if any, or interest on any Bond remain unclaimed for two (2) years after such principal, premium, if any, or interest has become due and payable, the Trustee or such Paying Agent shall so advise the Company and shall pay over to or upon the written order of the Company such moneys, and thereupon the Trustee or such Paying Agent shall be released from any and all further liability with respect to the payment of principal of or premium, if any, or interest on such Bond, and the holder of such Bond shall be entitled (subject to any applicable statute of limitations) as an unsecured creditor to seek the payment thereof from the Company.

## ARTICLE XIX

### IMMUNITY OF INCORPORATORS, SUBSCRIBERS TO THE CAPITAL STOCK, SHAREHOLDERS, OFFICERS AND DIRECTORS

*Section 19.01. General provision.* No recourse under or upon any obligation, covenant or agreement contained in this Indenture or any Supplemental Indenture, or in any Bond or because of the creation of any indebtedness hereby secured, shall be had against any incorporator or any past, present or future subscriber to the capital stock, shareholder, officer, director, agent or representative of the Company or of any predecessor or successor corporation, as such, either directly or through the Company or any predecessor or successor corporation under any rule of law, statute or constitution or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that this Indenture and the obligations hereby secured, are solely corporate obligations, and that no such personal liability shall attach to, or be incurred by, such incorporators, subscribers to the capital stock, shareholders, officers, directors, agents or representatives of the Company or of any predecessor or successor corporation, or any of them, as such, because of the incurring of the indebtedness hereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in this Indenture or in any of the Bonds, or implied therefrom, and that any and all such personal liability of every name and nature, and any and all such rights and claims against

every such incorporator, subscriber to the capital stock, shareholder, officer, director, agent or representative, as such, whether arising at common law or in equity, or created by rule of law, statute, constitution or otherwise, are expressly released and waived as a condition of, and as part of the consideration for, the execution of this Indenture and the issue of the Bonds secured hereby.

## ARTICLE XX

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

*Section 20.01. Evidence of action by Bondholders.* (a) Whenever in this Indenture it is provided that the holders of a specified percentage in aggregate principal amount of Outstanding Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action) the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced (i) by any instrument or any number of instruments of similar tenor executed by Bondholders in person or by attorneys appointed in writing, or (ii) by the record of the Bondholders voting in favor thereof at any meeting of Bondholders duly called and held in accordance with *Article XVI*, or (iii) by a combination of such instrument or instruments and any such record of such a meeting of Bondholders.

(b) Proof of the execution of any such instrument, or of a writing appointing any such attorney, or of the holding by any Person of any Bonds shall be sufficient for any purpose of this Indenture (except as otherwise expressly provided) if made in the following manner:

(i) the fact and date of the execution by any Person of any instrument or writing may be proved by the certificate of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in the jurisdiction in which such notary public or officer purports to act, that the Person signing such instrument or writing acknowledged to such notary public or officer the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary public or officer;

(ii) the amount of Bonds transferable by delivery, and the series and serial numbers thereof, held by any Person, and the date of such Person's holding such Bonds, may be proved either by exhibiting such Bonds themselves or by a certificate executed by any trust company, bank, banker or other depository wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such Person had on deposit with or exhibited to such trust company, bank, banker or other depository, the Bonds described in such certificate. Each such certificate shall be dated and shall state that on the date thereof Bonds bearing a specified serial number or numbers were deposited with or exhibited to such trust company, bank, banker or other depository by the Person named in such certificate. No such certificate shall continue to be effective if (A) a similar certificate bearing a later date issued in respect of the same Bond shall be produced, or (B) the Bond specified in such certificate (or Bonds issued in exchange or substitution for such Bond) shall be exhibited. The Trustee may nevertheless in its discretion require further proof of such holding of Bonds in cases where it deems such further proof desirable. The ownership of Bonds shall be proved by the Bond register of the Company maintained pursuant to *Section 2.06*. The record of any Bondholders' meeting shall be proved in the manner provided in *Section 16.05*.

*Section 20.02. Inspection of Bonds.* Neither the Company nor the Trustee shall be bound to recognize any Person as the holder of a Bond unless and until such Bond is submitted for inspection, if required, and the title of such Person to such Bond satisfactorily established, if disputed.

*Section 20.03. Bondholder may revoke consent.* At any time prior to (but not after) the evidencing to the Trustee, as provided in *Section 20.01*, of the taking of any action by the holders of the percentage in aggregate principal amount of the Outstanding Bonds specified in this Indenture in connection with such action, any holder of an Outstanding Bond the serial number of which is shown by the evidence to be included in the Outstanding Bonds the holders of which have taken such action may, by filing written notice with the Trustee at its principal office and upon proof of such holding as provided in *Section 20.01*, revoke such action so far as concerns such Bond. Except as aforesaid any such action taken by the holder of any Bond shall be conclusive and binding upon such holder and upon all future holders of such Bond (and any Bond issued in lieu thereof or exchanged therefor), irrespective of whether or not any notation of such action is made upon such Bond, and in any event any action taken by the holders of the percentage in aggregate principal amount of the Outstanding Bonds specified in this Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the holders of all of the Bonds.

## ARTICLE XXI

### MISCELLANEOUS

*Section 21.01. Certificates, opinions, etc.* (a) Each certificate or opinion which is required by this Indenture to be delivered to the Trustee with respect to compliance with a condition or covenant contained in this Indenture shall include (i) a statement that the Person signing such certificate or opinion has read such covenant or condition; (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (iii) a statement that, in the opinion of such Person, such Person has made such examination or investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and (iv) a statement as to whether or not in the opinion of such Person such condition or covenant has been complied with.

(b) Every request or application by the Company for action by the Trustee shall be accompanied by an Officers' Certificate and an Opinion of Counsel stating in each case that in the opinion of the Person signing such Officers' Certificate or Opinion of Counsel the conditions precedent, if any, to such action, provided for in this Indenture (including any covenants the compliance with which constitutes a condition precedent to such action), have been complied with.

(c) The same officer or officers of the Company, or the same Engineer or counsel or other Person, as the case may be, need not certify to all the matters required to be certified under any Article or Section of this Indenture, but different officers, Engineers, counsel or other Persons may certify to different facts respectively.

*Section 21.02. Successors and assigns.* Whenever any Person is referred to in this Indenture, such reference shall be deemed to include the successors or assigns of such Person, and all the covenants and agreements in this Indenture contained by or on behalf of the Company or by or on behalf of the Trustee shall bind and inure to the benefit of the respective successors and assigns of the Company and the Trustee whether so expressed or not.

*Section 21.03. Notices to Trustee and Company.* Any request, demand, authorization, direction, notice, consent, waiver or act of Bondholders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(a) the Trustee by any Bondholder or by the Company shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Trustee at the following address (until another address is filed by the Trustee with the Company for the purpose of this *Section 21.03*):

The Bank of New York Mellon Trust Company, N.A.  
2 North LaSalle Street, Suite 1020  
Chicago, Illinois 60602  
Attention: Corporate Trust Administration

(b) the Company by the Trustee or by any Bondholder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company at the following address (until another address is filed by the Company with the Trustee for the purpose of this *Section 21.03*):

MidAmerican Energy Company  
666 Grand Avenue, Suite 500  
Des Moines, Iowa 50309-2580  
Attention: Corporate Secretary

*Section 21.04. Governing law.* This Indenture and the Bonds shall be governed by and construed in accordance with the law of the State of New York (including without limitation Section 5-1401 of the New York General Obligations Law or any successor to such statute), except to the extent that the TIA shall be applicable and except to the extent that the law of any jurisdiction wherein any portion of the Mortgaged Property is located shall mandatorily govern the creation of a mortgage lien on and security interest in, or perfection, priority or enforcement of the Lien of the Mortgage or exercise of remedies with respect to, such portion of the Mortgaged Property.

*Section 21.05. Waiver of jury trial.* EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE BONDS

OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH OF THE COMPANY AND TRUSTEE FURTHER WAIVES ANY RIGHT TO CONSOLIDATE ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED.

*Section 21.06. Conflict with TIA.* If any provision of this Indenture limits, qualifies, or conflicts with another provision of this Indenture which is required to be included pursuant to any requirements of *Sections 310 to 317*, inclusive, of the TIA, such required provision shall control.

*Section 21.07. TIA construed as in effect on date hereof.* Wherever reference is made in this Indenture to the TIA, such reference is made to the TIA as it was in force on the date of the execution of this Indenture.

*Section 21.08. Titles, Table of Contents and Section Headings.* The titles of the Articles, the table of contents and the section headings in this Indenture are included for convenience of reference only and shall not be deemed to be part of this Indenture.

*Section 21.09. Counterparts.* This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

*Section 21.10. Force majeure.* In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

IN WITNESS WHEREOF, MIDAMERICAN ENERGY COMPANY has caused its corporate name to be hereunto affixed, and this instrument to be signed by its Chief Executive Officer, President or one of its Vice Presidents, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., to evidence its acceptance of the trust hereby created, has caused its corporate name to be hereunto affixed, and this instrument to be signed by one of its Vice Presidents, all as of the day and year first above written.

MIDAMERICAN ENERGY COMPANY

By: \_\_\_\_\_  
Name: William J. Fehrman  
Title: President and Chief Executive Officer

THE BANK OF NEW YORK MELLON TRUST COMPANY,  
N.A.

By: \_\_\_\_\_  
Name:  
Title:

INTERCREDITOR AND COLLATERAL  
TRUST AGREEMENT

INTERCREDITOR AND COLLATERAL TRUST AGREEMENT, dated as of \_\_\_\_\_, 2013 (this "Agreement"), among MIDAMERICAN ENERGY COMPANY, an Iowa corporation (together with any successor or assignee, the "Company"); THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a banking association organized and existing under the laws of the United States of America, as Trustee under the Mortgage Bond Indenture referred to below; and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a banking association organized and existing under the laws of the United States of America, as collateral trustee (in such capacity, together with its successors in such capacity, the "Collateral Trustee") for the Secured Parties (as defined below).

WHEREAS, the Company is party to (a) an Indenture, dated as of \_\_\_\_\_, 2013 (as amended, restated, supplemented or otherwise modified from time to time, the "Mortgage Bond Indenture"), between the Company and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Mortgage Bond Trustee"), pursuant to which the Company is issuing and may in the future issue bonds in various series (the "Mortgage Bonds" and, collectively with the Mortgage Bond Indenture, the "Mortgage Bond Documents"), (b) an Indenture, dated as of October 1, 2006 (as supplemented by the First Supplemental Indenture dated as of October 6, 2006, the Second Supplemental Indenture dated as of June 29, 2007, the Third Supplemental Indenture dated as of March 25, 2008 and as further amended, restated, supplemented or otherwise modified from time to time, the "2006 Notes Indenture") between the Company and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "2006 Indenture Trustee"), pursuant to which the Company has issued its 5.80% Notes due 2036, 5.95% Notes due 2017 and 5.30% Notes due 2018 in an aggregate principal amount of \$950,000,000 Outstanding (as defined in the Mortgage Bond Indenture) as of the date of this Agreement (the "2006 Indenture Notes" and, collectively with the 2006 Notes Indenture, the "2006 Indenture Notes Documents"), and (c) an Indenture, dated as of February 8, 2002 (as supplemented by the First Supplemental Indenture dated as of February 8, 2002, the Second Supplemental Indenture dated as of January 14, 2003, the Third Supplemental Indenture dated as of October 1, 2004, the Fourth Supplemental Indenture dated as of November 1, 2005 and as further amended, restated, supplemented or otherwise modified from time to time, the "2002 Notes Indenture" and together with the 2006 Notes Indenture, the "Equal and Ratable Notes Indentures") between the Company and The Bank of New York Mellon Trust Company, N.A. (formerly The Bank of New York), as Trustee (the "2002 Indenture Trustee"), pursuant to which the Company has issued its 6.750% Notes due 2031, 4.650% Notes due 2014 and 5.750% Notes due 2035 in an aggregate principal amount of \$1,050,000,000 Outstanding as of the date of this Agreement (the "2002 Indenture Notes" and, collectively with the 2002 Notes Indenture, the "2002 Indenture Notes Documents"; the 2002 Indenture Notes and 2006 Indenture Notes collectively being the "Equal and Ratable Notes");

WHEREAS, pursuant to the provisions of the Equal and Ratable Notes Indentures, the Company may not create or assume any mortgage, pledge or other lien or encumbrance upon any Principal Facility (as defined below) or any interest it may have therein, without equally and ratably securing the Equal and Ratable Notes Obligations (as defined below);

WHEREAS, all or a substantial portion of the Mortgaged Property (as defined in the Mortgage Bond Indenture; being referred to hereinafter as the “Shared Collateral”), which is intended by the Company to secure the Mortgage Bond Obligations, consists of Principal Facilities and/or interests of the Company therein, and thus is subject to the requirements of the Equal and Ratable Notes Indentures described in the immediately preceding clause; and

WHEREAS, in order for the Company to grant liens on the Shared Collateral to secure the Mortgage Bond Obligations and the Equal and Ratable Notes Obligations, the Mortgage Bond Trustee and the Company have requested and hereby direct the Collateral Trustee to enter into this Agreement to enable the Company to comply with the provisions of the Equal and Ratable Notes Indentures.

NOW, THEREFORE, to equally and ratably secure the Equal and Ratable Notes Obligations and the Mortgage Bond Obligations, the parties hereto hereby agree as follows:

Section 1. Definitions, Etc.

(a) Defined Terms. As used herein, the following terms shall have the following respective meanings:

“2002 Indenture Notes” has the meaning assigned to such term in the preamble to this Agreement.

“2002 Indenture Notes Documents” has the meaning assigned to such term in the preamble to this Agreement.

“2002 Indenture Notes Obligations” means the obligations of the Company in respect of the due and punctual payment of the principal of, any premium on, any interest on (including, to the extent legal permitted, all interest accrued thereon after the commencement of any insolvency or liquidation proceeding, including any applicable post-default rate, even if such interest is not enforceable, allowable or allowed as a claim in such proceeding), and any other amounts payable in respect of the 2002 Indenture Notes in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including payment of amounts that would become due but for the operation of the automatic stay under Section 362 (a) of the Bankruptcy Code, 11 U.S.C. § 362(a) (and any successor provision thereof); *provided however* that “2002 Indenture Notes Obligations” shall not in any event include any obligations in respect of debt securities issued under the 2002 Notes Indenture after the date hereof.

“2002 Indenture Trustee” has the meaning assigned to such term in the preamble to this Agreement.

“2002 Notes Indenture” has the meaning assigned to such term in the preamble to this Agreement.

“2006 Indenture Notes” has the meaning assigned to such term in the preamble to this Agreement.

“2006 Indenture Notes Documents” has the meaning assigned to such term in the preamble to this Agreement.

“2006 Indenture Notes Obligations” means the obligations of the Company in respect of the due and punctual payment of the principal of, any premium on, any interest on (including, to the extent legal permitted, all interest accrued thereon after the commencement of any insolvency or liquidation proceeding, including any applicable post-default rate, even if such interest is not enforceable, allowable or allowed as a claim in such proceeding), and any other amounts payable in respect of the 2006 Indenture Notes in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including payment of amounts that would become due but for the operation of the automatic stay under Section 362 (a) of the Bankruptcy Code, 11 U.S.C. § 362(a) (and any successor provision thereof); *provided however* that “2006 Indenture Notes Obligations” shall not in any event include any obligations in respect of debt securities issued under the 2006 Notes Indenture after the date hereof.

“2006 Indenture Trustee” has the meaning assigned to such term in the preamble to this Agreement.

“2006 Notes Indenture” has the meaning assigned to such term in the preamble to this Agreement.

“Bankruptcy Event” means the occurrence of any one or more of the following events:

(a) by decree of a court of competent jurisdiction the Company is adjudicated a bankrupt or insolvent, or an order is made by such court for the winding up or liquidation of the affairs of the Company or approving a petition seeking reorganization or arrangement of the Company under the bankruptcy law or other law or statute of the United States of America or of any State, or, by order of such court, a trustee or liquidator or receiver is appointed for the Company or for the property of the Company, and such decree or order shall continue in effect for a period of 90 days; or

(b) the Company files a petition for voluntary bankruptcy, or consents to the filing of any such petition, or makes an assignment for the benefit of creditors, or consents to the appointment of a trustee or liquidator or receiver of the Company or of all or a substantial part of the Mortgaged Property, or files a petition or answer or consent seeking reorganization or arrangement under the bankruptcy law or other law or statute of the United States of America or of any State, or consents to the filing of any such petition, or files a petition to take advantage of any debtors’ act.

“Collateral Trustee” has the meaning assigned to such term in the preamble to this Agreement.

“Collateral Trustee’s Fees” means all fees, costs and expenses of the Collateral Trustee of the type described in Section 4.03.

“Company” has the meaning assigned to such term in the preamble to this Agreement.

“Debt Instruments” means, collectively, (i) the 2002 Indenture Notes of each series and the 2002 Notes Indenture, (ii) the 2006 Indenture Notes of each series and the 2006 Notes Indenture and (iii) the Mortgage Bonds of each series and the Mortgage Bond Indenture.

“Debt Trustees” means, collectively, the 2002 Indenture Trustee, the 2006 Indenture Trustee and the Mortgage Bond Trustee.

“Distribution Date” means the date on which any funds are distributed by the Collateral Trustee in accordance with the provisions of Section 3.01.

“Dollars” or “\$” refers to lawful money of the United States of America.

“Equal and Ratable Notes” has the meaning assigned to such term in the preamble to this Agreement.

“Equal and Ratable Notes Documents” means, collectively, the 2002 Indenture Notes Documents and the 2006 Indenture Notes Documents.

“Equal and Ratable Notes Indentures” has the meaning assigned to such term in the preamble to this Agreement.

“Equal and Ratable Notes Obligations” means, collectively, the 2002 Indenture Notes Obligations and the 2006 Indenture Notes Obligations.

“Event of Default” means (i) any “Default” under and as defined in the Mortgage Bond Indenture, (ii) any “Event of Default” under and as defined in the 2002 Notes Indenture and (iii) any “Event of Default” under and as defined in the 2006 Notes Indenture.

“Governmental Obligations” means securities which are (a) (i) direct obligations of the United States of America where the payment or payments thereunder are supported by the full faith and credit of the United States of America or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America where the timely payment or payments thereunder are unconditionally guaranteed as a full faith and credit obligation by the United States of America or (b) depository receipts issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended) as custodian with respect to any such Governmental Obligation or a specific payment of interest on or principal of or other amount with respect to any such Governmental Obligation held by such custodian for the account of the holder of a depository receipt, *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Governmental Obligation or the specific payment of interest on or principal of or other amount with respect to the Governmental Obligation evidenced by such depository receipt.

“Investment Securities” means any of the following obligations or securities on which none of the Company, MidAmerican Energy Holdings Company nor any other subsidiary of MidAmerican Energy Holdings Company thereof is the obligor: (i) Governmental Obligations; (ii) interest bearing deposit accounts (which may be represented by certificates of deposit) in national or state banks (which may include the Collateral Trustee or any Paying Agent) or savings and loan associations having outstanding securities rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (iii) bankers’ acceptances drawn on and accepted by commercial banks (which may include the Collateral Trustee or any Paying Agent) having outstanding securities rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (iv) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, any State or Territory of the United States of America or the District of Columbia, or any political subdivision of any of the foregoing, which are rated in any of the three highest rating categories (without regard to modifiers) by a nationally recognized statistical rating organization; (v) bonds or other obligations of any agency or instrumentality of the United States of America; (vi) corporate debt securities rated in any of the two (2) highest rating categories by a nationally recognized statistical rating organization (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for short term securities; (vii) repurchase agreements with respect to any of the foregoing obligations or securities with banking or financial institutions (which may include the Collateral Trustee or any Paying Agent) having outstanding securities rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (viii) securities issued by any regulated investment company (including any investment company for which the Collateral Trustee or any Paying Agent is the advisor), as defined in Section 851 of the Internal Revenue Code of 1986, as amended, or any successor section of such Code or successor federal statute, *provided* that the portfolio of such investment company is limited to obligations that are bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed as to principal and interest by the full faith and credit of the United States of America, which portfolio may include repurchase agreements which are fully collateralized by any of the foregoing obligations and (ix) any other obligations or securities which may be lawfully purchased by the Collateral Trustee in its capacity as such.

“Lien” means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset and (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset.

“Mortgage” means the Mortgage, Security Agreement, Fixture Filing and Financing Statement, dated as of 2013, made by the Company in favor of Collateral Trustee, as originally executed and as it may from time to time be supplemented or amended by one or more Supplemental Mortgages.

“Mortgage Bonds” has the meaning assigned to such term in the preamble to this Agreement.

“Mortgage Bond Documents” has the meaning assigned to such term in the preamble to this Agreement.

“Mortgage Bond Indenture” has the meaning assigned to such term in the preamble to this Agreement.

“Mortgage Bond Obligations” means the obligations of the Company in respect of the due and punctual payment of the principal of, any premium on, any interest on (including, to the extent legal permitted, all interest accrued thereon after the commencement of any insolvency or liquidation proceeding, including any applicable post-default rate, even if such interest is not enforceable, allowable or allowed as a claim in such proceeding), and any other amounts payable in respect of the Mortgage Bonds (whether now existing or hereinafter issued) in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a) (and any successor provision thereof).

“Mortgage Bond Trustee” has the meaning assigned to such term in the preamble to this Agreement.

“Mortgaged Property” has the meaning assigned to such term in the Mortgage Bond Indenture.

“Paying Agent” has the meaning assigned thereto in the Mortgage Bond Indenture.

“Person” means any individual, corporation, association, company, limited liability company, business trust, partnership, limited liability partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Principal Facility” has the meaning assigned thereto in the 2002 Notes Indenture and the 2006 Notes Indenture.

“Prior Lien” has the meaning assigned thereto in Mortgage Bond Indenture.

“Requisite Secured Parties” means, at any time, Persons holding at such time a majority in principal amount of the sum of (a) the Mortgage Bonds of all series then Outstanding (as the term “Outstanding” is defined in the Mortgage Bond Indenture), (b) the 2006 Indenture Notes of all series then Outstanding (as the term “Outstanding” is defined in the 2006 Notes Indenture) and (c) the 2002 Indenture Notes of all series then Outstanding (as the term “Outstanding” is defined in the 2002 Notes Indenture). For purposes hereof, the Collateral Trustee shall be entitled to conclusively rely and act upon a certification from (i) the Mortgage Bond Trustee as to the aggregate amount of Mortgage Bonds of all series Outstanding at any time, (ii) the 2006 Indenture Trustee as to the aggregate amount of 2006 Indenture Notes of all series Outstanding at any time and (iii) the 2002 Indenture Trustee as to the aggregate amount of 2002 Indenture Notes of all series Outstanding at any time.

“Responsible Officer” when used with respect to this Agreement means any officer of the Collateral Trustee assigned by the Collateral Trustee to administer its corporate trust matters and who shall have direct responsibility for the administration of this Agreement.

“Secured Obligations” means, collectively, (i) the Mortgage Bond Obligations, (ii) the 2006 Indenture Notes Obligations, (iii) the 2002 Indenture Notes Obligations and (iv) the obligations of the Company to the Collateral Trustee hereunder or under each other Shared Security Document.

“Secured Parties” means, collectively, (i) the Mortgage Bond Trustee, for its benefit and the benefit of the holders from time to time of the Mortgage Bonds, (ii) the 2002 Indenture Trustee, for its benefit and the benefit of the holders from time to time of the 2002 Indenture Notes, (iii) the 2002 Indenture Trustee, for its benefit and the benefit of the holders from time to time of the 2002 Indenture Notes and (iv) the Collateral Trustee.

“Shared Collateral” has the meaning assigned to such term in the preamble to this Agreement.

“Shared Security Documents” means, collectively, the Mortgage, each Supplemental Mortgage and any other mortgages, deeds of trust, pledge agreements, security agreements, assignment agreements or other instruments providing for collateral security on Shared Collateral from time to time executed by the Company in favor of the Collateral Trustee.

“Specified Mortgage Bond Secured Parties” means the holders of Mortgage Bonds constituting the required composition of such holders pursuant to Section 12.15(a) of the Mortgage Bond Indenture.

“Supplemental Mortgage” means a mortgage supplementing or amending the Mortgage, entered into by the Company in favor of the Collateral Trustee in accordance with this Agreement, the Mortgage and the Mortgage Bond Indenture.

“Triggering Event” means the occurrence of any of the following: (i) the failure to pay the principal amount of the 2002 Indenture Notes, the 2006 Indenture Notes or Mortgage Bonds of any series, upon final maturity, after expiration of any relevant grace period, (ii) the occurrence of a Bankruptcy Event, (iii) the acceleration of the principal amount of the Secured Obligations under the terms of any of the 2002 Indenture Notes Documents, the 2006 Indenture Notes Documents or the Mortgage Bond Documents or (iv) the issuance of any direction by the Mortgage Bond Trustee to the Collateral Trustee, following the occurrence and during the continuance of any Default (as defined in the Mortgage Bond Indenture), to commence exercise of foreclosure or similar remedies under the Shared Security Documents.

“Trust Estate” means the right, title and interest of the Collateral Trustee in, to and under the Shared Security Documents and the collateral security described therein.

“UCC” means the Uniform Commercial Code as in effect from time to time in the State of New York.

(b) Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in the Mortgage Bond Documents), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “herein,” “hereof” and “hereunder,” and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (iv) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (v) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights and (vi) references herein to the “security of this Indenture” include a reference to the Mortgage which provides security for our obligations under this Indenture and any Bonds issued hereunder.

## Section 2. Declaration and Acceptance of Trust; Remedies.

2.01 Declaration and Acceptance of Trust. The Collateral Trustee hereby declares, and the Company agrees, that the Collateral Trustee holds the Trust Estate as trustee in trust under this Agreement for the equal and ratable benefit of the Secured Parties as provided herein. The Collateral Trustee is appointed the Collateral Trustee hereunder by the Mortgage Bond Trustee and by acceptance of the benefits of this Agreement and the Shared Security Documents, each Secured Party (whether or not a signatory hereto) (i) consents and agrees to the appointment of the Collateral Trustee as trustee hereunder, (ii) confirms that the Collateral Trustee shall have the authority to act as the exclusive agent of such Secured Party for enforcement of any remedies under or with respect to the Shared Security Documents and the giving or withholding of any consent or approval relating to any Shared Collateral or the

Company's obligations with respect thereto and (iii) agrees that, except as expressly provided in this Agreement, such Secured Party shall not take any action to enforce any of such remedies or give any such consents or approvals.

**2.02 Determinations Relating to Shared Collateral.** In the event (i) the Collateral Trustee shall at any time receive any written request from the Company under a Shared Security Document for consent or approval with respect to any matter or thing relating to any Shared Collateral or the Company's obligations with respect thereto or (ii) there shall be due to or from the Collateral Trustee under the provisions of any Shared Security Document any performance or the delivery of any instrument or (iii) a Responsible Officer of the Collateral Trustee shall receive notice of any nonperformance by the Company of any covenant or any breach of any representation or warranty set forth in any Shared Security Document, then, in each such event, the Collateral Trustee shall advise the Mortgage Bond Trustee of the matter or thing as to which consent has been requested or the performance or instrument or other document required to be delivered or the nonperformance or breach of which the Collateral Trustee has received notice. The Mortgage Bond Trustee shall at all times have the exclusive authority to direct the Collateral Trustee's response to any of the events or circumstances contemplated in clauses (i), (ii) or (iii) above.

**2.03 Remedies.**

(a) **Notice of Triggering Event.** If the Collateral Trustee at any time receives notice of a Triggering Event, it shall promptly notify each Debt Trustee and the Company in writing that a Triggering Event has occurred.

(b) **Directions to Collateral Trustee.** Except as otherwise expressly provided herein, the Mortgage Bond Trustee shall at all times (whether before or after the occurrence of a Triggering Event) have the right and authority to direct the time, method and place of conducting any proceeding for the exercise of any right or remedy available to the Collateral Trustee with respect to the Shared Collateral, or of exercising any trust or power conferred on the Collateral Trustee, or for the taking of any other action authorized by the instruments comprising the Trust Estate (including the making of any determinations to be made by the Collateral Trustee thereunder); *provided however* that (i) Specified Mortgage Bond Secured Parties shall have the right at any time, to the extent permitted by Section 12.15(a) and the other provisions of the Mortgage Bond Indenture, to give such direction to the Collateral Trustee upon prior written notice to the Mortgage Bond Trustee and the Collateral Trustee of the exercise of such rights under Section 12.15(a) of the Mortgage Bond Indenture, (ii) following the occurrence of a Triggering Event, Requisite Secured Parties shall have the right at any time to give such direction to the Collateral Trustee upon prior written notice to the Mortgage Bond Trustee and the Collateral Trustee and, thereafter, shall have the exclusive right and authority to direct the Collateral Trustee as to such matters and (iii) nothing in this Section 2.03 shall impair the right of the Collateral Trustee in its discretion to take any action deemed proper by the Collateral Trustee and which is not inconsistent with such direction by the Mortgage Bond Trustee, Specified Mortgage Bond Secured Parties or Requisite Secured Parties, as applicable.

**2.04 Receipt of Funds.** In the event any Secured Party shall receive any funds which, under this Agreement, belong to the Collateral Trustee or any other Secured Party, such

Secured Party shall remit such funds promptly to the Collateral Trustee for distribution by the Collateral Trustee or to such other Secured Party, as the case may be, and prior to such remittance shall hold such funds in trust for the Collateral Trustee or such other Secured Party, as the case may be.

2.05 Nature of Secured Parties' Rights. All of the Secured Parties shall be bound by any instruction or direction given by the Mortgage Bond Trustee, the Specified Mortgage Bond Secured Parties or the Requisite Secured Parties, as applicable, pursuant to this Section 2.

### Section 3. Application of Certain Amounts.

3.01 Application of Proceeds. (a) Except as otherwise herein expressly provided, the proceeds of any collection, sale or other realization of all or any part of the Shared Collateral pursuant to any of the Shared Security Documents, and any other cash constituting Shared Collateral at the time held by the Collateral Trustee under this Agreement, shall be held in trust by the Collateral Trustee and applied as soon as practicable after receipt as follows:

*First*, to the Collateral Trustee in an amount equal to the Collateral Trustee's Fees which are unpaid as of the applicable Distribution Date (and to any Secured Party which has theretofore advanced or paid any such Collateral Trustee's Fees in an amount equal to the amount thereof so advanced or paid by such Secured Party) and to the payment of all taxes, assessments or Prior Liens (except any taxes, assessments or Prior Liens subject to which such collection, sale or other realization shall have been made);

*Second*, after and giving effect to the payment in full of the amounts referred to in clause *first* above (but subject to Section 3.04), to the Secured Parties equally and ratably, each in proportion to the amount of Secured Obligations then held by them (whether or not then due and payable), until all the Secured Obligations have been paid in full (or monies set aside for such payment in full as provided in the next paragraph); and

*Finally*, after payment in full of all Secured Obligations, to the Company or its successors or assigns or as a court of competent jurisdiction may direct,

If at any time any moneys collected or received by the Collateral Trustee are distributable pursuant to clause *second* above to the 2002 Indenture Trustee or the 2006 Indenture Trustee, and if either the 2002 Indenture Trustee or the 2006 Indenture Trustee shall notify the Collateral Trustee in writing that no provision is made under the applicable Equal and Ratable Notes Indenture for the application by the 2002 Indenture Trustee or 2006 Indenture Trustee, as applicable, of such moneys and that the applicable Equal and Ratable Notes Indenture does not effectively provide for the receipt and the holding by the 2002 Indenture Trustee or 2006 Indenture Trustee of such moneys pending the application thereof, then the Collateral Trustee, after receipt of such moneys pending the application thereof, and after receipt of such notification, shall at the direction of the 2002 Indenture Trustee or 2006 Indenture Trustee acting, respectively, at the direction of the holders of a majority in aggregate principal amount of the 2002 Indenture Notes and the 2006 Indenture Notes, as the case may be, invest such amounts in investments constituting Investment Securities as directed by the 2002 Indenture Trustee or 2006 Indenture Trustee, as applicable, maturing within 90 days after they are acquired by the Collateral Trustee or, in the absence of such instruction or in the event of conflicting instructions, hold such

moneys uninvested and shall hold all such amounts so distributable and all such investments and the net proceeds thereof in trust solely for the 2002 Indenture Trustee and/or 2006 Indenture Trustee (each, in its capacity as trustee) and for no other purpose until such time as the 2002 Indenture Trustee and/or 2006 Indenture Trustee shall request in writing the delivery thereof by the Collateral Trustee for application pursuant to the applicable Equal and Ratable Notes Indenture. The Collateral Trustee shall not be responsible for selecting particular investments, any diminution in funds resulting from any such investment or any liquidation or any liquidation thereof prior to maturity.

(b) For the purpose of this Section 3.01, “proceeds” of Shared Collateral includes any and all cash, securities and other property realized from collection, foreclosure or other enforcement of the Collateral Trustee’s Liens upon the Shared Collateral (including distributions of Shared Collateral in satisfaction of any Secured Obligations) or distributed in any bankruptcy case or insolvency or liquidation proceeding in respect of any claim upon any Secured Obligation that is allowed or enforceable therein as a claim secured by Shared Collateral pursuant to the Shared Security Documents. If any Secured Party collects or receives any proceeds from a foreclosure, collection or other enforcement or proceeds of any title or other insurance that should have been applied to the payment of the Secured Obligations in accordance with Section 3.01(a) above, such Secured Party will forthwith deliver the same to the Collateral Trustee, for the benefit of the Secured Parties, to be applied in accordance with Section 3.01(a).

3.02 Reliance by Collateral Trustee; Payments. The Collateral Trustee shall be entitled to conclusively rely upon a certificate from: (i) the Mortgage Bond Trustee as to the aggregate amount of Mortgage Bond Obligations that on any Distribution Date are held by any Secured Party and as to the amount thereof that are due and payable, and shall remit the amount of any cash to be applied pursuant to clause *second* of Section 3.01 to the Mortgage Bond Obligations that are then due and payable directly to the Mortgage Bond Trustee; (ii) the 2006 Indenture Trustee as to the aggregate amount of 2006 Note Obligations that on any Distribution Date are held by any holder of 2006 Indenture Notes and as to the amount thereof that are due and payable, and shall, except to the extent provided in the second paragraph of Section 3.01, remit the amount of any cash to be applied pursuant to clause *second* of Section 3.01 to the 2006 Note Obligations that are then due and payable directly to the 2006 Indenture Trustee; and (iii) the 2002 Indenture Trustee as to the aggregate amount of 2002 Note Obligations that on any Distribution Date are held by any holder of 2002 Indenture Notes and as to the amount thereof that are due and payable, and shall, except to the extent provided in the second paragraph of Section 3.01, remit the amount of any cash to be applied pursuant to clause *second* of Section 3.01 to the 2002 Note Obligations that are then due and payable directly to the 2002 Indenture Trustee; *provided* that nothing in this Section 3.02 shall prevent the Company from contesting any amounts claimed by any Debt Trustee in any such certification.

3.03 Payment Provisions. For the purposes of applying the provisions of Section 3.01, all interest to be paid on any of the Secured Obligations pursuant to the terms of any Debt Instrument shall, as among the Secured Parties and irrespective of whether such interest is or would be recognized or allowed in any bankruptcy or similar proceeding, be treated as a Secured Obligation for purposes hereof.

3.04 Transfer of Certain Amounts Received as Shared Collateral. Anything herein or in any of the other Shared Security Documents to the contrary notwithstanding, so long as no Triggering Event shall have occurred and be continuing, (a) in the event that the Collateral Trustee receives any proceeds of insurance with respect to any Shared Collateral as provided in Section 7.11 of the Mortgage Bond Indenture, if directed by the Mortgage Bond Trustee to remit such amounts to the Company pursuant to Section 7.11 of the Mortgage Bond Indenture, the Collateral Trustee shall promptly remit such amounts to the Company; or (b) in the event the Collateral Trustee is instructed by the Mortgage Bond Trustee to remit any other amounts, or return any securities or instruments, that have been delivered to the Collateral Trustee from the Company or the Mortgage Bond Trustee to be held as Shared Collateral (for the avoidance of doubt, not including proceeds referred to in Section 3.01), for application pursuant to Section 11.01 of the Mortgage Bond Indenture or other applicable provisions of the Mortgage Bond Indenture, the Collateral Trustee shall promptly remit or return such amounts or other property to the Mortgage Bond Trustee for application as provided in the Mortgage Bond Indenture.

3.05 Certain Securities and Instruments Held by Collateral Trustee.

(a) The Collateral Trustee shall use reasonable efforts to collect the principal of and interest on any Governmental Obligations and purchase money obligations secured by a purchase money mortgage which are delivered to the Collateral Trustee pursuant to the terms of the Mortgage Bond Indenture, as and when such principal and interest become payable. Unless the Company is in default in the payment of any principal of or interest on any Outstanding Mortgage Bonds or any Event Default shall be continuing, the interest received by the Collateral Trustee on any such obligation shall be paid over to the Company, and any payments received by the Collateral Trustee on account of the principal of any such obligation in excess (as evidenced by a certificate of an officer of the Company) of the amount of credit used by the Company in respect of such obligation upon the release of any Mortgaged Property from the Lien of the Mortgage shall also be paid to the Company.

(b) With respect to any obligations secured by a purchase money mortgage which are delivered to the Collateral Trustee pursuant to the terms of the Mortgage Bond Indenture, and all substitutions therefor, the Collateral Trustee shall have and may exercise all the rights and powers of an owner of such obligations and substitutions and, without limiting the generality of the foregoing, may collect and receive all insurance moneys payable to it under any provision thereof and apply the same in accordance with the provisions thereof, may consent to extensions thereof at a higher or lower rate of interest, may join in any plan or plans of voluntary or involuntary reorganization or readjustment or rearrangement and may accept and hold under this Agreement new obligations, stocks or other securities issued in exchange therefor under any such plan, and any discretionary action which the Collateral Trustee may be entitled to take in connection with any such obligations or substitutions therefor shall be taken, so long as no Default (as defined in the Mortgage Bond Indenture) has occurred and is continuing, in accordance with the written request of the Company, evidenced by a certificate of an officer of the Company, or, while a Default (as defined in the Mortgage Bond Indenture) is continuing, in the discretion of the Collateral Trustee, *provided* that the Collateral Trustee shall have no obligation to exercise any such discretion unless it receives instructions satisfactory to it from the Mortgage Bond Trustee.

### 3.06 Moneys, Securities and Instruments to be Held in Trust; Investment of Moneys Held in Trust.

(a) All cash, instruments and securities (including Governmental Obligations and purchase money obligations secured by a purchase money mortgage, as provided in Section 3.05) received by the Collateral Trustee pursuant to the terms hereof, the Mortgage Bond Indenture or the Shared Security Documents shall, until withdrawn, used, invested or applied as provided in this Agreement, be held in trust for the purposes for which such cash or other property was received, but need not be segregated from other funds except as directed by the Company or as and to the extent required by law.

(b) After compliance with any applicable legal requirements, the Collateral Trustee may deposit all or any part of cash received by it as Collateral Trustee in certificates of deposit or demand accounts, to its credit as Collateral Trustee in its own banking department or, with the consent of the Company, in any bank or trust company having a combined capital and surplus of not less than Fifty Million Dollars (\$50,000,000). If such bank or trust company publishes reports of condition at least annually, pursuant to law or the requirement of any federal, state or District of Columbia supervising or examining authority, then for the purposes of this paragraph the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in the most recent report of condition so published. So long as no Default (as defined in the Mortgage Bond Indenture) is continuing, the Collateral Trustee shall pay to the Company any interest earned on any such certificate or account.

(c) When so directed by a certificate of an officer of the Company, the Collateral Trustee shall invest all or any part of such cash received by it in any Investment Securities; and the Collateral Trustee, when so directed by a certificate of an officer of the Company, shall sell or repurchase all or any part of such Investment Securities. Such Investment Securities shall be held by the Collateral Trustee as part of the Mortgaged Property; *provided, however*, that the proceeds of such Investment Securities representing interest shall be paid or credited to the Company and shall not constitute Mortgaged Property. If any such sale or any payment on the maturity of any such Investment Securities held by the Collateral Trustee, shall produce a net sum less than the cost (including accrued interest and investment expenses) of such Investment Securities sold or paid, the Company will promptly pay to the Collateral Trustee such amount of cash as will, with the net proceeds of such sale or such payment, equal the cost (including accrued interest and investment expenses) of such Investment Securities so sold or paid; and if any such sale or any payment at the maturity of any such Investment Securities held by the Collateral Trustee, shall produce a net sum greater than the cost (including accrued interest and investment expenses) of such Investment Securities so sold or paid the Collateral Trustee shall, if no Event Default is continuing, pay to the Company the amount of such excess. The Company will also pay to the Collateral Trustee all brokers' fees and other expenses reasonably incurred by the Collateral Trustee in connection with its investment of such cash and the sale of such Investment Securities.

(d) The Collateral Trustee shall allow interest on any cash held by it under this Agreement and deposited by it in its banking department, at the current rate or rates, if any, from time to time paid by it on similar deposits of like size and nature over like periods of time, unless in a particular instance the Collateral Trustee and the Company shall otherwise agree.

Interest so allowed and interest received by the Collateral Trustee from deposits in other banks and trust companies of cash which is a part of the Mortgaged Property made pursuant to in paragraph (b) above, except as otherwise herein provided in respect of particular cash, shall, if no Default (as defined in the Mortgage Bond Indenture) is continuing, be paid or credited to the Company by the Collateral Trustee.

(e) When so directed by a certificate of an officer of the Company, the Collateral Trustee shall establish one or more accounts for the deposit and/or investment of monies received by it, including a separate account from which all cash payable by the Collateral Trustee on behalf of the Company shall be paid and into which cash shall be deposited by the Company, or by the Collateral Trustee on behalf of the Company from other accounts or investments held or managed by the Collateral Trustee, as needed, so that such account shall be operated with a zero balance.

#### Section 4. Agreements with Collateral Trustee.

4.01 Delivery of Debt Instruments. On or before the date hereof, the Company shall have delivered to the Collateral Trustee a true and complete copy of the Mortgage Bond Indenture and each of the Equal and Ratable Notes Indentures, in each case, as in effect on the date hereof. Promptly upon the execution thereof, the Company shall deliver to the Collateral Trustee a true and complete copy of any and all amendments, modifications or supplements to the Mortgage Bond Indenture or the Equal and Ratable Notes Indentures.

4.02 Information. With respect to the Mortgage Bonds, the 2006 Indenture Notes and the 2002 Indenture Notes, the Company (or, in the case of the Mortgage Bonds, the Mortgage Bond Trustee) shall deliver to the Collateral Trustee within 30 days after request by the Collateral Trustee, a list setting forth (as of the date of such request) (i) the aggregate principal amount outstanding thereunder and (ii) the interest rate or rates then in effect thereunder. In addition, the Company shall furnish to the Collateral Trustee within 30 days of a request therefor a list (as of the date of such request) setting forth the name and address of each party to whom notices must be sent under the Mortgage Bond Indenture, the 2006 Indenture Notes Documents and the 2002 Indenture Notes Documents. The Company will promptly notify the Collateral Trustee of each change in the identity of any Debt Trustee.

#### 4.03 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Company agrees to pay (i) to the Collateral Trustee, from time to time upon demand, compensation for its services hereunder and for administering the Trust Estate, as heretofore or from time to time agreed upon in writing between the Collateral Trustee and the Company, (ii) all out-of-pocket expenses incurred by the Collateral Trustee and its affiliates, including the reasonable fees, charges and disbursements of counsel for the Collateral Trustee, in connection with the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (iii) all out-of-pocket expenses incurred or required to be advanced by the Collateral Trustee in connection with the administration of the Trust Estate or the preservation, protection or defense of the Shared Collateral or the Trust Estate or the Collateral Trustee's rights under this Agreement and in and to the Shared Collateral and the Trust Estate, (iv) all out-of-pocket expenses incurred by the

Collateral Trustee, including the fees, charges and disbursements of any counsel for the Collateral Trustee, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section 4.03, including in connection with any workout, restructuring or negotiations in respect thereof and (v) all costs, expenses, taxes, assessments and other charges incurred in connection with any filing, registration, recording or perfection of any security interest contemplated by this Agreement or any other document referred to therein.

(b) Indemnification. The Company agrees to indemnify the Collateral Trustee, the Mortgage Bond Trustee and each Related Party of any of the foregoing Persons (each such Person being called an “Indemnitee”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the transactions contemplated hereby, or (ii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. The benefits of this Section 4.03 shall survive the termination of this Agreement and resignation or removal of the Collateral Trustee.

(c) Payments. All amounts due under this Section 4.03 shall be payable promptly after written demand therefor.

#### Section 5. The Collateral Trustee.

5.01 Certain Duties. The Collateral Trustee’s duties in respect of the Trust Estate shall include the taking of action with respect to applications of the Company or others for consents, waivers, releases or other matters relating to the Trust Estate or the Shared Collateral as is explicitly required of the Collateral Trustee pursuant to the terms hereunder and the prosecution following any Event of Default of any action or proceeding or the taking of any nonjudicial remedial action as shall be determined to be required pursuant to the provisions of Sections 2.02 and 2.03. The Collateral Trustee’s sole duty with respect to the custody, safekeeping and physical preservation of the Shared Collateral in its possession, under the UCC or otherwise, shall be to deal with such Collateral in the same manner as it customarily deals with similar collateral of other parties held by it.

#### 5.02 Exculpatory Provisions.

(a) No Representations. The Collateral Trustee shall not be responsible in any manner whatsoever for the correctness of any recitals, statements, representations or warranties herein contained. The Collateral Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title of the Company thereto or as to the security

afforded by the Shared Security Documents or this Agreement or as to the validity, execution (except its own execution thereof), enforceability, legality or sufficiency of the Shared Security Documents or this Agreement or of the Secured Obligations, and the Collateral Trustee shall incur no liability or responsibility with respect to any such matters. The Collateral Trustee shall not be responsible for insuring the Trust Estate or for the payment of taxes, charges, assessments or Liens upon the Trust Estate or otherwise as to the maintenance of the Trust Estate, including as to the preparation or filing of any UCC financing statements. The Collateral Trustee shall be deemed to have exercised reasonable care in the custody of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property and shall not be liable or responsible for any loss or diminution in the value of any of the Collateral, by reason of the act or omission of any carrier, forwarding agency or other agent or bailee selected by the Collateral Trustee in good faith.

(b) Limitations upon Duties. The Collateral Trustee shall not be required to ascertain or inquire as to the performance by the Company or any other Person of any of the covenants or agreements contained herein, in the Shared Security Documents or in any Debt Instrument or any other agreement or instrument referred to therein. Whenever it is necessary for the Collateral Trustee to ascertain the amount of Secured Obligations then held by a Secured Party, the Collateral Trustee may conclusively rely on a certificate of the Company or the relevant Debt Trustee as to such amount.

(c) Limitations upon Liability. The Collateral Trustee shall not be personally liable for any action taken or omitted to be taken by it in accordance with this Agreement, the Shared Security Documents or any Debt Instrument, except for such actions or omissions that are determined by a court of competent jurisdiction by final and nonappealable judgment to have been caused by the gross negligence or willful misconduct of the Collateral Trustee. The Collateral Trustee and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Company and its Subsidiaries as though the Collateral Trustee were not the collateral trustee hereunder. The Collateral Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement. In no event shall the Collateral Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Collateral Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action. The Collateral Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Collateral Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Collateral Trustee at the Corporate Trust Office of the Collateral Trustee, and such notice references this Agreement.

5.03 Delegation of Duties. The Collateral Trustee may execute any of the trusts or powers hereof and perform any duty hereunder either directly or by or through agents or attorneys-in-fact and shall not be responsible nor liable for the negligence of any such agent or attorney-in-fact appointed by it with due care hereunder.

#### 5.04 Reliance by Collateral Trustee.

(a) Reliance upon Certificates of Company. Whenever in the administration of the trusts of this Agreement the Collateral Trustee shall deem it necessary or advisable that a matter be proved or established in connection with the taking of any action hereunder by the Collateral Trustee, such matter (unless other evidence in respect thereof be herein or in the Shared Security Documents specifically prescribed) may be deemed to be conclusively provided or established by a certificate of an officer of the Company delivered to the Collateral Trustee, and such officers' certificate shall be full warranty to Collateral Trustee for any action taken, suffered or omitted in reliance thereon.

(b) Consultation with Counsel. The Collateral Trustee may consult with counsel of its own selection (which may be in-house counsel for the Collateral Trustee) and the advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon in respect of any action taken or suffered by it hereunder in accordance therewith. The Collateral Trustee shall have the right at any time to seek instructions concerning the administration of the Trust Estate from any court of competent jurisdiction.

(c) Reliance upon Resolutions, Etc. The Collateral Trustee may conclusively rely, and shall be fully protected in acting, upon any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order, bond or other paper or document (whether in its original, electronic or facsimile form) which it has no reason to believe to be other than genuine and to have been signed or presented by the proper party or parties or, in the case of electronic versions, telecopies and telexes, to have been sent by the proper party or parties. The Collateral Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Collateral Trustee and conforming to the requirements of this Agreement or the Shared Security Documents.

(d) Conflict or Doubt in Actions to be Taken. In the event any disagreement between or among any of the Debt Trustees and/or the holders of different classes or series of Debt Instruments shall result in a proceeding in a court of competent jurisdiction being instituted with respect to the proper action to be taken by the Collateral Trustee hereunder, and an order shall be issued enjoining the Collateral Trustee from taking any action hereunder or under any Shared Security Document, the Collateral Trustee shall be entitled to refrain from taking action hereunder and to retain the Trust Estate until the Collateral Trustee shall have received a replacement or supplemental order of such court with respect to the action to be taken. In addition, in the event that the Collateral Trustee in good faith is in doubt as to what action it should take hereunder, the Collateral Trustee shall be entitled to refrain from taking action hereunder and to retain the Trust Estate until the Collateral Trustee shall have received a direction from the Mortgage Bond Trustee (or, as applicable, by the other appropriate instructing parties as provided in Section 2.03(b)) with respect to the action to be taken.

5.05 Limitations on Duties of Collateral Trustee. The Collateral Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Mortgage Bond Trustee (or, as applicable, by the other appropriate instructing parties as provided in Section 2.03(b)). Except as herein otherwise expressly provided, the

Collateral Trustee shall not be under any obligation to take any action which is discretionary with the Collateral Trustee under the provisions hereof except upon the written request of the Mortgage Bond Trustee (or except as otherwise provided in Section 2.03(b)). Upon reasonable prior notice, the Collateral Trustee shall make available for inspection and copying during normal business hours by any Secured Party each certificate or other paper furnished to the Collateral Trustee by the Company or any Debt Trustee under or in respect of this Agreement, the Shared Security Documents or any portion of the Trust Estate.

5.06 Moneys to be Held in Trust. All moneys received by the Collateral Trustee under or pursuant to any provision of this Agreement shall be held in trust for the purposes for which they were paid or are held.

5.07 Resignation and Replacement of Collateral Trustee.

(a) Resignation. The Collateral Trustee may at any time, by giving 60 days' prior written notice to the Company and the Mortgage Bond Trustee, resign and be discharged of the responsibilities hereby created, such resignation to become effective upon the earlier of (i) 60 days from the date of such notice and (ii) the appointment of a successor collateral trustee or collateral trustees by the Mortgage Bond Trustee (with such successor to be chosen in consultation with, and reasonably satisfactory to, the Company, so long as no Event of Default has occurred and is continuing). If no successor collateral trustee or collateral trustees shall be appointed and approved within 60 days from the date of the giving of the aforesaid notice of resignation, the Collateral Trustee (notwithstanding the termination of all of its other duties and obligations hereunder by reason of such resignation), the Mortgage Bond Trustee or the Company may at the expense of the Company, apply to any court of competent jurisdiction to appoint a successor collateral trustee or collateral trustees (which may be an individual or individuals) to act until such time, if any, as a successor collateral trustee or collateral trustees shall have been appointed as above provided. Any successor collateral trustee or collateral trustees so appointed by such court shall immediately and without further act be superseded by any successor collateral trustee or collateral trustees approved by the Mortgage Bond Trustee as above provided. In connection with the foregoing, the Company hereby agrees with the Secured Parties to pay the fees, costs and expenses of any successor Collateral Trustee, and to provide indemnification to any successor Collateral Trustee, to the same extent as it provides the same to the predecessor Collateral Trustee.

(b) Appointment of Successor Collateral Trustee. If at any time the Collateral Trustee shall resign, fail to qualify to act as Collateral Trustee or otherwise become incapable of acting, or if at any time a vacancy shall occur in the office of Collateral Trustee for any other cause, a successor collateral trustee or collateral trustees may be appointed by the Mortgage Bond Trustee (with such successor to be chosen in consultation with, and reasonably satisfactory to, the Company, so long as no Event of Default has occurred and is continuing), and the powers, duties, authority and title of the predecessor collateral trustee or collateral trustees terminated and canceled without procuring the resignation of such predecessor collateral trustee or collateral trustees, and without any other formality (except as may be required by applicable law) other than appointment and designation of a successor collateral trustee or collateral trustees in writing, duly acknowledged, delivered to the predecessor collateral trustee or collateral trustees and each of the Debt Trustees, and filed for record in each public office, if any, in which this Agreement is required to be filed.

(c) Rights of Successor Collateral Trustee. The appointment and designation referred to in Section 5.07(b) shall, after any required filing, be full evidence of the right and authority to make the same and of all the facts therein recited, and this Agreement shall vest in such successor collateral trustee or collateral trustees, without any further act, deed or conveyance, all of the estate and title of its predecessor or their predecessors, and upon such filing for record the successor collateral trustee or collateral trustees shall become fully vested with all the estates, properties, rights, powers, trusts, duties, authority and title of its predecessor or their predecessors; but such predecessor or predecessors shall, nevertheless, on the written request of the Mortgage Bond Trustee or any successor collateral trustee or collateral trustees, execute and deliver an instrument transferring to such successor or successors all the estates, properties, rights, powers, trusts, duties, authority and title of such predecessor or predecessors hereunder, take all steps reasonably necessary to assign the Liens and security interests in the Shared Collateral to the successor collateral trustee and shall deliver all securities, instruments, moneys and other Shared Collateral held by it or them to such successor collateral trustee or collateral trustees.

(d) Filings at Expense of Company. Any required filing for record of the instrument appointing a successor collateral trustee as hereinabove provided shall be made by and at the expense of the Company.

5.08 Qualifications of Successors to Collateral Trustee. Except as permitted by Section 5.07, any successor to the Collateral Trustee appointed pursuant to Section 5.07 shall be a bank or trust company in good standing and having power so to act, incorporated under the laws of the United States of America or any State thereof or the District of Columbia, and having its principal corporate trust office within the forty-eight contiguous States, and shall also have capital, surplus and undivided profits of not less than \$500,000,000.

5.09 Merger of Collateral Trustee. Any Person into which the Collateral Trustee may be merged, or with which it may be consolidated, or any Person resulting from any merger or consolidation to which the Collateral Trustee shall be a party, or any Person acquiring all or substantially all of the corporate trust business of the Collateral Trustee, shall be the Collateral Trustee under this Agreement without the execution or filing of any paper or any further act on the part of the parties hereto.

5.10 Appointment of Additional and Separate Collateral Trustee. Whenever (i) the Collateral Trustee or the Mortgage Bond Trustee shall deem it necessary or prudent in order to conform to any law of any jurisdiction in which all or any part of the Shared Collateral shall be situated or to make any claim or bring any suit with respect to or in connection with the Shared Collateral, or (ii) the Collateral Trustee shall be advised by counsel that it is so necessary or prudent in the interest of the Secured Parties, then in any such case, the Collateral Trustee shall execute and deliver from time to time all instruments and agreements necessary or proper to constitute another bank or trust company or one or more Persons approved by the Collateral Trustee either to act as additional trustee or trustees of all or any part of the Trust Estate, jointly with the Collateral Trustee, or to act as separate trustee or trustees of all or any part of the Trust

Estate, in any such case with such powers as may be provided in such instruments or agreements, and to vest in such bank, trust company or Person as such additional trustee or separate trustee, as the case may be, any property, title, right or power of the Collateral Trustee deemed necessary or advisable by the Collateral Trustee. The fees and expense of any such additional trustee or trustees shall be paid by the Company.

#### Section 6. Release of Trust Estate and Shared Collateral; Expiration of Certain Rights.

6.01 Release of Trust Estate; Expiration of Certain Rights. Notwithstanding any contrary provision herein, the Trust Estate shall be assigned and released to (i) the Mortgage Bond Trustee for the benefit of the holders of Mortgage Bond Obligations on the earlier of (a) the date on which all the 2002 Indenture Notes Obligations and 2006 Indenture Notes Obligations shall have been paid in full to the holders thereof, (b) the occurrence of a legal defeasance or covenant defeasance in respect of the Equal and Ratable Notes Indentures which removes or otherwise eliminates any provisions requiring equal and ratable security for the holders of the 2006 Indenture Notes and 2002 Indenture Notes, (c) the date on which the Equal and Ratable Notes Indentures cease to require that the Shared Collateral must secure any Equal and Ratable Notes Obligations equally and ratably or (d) the date that the provisions of the Equal and Ratable Notes Indentures that require equal and ratable security shall be held to be invalid, void or unenforceable by the final judgment of a court of competent jurisdiction, no longer subject to appeal or review, or (ii) the Company on the date on which all the Mortgage Bond Obligations have been paid in full, the Mortgage Bond Trustee has given written notice thereof to the Collateral Trustee and all the Collateral Trustee's Fees have been paid in full.

#### 6.02 Releases of Shared Collateral.

(a) The Lien of the Shared Security Documents may, at any time, be released in whole or in part by the Collateral Trustee as provided in Section 1.07 of the Mortgage or otherwise pursuant to (i) if no Triggering Event has occurred and is continuing, written directions signed by the Mortgage Bond Trustee, or (ii) if a Triggering Event has occurred and is continuing, written directions from the Requisite Secured Parties, *provided*, in each case, that no such release shall be effected in such a manner so that fewer than all, but not all, of the Secured Parties continue to be entitled to the benefits of such Lien (or become entitled to the benefits of a substitute Lien) without each of the Secured Parties hereunder being equally and ratably secured on the respective property subject to such Lien (to the extent such property is Shared Collateral), unless the terms of the Debt Instruments applicable to such Secured Parties do not require that such Secured Parties be equally and ratably secured by the relevant Lien, as reflected in an opinion of counsel to such effect delivered to the Collateral Trustee. No such release shall require any consent or approval by any other Secured Party.

(b) For the avoidance of doubt, if (i) the Shared Security Documents provide for a release of the Collateral Trustee's Lien over all or any part of the Shared Collateral upon a disposition of such Collateral, (ii) such disposition complies with the terms of the Mortgage Bond Indenture or is directed in connection with the exercise of rights and remedies pursuant to Section 2.03(b) and (iii) upon such disposition, the Collateral Trustee's Lien over such Shared Collateral would automatically be released under the Shared Security Documents, then such release shall be deemed permitted under this Agreement without the consent of the Collateral Trustee or any other Secured Party hereunder and the Collateral Trustee shall be authorized to execute and deliver any acknowledgment or other document reasonably requested by the Company to evidence such release.

6.03 Amendments of Shared Security Documents. The Mortgage Bond Trustee shall have the exclusive authority to direct the Collateral Trustee to amend, supplement or waive, or to permit the Company to amend, supplement or waive, any provision of the Shared Security Documents without any consent or approval of, or prior notice to, any other Secured Party; *provided however* that (i) the Collateral Trustee shall not be obligated to execute or permit any such amendment, supplement or waiver that affects the Collateral Trustee's own rights, duties or immunities under this Agreement or the Shared Security Documents and (ii) any such amendment, supplement or waiver that would materially and adversely affect the rights of the holders of the 2002 Indenture Notes or the 2006 Indenture Notes to equally and ratably share in the security provided for herein and in the Shared Security Documents, to the extent such equal and ratable sharing is required by the 2002 Notes Indenture or 2006 Notes Indenture, as applicable, shall be joined in, or consented to in writing, by the 2002 Indenture Trustee or the 2006 Indenture Trustee, as the case may be. To determine that, under the foregoing clause (ii), it is not necessary for each of the 2002 Indenture Trustee and 2006 Indenture trustee to join in, or consent in writing to, such amendment, supplement or waiver, the Collateral Trustee and the 2002 Indenture Trustee and/or 2006 Indenture Trustee shall each be provided with (and shall be entitled to rely upon) an opinion of counsel of the Company to the effect that such amendment would not materially and adversely affect the rights of the holders of the 2002 Indenture Notes and/or 2006 Indenture Notes, as the case may be, to equally and ratably share in the security provided for herein and in the Shared Security Documents, to the extent such equal and ratable sharing is required by the 2002 Notes Indenture or 2006 Notes Indenture, as applicable. Notwithstanding the foregoing, it is agreed that any amendment, supplement or waiver with respect to the Shared Security Documents in the nature of, and solely to the extent constituting, a release of the Lien of the Shared Security Documents over any Shared Collateral, shall be governed by Section 6.02(a) and not this Section 6.03.

#### Section 7. Miscellaneous.

7.01 Equal and Ratable Security. This Agreement is intended to comply with the provisions of the Equal and Ratable Notes Documents to secure the Equal and Ratable Notes Obligations equally and ratably with the Mortgage Bond Obligations in respect of the Shared Collateral. It is agreed that this Agreement and the Shared Security Documents are intended to secure, and provide for security for, the Equal and Ratable Notes Obligations on an equal and

ratable basis with the Mortgage Bond Obligations with respect to the Shared Collateral, so long as, and to the extent, required with respect to any series of Equal and Ratable Notes, and this Agreement and the Shared Security Documents shall be construed and enforced to give effect to such intention. It is agreed that the foregoing shall be given effect notwithstanding (i) the time of incurrence of the Mortgage Bond Obligations or any series of Equal and Ratable Notes Obligations, (ii) the order or method of attachment or perfection of any Liens on any Shared Collateral securing the Mortgage Bond Obligations or any series of Equal and Ratable Notes Obligations, (iii) the time or order of filing or recording of financing statements or other documents filed or recorded to perfect any Lien upon any Shared Collateral, (iv) the time of taking of possession or control over any Shared Collateral, (v) that any Lien granted under the Shared Security Documents on any Shared Collateral may not have been perfected or may be or have become subordinated, by equitable subordination or otherwise, to any other Lien on the Shared Collateral, or (vi) the rules for determining priority under any law governing the relative priorities of Liens. Any and all rights not herein expressly given to the 2002 Indenture Trustee and/or 2006 Indenture Trustee are expressly reserved to the Mortgage Bond Trustee, it being understood that in the absence of a requirement to provide equal and ratable security set forth in the Equal and Ratable Notes Documents, this Agreement would not have been accepted by the Mortgage Bond Trustee or the holders of the Mortgage Bonds.

7.02 Amendments, Supplements and Waivers. This Agreement may be amended at any time by an instrument in writing signed by the parties hereto; *provided however* that (i) the 2002 Indenture Trustee or the 2006 Indenture Trustee must join in any such instrument to the extent that the same would materially and adversely affect the rights of the holders of the 2002 Indenture Notes or 2006 Indenture Notes, as the case may be, to equally and ratably share in the security provided for herein and in the Shared Security Documents, to the extent such equal and ratable sharing is required by the 2002 Notes Indenture or 2006 Notes Indenture, as applicable, and (ii) the Collateral Trustee shall not be obligated to execute any such instrument to the extent it would affect the Collateral Trustee's own rights, duties or immunities under this Agreement or the Shared Security Documents. To determine that, under the foregoing clause (i), it is not necessary for each of the 2002 Indenture Trustee or 2006 Indenture Trustee to join in such amendment, the Collateral Trustee and 2002 Indenture Trustee and/or 2006 Indenture Trustee shall each be provided with (and shall be entitled to rely upon) an opinion of counsel, which may be counsel of the Company to the effect that such amendment would not materially and adversely affect the rights of the holders of the 2002 Indenture Notes and/or 2006 Indenture Notes, as the case may be, to equally and ratably share in the security provided for herein and in the Shared Security Documents, to the extent such equal and ratable sharing is required by the 2002 Notes Indenture or 2006 Notes Indenture, as applicable.

7.03 Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to the Company:

MidAmerican Energy Company  
666 Grand Avenue, Suite 500  
Des Moines, Iowa 50309-2580  
Attention: Corporate Secretary  
Fax: 515-242-4295

(ii) if to the Collateral Trustee:

The Bank of New York Mellon Trust Company, N.A.  
2 North LaSalle Street, Suite 1020  
Chicago, IL 60602  
Attention: Corporate Trust Administration  
Tel: 312-827-8618; Fax: 312-827-8542

(iii) if to any Debt Trustee:

The Bank of New York Mellon Trust Company, N.A.  
2 North LaSalle Street, Suite 1020  
Chicago, IL 60602  
Attention: Corporate Trust Administration  
Tel: 312-827-8618; Fax: 312-827-8542

or, in the case of any party, at such other address as shall be designated by it in a written notice to each of the other parties. All such notices and other communications given in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

7.04 The Collateral Trustee agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, pdf, facsimile transmission or other similar unsecured electronic methods, provided, however, that the Collateral Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Company elects to give the Collateral Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Collateral Trustee in its discretion elects to act upon such instructions, the Collateral Trustee's understanding of such instructions shall be deemed controlling. The Collateral Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Collateral Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Company agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Collateral Trustee, including without limitation the risk of the Collateral Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

7.05 Captions. The captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

7.06 Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

7.07 Dealings with the Company. Upon any application or demand by the Company to the Collateral Trustee to take or permit any action under any of the provisions of this Agreement or under any Shared Security Document, the Company shall furnish to the Collateral Trustee a certificate of an appropriate officer and an opinion of counsel stating that all conditions precedent, if any, provided for in this Agreement or such Shared Security Document relating to the proposed action have been complied with.

7.08 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Company, the Secured Parties and each holder of any of the Secured Obligations (*provided however* that the Company shall not assign or transfer its rights or obligations hereunder without the prior written consent of the Collateral Trustee and the Mortgage Bond Trustee).

7.09 Governing Law; Jurisdiction; Etc.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the law of the State of New York.

(b) SUBMISSION TO JURISDICTION. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK AND THE FEDERAL DISTRICT COURT, IN EACH CASE, SITTING IN THE BOROUGH OF MANHATTAN AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND EACH SHARED SECURITY DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN THE STATE OF NEW YORK OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

(c) WAIVER OF VENUE. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY SHARED SECURITY DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION 8.08. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY

WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) Service of Process. Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 7.03. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

7.10 Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page to this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

7.11 Waiver Of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE SHARED SECURITY DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO FURTHER WAIVES ANY RIGHT TO CONSOLIDATE ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED.

7.12 No Waiver. No failure on the part of the any Secured Party to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by any Secured Party of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

7.13 Survival. The provisions of Section 4.03 and Section 5 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the resignation or removal of the Collateral Trustee and the repayment in full of the Secured Obligations.

7.14 Force Majeure. In no event shall the Collateral Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Collateral Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

7.15 Incorporation by Reference. In connection with its execution and acting hereunder, the Mortgage Bond Trustee is entitled to all rights, privileges, protections, benefits, immunities and indemnities provided to it and the Collateral Trustee hereunder and to it under the Mortgage Bond Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be duly executed and delivered as of the date first above written.

MIDAMERICAN ENERGY COMPANY

By \_\_\_\_\_  
Name:  
Title:

Signature Page to Intercreditor and Collateral Trust Agreement

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.,  
as Mortgage Bond Trustee

By \_\_\_\_\_  
Name:  
Title:

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.,  
as Collateral Trustee

By \_\_\_\_\_  
Name:  
Title:

Signature Page to Intercreditor and Collateral Trust Agreement

---

MORTGAGE, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT

From

MIDAMERICAN ENERGY COMPANY

To

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS COLLATERAL TRUSTEE

---

Dated:           , 2013

LEGAL DESCRIPTION: See Exhibit A

---

---

MidAmerican Energy Company  
666 Grand Avenue, Suite 500  
Des Moines, Iowa 50309-2580  
Attention: Corporate Secretary

PREPARED BY:  
Gibson Dunn & Crutcher LLP  
555 Mission Street, Suite 3000  
San Francisco, California 94105-0921  
Attention: Deborah A. Cussen, Esq.  
Phone: 415-393-8226

UPON RECORDATION

RETURN TO:  
MidAmerican Energy Company  
666 Grand Avenue, Suite 500  
Des Moines, Iowa 50309-2580  
Attention: Corporate Secretary

THIS MORTGAGE, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT dated as of \_\_\_\_\_, 2013 (as it may be amended, supplemented, replaced or otherwise modified from time to time, this "Mortgage"), by MIDAMERICAN ENERGY COMPANY, an Iowa corporation, having an office at 666 Grand Avenue, Suite 500, Des Moines, Iowa 50309-2580 (together with its successors and permitted assigns, the "Mortgagor"), to THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., having an office at \_\_\_\_\_, as Collateral Trustee for the benefit of the Secured Parties (as such terms are defined below) (in such capacity, the "Mortgagee").

WITNESSETH THAT:

Reference is made to: (a) an Indenture, dated as of \_\_\_\_\_, 2013 (as amended, restated, supplemented or otherwise modified from time to time, the "Mortgage Bond Indenture"), between the Mortgagor and The Bank of New York Mellon Trust Company, N.A., as Trustee (in such capacity, the "Mortgage Bond Trustee"), pursuant to which the Mortgagor is issuing and may in the future issue bonds in various series (the "Mortgage Bonds" and, collectively with the Mortgage Bond Indenture, the "Mortgage Bond Documents"); (b) an Indenture, dated as of October 1, 2006 (as supplemented by the First Supplemental Indenture dated as of October 6, 2006, the Second Supplemental Indenture dated as of June 29, 2007, the Third Supplemental Indenture dated as of March 25, 2008 and as further amended, restated, supplemented or otherwise modified from time to time, the "2006 Notes Indenture") between the Mortgagor and The Bank of New York Mellon Trust Company, N.A., as Trustee (in such capacity, the "2006 Indenture Trustee"), pursuant to which the Mortgagor has issued its 5.80% Notes due 2036, 5.95% Notes due 2017 and 5.30% Notes due 2018 in an aggregate principal amount of \$950,000,000 Outstanding (as defined in the Mortgage Bond Indenture) (the "2006 Indenture Notes" and, collectively with the 2006 Notes Indenture, the "2006 Indenture Notes Documents"); and (c) an Indenture, dated as of February 8, 2002 (as supplemented by the First Supplemental Indenture dated as of February 8, 2002, the Second Supplemental Indenture dated as of January 14, 2003, the Third Supplemental Indenture dated as of October 1, 2004, the Fourth Supplemental Indenture dated as of November 1, 2005 and as further amended, restated, supplemented or otherwise modified from time to time, the "2002 Notes Indenture" and together with the 2006 Notes Indenture, the "Equal and Ratable Notes Indentures") between the Mortgagor and The Bank of New York Mellon Trust Company, N.A. (formerly The Bank of New York), as Trustee (in such capacity, the "2002 Indenture Trustee"), pursuant to which the Mortgagor has issued 6.750% Notes due 2031, 4.650% Notes due 2014 and 5.750% Notes due

2035 in an aggregate principal amount of \$1,050,000,000 Outstanding (the “2002 Indenture Notes” and, collectively with the 2002 Notes Indenture, the “2002 Indenture Notes Documents”; the 2002 Indenture Notes and 2006 Indenture Notes collectively being the “Equal and Ratable Notes”);

No Mortgage Bonds may be issued until the execution and delivery by Mortgagor of this Mortgage to secure the obligations of the Mortgagor to pay the principal of, premium, if any, and interest on, the Mortgage Bonds (whether now existing or hereinafter issued) and all obligations of the Mortgagor to the Mortgage Bond Trustee under the Mortgage Bond Indenture (such obligations, the “Mortgage Bond Obligations”).

Pursuant to the provisions of the Equal and Ratable Notes Indentures, the Mortgagor may not create or assume any mortgage, pledge or other lien or encumbrance upon any Principal Facility (as defined in the Collateral Trust Agreement (as defined below)) or any interest the Mortgagor may have therein, without equally and ratably securing the Equal and Ratable Notes Obligations (as defined in the Collateral Trust Agreement).

All or a substantial portion of the Mortgaged Property (as defined in the Mortgage Bond Indenture, referred to hereinafter as the “Shared Collateral”), which is intended by the Mortgagor to secure the Mortgage Bond Obligations, consists of Principal Facilities and/or interests of the Mortgagor therein, and thus is subject to the requirements of the Equal and Ratable Notes Indentures described in the immediately preceding paragraph.

As used in this Mortgage, the term “Secured Parties” shall have the meaning given to such term in the Intercreditor and Collateral Trust Agreement dated as of \_\_\_\_\_, 2013 (the “Collateral Trust Agreement”), by and among the Mortgagor, the Mortgagee, the Mortgage Bond Trustee, the 2006 Indenture Trustee and the 2002 Indenture Trustee.

In connection with the Mortgage Bond Indenture, and pursuant to the requirements of the Equal and Ratable Notes Indentures, the Mortgagor is granting this Mortgage to create a lien on and a security interest in the Mortgaged Property (as hereinafter defined) to secure the performance and payment by the Mortgagor of the Secured Obligations (as hereinafter defined).

### Granting Clauses

NOW, THEREFORE, IN CONSIDERATION OF the foregoing and to secure the payment of the principal of, premium, if any, and interest, if any, on the Secured Obligations (as defined in the Collateral Trust Agreement), and in consideration of the premises, the Mortgagor does hereby GRANT, BARGAIN, SELL, WARRANT, RELEASE, CONVEY WITH POWER OF SALE, ASSIGN, TRANSFER, MORTGAGE, PLEDGE, SET OVER AND CONFIRM unto the Mortgagee, all of the Mortgagor's interest in (i) the real property, rights and interests in real property described in Exhibit A, together with any greater or additional estate therein as hereafter may be acquired by Mortgagor (the "Land"); (ii) all improvements now owned or hereafter acquired by Mortgagor, now or at any time situated, placed or constructed upon the Land subject to the Permissible Encumbrances, (the "Improvements"); the Land and Improvements are collectively referred to as the "Premises"); (iii) all materials, supplies, equipment, apparatus and other items of personal property now owned or hereafter acquired by Mortgagor and now or hereafter attached to, installed in or used in connection with any of the Improvements or the Land, and water, gas, electrical, telephone, storm and sanitary sewer facilities and all other utilities whether or not situated in easements (the "Fixtures"); (iv) to the extent mortgageable or assignable all rights, privileges, tenements, hereditaments, rights of way, easements, appendages and appurtenances appertaining to the foregoing; (v) all of Mortgagor's right, title and interest in and to any awards, damages, remunerations, reimbursements, settlements or compensation heretofore made or hereafter to be made by any governmental authority pertaining to the Land, Improvements, Fixtures or Personalty (the "Condemnation Awards"); and (vi) subject to Article XIII of the Mortgage Bond Indenture, all of the property, rights and interests in property in the State of Iowa acquired by the Mortgagor after the date of the execution of this Mortgage which are integral parts of or used or to be used as integral parts of the electric generating, transmission and distribution operations of the Mortgagor in the Counties of \_\_\_\_\_, State of Iowa, which shall be and are by the terms hereof fully granted and conveyed by this Mortgage and as fully embraced within the lien created by this Mortgage as if such property, rights and interests in property were now owned by the Mortgagor and were specifically described herein and conveyed hereby, and all cash, securities, instruments and other property delivered to the Mortgagee by or on behalf of the Mortgagor and/or otherwise held by the Mortgagee as required pursuant to the terms of the Mortgage Bond Indenture, the Collateral Trust Agreement or the Mortgage (the foregoing property, the "Mortgaged Property").

Notwithstanding anything to the contrary contained in the foregoing, the term "Mortgaged Property" shall not include any Excepted Property (as defined below); provided, that Mortgagor expressly reserves the right, at any time and from time to time, by one or more Supplemental Mortgages, to subject to the lien and operation of this Mortgage any part or all of the Excepted Property upon such terms and conditions and subject to such restrictions, limitations and reservations as may be set forth in such Supplemental Mortgage or Supplemental Mortgages.

As used herein, "Excepted Property" means all of the following described property, whether now owned or hereafter acquired by the Mortgagor:

(i) all cash, shares of stock, bonds, notes and other obligations and securities (x) not deposited, or required to be deposited, with the Mortgagee by the express provisions of the Mortgage Bond Indenture, the Collateral Trust Agreement or this Mortgage, as applicable or (y) held by the Mortgagee for the benefit of the 2002 Indenture Trustee or the 2006 Indenture Trustee, as applicable, pursuant to the second paragraph of Section 3.01(a) of the Collateral Trust Agreement or any successor or substitute provision;

(ii) all bills, notes and other instruments, accounts receivable, claims, credits, judgments, demands, general intangibles, choses in action, permits, franchises, patents, patent applications, patent licenses and other patent rights, trade names, trademarks, and all contracts, leases and agreements of whatsoever kind and nature, not pledged or required to be pledged with the Mortgagee pursuant to the terms of the Mortgage Bond Indenture;

(iii) all merchandise, equipment, spare parts, tools, materials, supplies and fuel held for sale or lease in the ordinary course of business or for use or consumption in, or in the operation of, any properties of, or for the benefit of, the Mortgagor, or held in advance of use thereof for maintenance, replacement or fixed capital purposes;

(iv) all electricity, gas, steam, water and other materials, products or services generated, manufactured, produced, provided or purchased by the Mortgagor for sale or distribution or used or to be used by the Mortgagor;

(v) all railcars, aircraft, watercraft, automobiles, buses, trucks, tractors, trailers and similar vehicles and movable equipment, and all components, spare parts, accessories, supplies and fuel used or to be used in connection with any of the foregoing;

(vi) all office furniture and office equipment;

(vii) all leasehold interests and leasehold improvements;

(viii) the last day of the term of any lease or leasehold now owned or hereafter acquired by the Mortgagor which is specifically subjected to the lien of this Mortgage;

(ix) all timber, crops, sand, gravel, rocks, earth, natural gas, oil, coal, uranium and other minerals, products or components of land and minerals, harvested, mined or extracted from or otherwise separated from the earth, or lying or being upon, within or under any properties of the Mortgagor, including Mortgaged Property, and timber, crops, sand, gravel, rocks, earth, natural gas, oil, coal, uranium and other land and mineral rights, leases and royalties and income therefrom, and rights to explore for minerals;

(x) except as the same may be specifically subjected to the lien of this Mortgage, all nuclear fuel, cores and materials;

(xi) all satellites and other equipment and materials used or to be used in outer space; all business machines; all communications equipment; all computer equipment; all record production, storage and retrieval equipment; all telephone equipment; and all components, spare parts, accessories, programs and supplies used or to be used in connection with any of the foregoing;

(xii) all real or personal property which meets all of the following conditions:

(A) is not specifically described in Exhibit A to this Mortgage,

(B) is not specifically subjected or required to be subjected to the lien of this Mortgage by any express provision of this Mortgage or the Mortgage Bond Indenture, and

(C) is not an integral part of or used or to be used (I) as an integral part of the electric generating, transmission and distribution operations of the Mortgagor in the State of Iowa, or (II) in connection with the operation of any property specifically subjected or required to be subjected to the lien of this Mortgage by the express provisions of this Mortgage or the Mortgage Bond Indenture;

- (xiii) all real and personal property which is not in the State of Iowa;
- (xiv) the franchise of the Mortgagor to be a corporation; and
- (xv) all books and records.

TO HAVE AND TO HOLD the Mortgaged Property unto the Mortgagee, its successors and assigns, for the ratable benefit of the Secured Parties, forever, subject to Permissible Encumbrances (as such term is defined in the Mortgage Bond Indenture) and to satisfaction and release or assignment as provided in Section 3.04.

## ARTICLE I

### Covenants of Mortgagor

Mortgagor agrees, covenants, represents and/or warrants as follows:

SECTION 1.01. Due Execution, Delivery and Enforceability. Mortgagor represents and warrants to the Mortgagee that this Mortgage has been duly executed and delivered by the Mortgagor and constitutes a legal, valid and binding obligation of the Mortgagor, enforceable in accordance with its terms.

SECTION 1.02. Title. The Mortgagor represents and warrants to the Mortgagee that (a) except for the Permissible Encumbrances (as defined in the Mortgage Bond Indenture) Mortgagor owns the Mortgaged Property free and clear of any liens and (b) this Mortgage creates valid, enforceable first priority liens and security interests (subject to Permissible Encumbrances) against the Mortgaged Property.

SECTION 1.03. First Lien Status. The Mortgagor shall preserve and protect the first lien and security interest status (subject to Prior Liens permitted by the Mortgage Bond Indenture and other Permissible Encumbrances) of this Mortgage to the extent related to the Mortgaged Property.

SECTION 1.04. Payment and Performance. The Mortgagor shall pay the Secured Obligations when due and perform its obligations under the Mortgage Bond Indenture and Equal and Ratable Bond Indentures, as applicable.

SECTION 1.05. Mortgagor's Possession and Use. Subject to the terms of the Mortgage Bond Indenture, the Mortgagor shall be suffered and permitted to possess, enjoy, use and operate the Mortgaged Property (except cash or securities paid to or deposited with or required by the express terms of this Mortgage or the Mortgage Bond Indenture to be paid to or deposited with

the Mortgagee) and to take and use any and all tolls, rents, revenues, earnings, interest, dividends, royalties, issues, income and profits thereof, as if this Mortgage had not been made, with power in the ordinary course of business to alter, repair, change and add to its buildings, structures and any or all of its plant and equipment constructed or owned or hereafter constructed or acquired by the Mortgagor, and hereby granted, bargained, sold, warranted, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed, to the Mortgagee, or intended so to be, all in accordance with usual and customary practice in similar types of transactions.

SECTION 1.06. Actions Without Consent. The Mortgagor may at any time and from time to time, without any release or consent by the Mortgage Bond Trustee or the Mortgagee, take any action set forth in Section 10.02 of the Mortgage Bond Indenture.

SECTION 1.07. Inspection. In each and every case of an Event of Default, and during the continuance thereof, the Mortgagee directly or by its agents or attorney may, to the extent permitted by law, enter upon the Property; may exclude the Mortgagee and its agents and employees wholly therefrom; either directly or by its receivers, agents, employees or attorneys, may use, operate, manage and control the Mortgaged Property, and conduct the business of the Mortgaged Property in any reasonable manner; may make all repairs, renewals, replacements and useful alterations, additions, betterments and improvements to the Mortgaged Property as the Mortgagee may deem necessary and proper; may manage and operate the Mortgaged Property and exercise all rights and powers of the Mortgagor in respect thereof, and be entitled to collect and receive all tolls, earnings, income, rents, issues and profits thereof and apply the same as provided in the Collateral Trust Agreement.

SECTION 1.08. Release of Certain Mortgaged Property. Subject to the Mortgagor's satisfaction of the conditions set forth in Sections 10.03, 10.04, 10.05 or 10.06 of the Mortgage Bond Indenture, as applicable, upon direction from the Mortgage Bond Trustee from time to time, the Mortgagee shall, at the Mortgagor's expense, execute and deliver to the Mortgagor the documents and instruments described in Sections 10.03(a), 10.04(a), 10.05(a)(i) or 10.06(a)(i), as applicable, of the Mortgage Bond Indenture, releasing from the Lien of the Mortgage any Mortgaged Property for which the conditions set forth in Sections 10.03, 10.04, 10.05 and/or 10.06 of the Mortgage Bond Indenture have been satisfied.

SECTION 1.09. Substituted Property. All rights and property (other than cash) acquired by the Mortgagor by exchange or purchase to take the place of, or in consideration for, any Mortgaged Property surrendered, modified, released (other than pursuant to Section 10.05,

Section 10.06 or Section 10.07 of the Mortgage Bond Indenture) or sold, under this Mortgage and the Mortgage Bond Indenture, shall forthwith and without further conveyance, transfer or assignment become subject to the Lien of this Mortgage; and the Mortgagor, to the extent necessary to comply with any applicable legal requirements for the full protection of the Secured Parties, will grant, bargain, sell, warrant, release, convey, assign, transfer, mortgage, pledge, set over and confirm any and all such property to the Mortgagee, by proper deeds or other instruments, which the Mortgagor will duly record and file, and rerecord and refile, in all places required for the proper protection of the Secured Parties, upon the trusts and for the purposes of this Mortgage and the Mortgage Bond Indenture.

SECTION 1.10. Security Agreement. This Mortgage is both a mortgage of real property and a grant of a security interest in personal property, and shall constitute and serve as a "Security Agreement" within the meaning of the uniform commercial code as adopted in the state wherein the Premises are located ("UCC") and other applicable law. The Mortgagor has hereby granted unto the Mortgagee a security interest in and to all the Mortgaged Property owned by the Mortgagee described in this Mortgage that is not real property ("Personal Property"). The Mortgagor hereby appoints the Mortgagee and its successors and assigns, as its true and lawful attorney-in-fact and agent, which agency is coupled with an interest and with fully power of substitution, for the Mortgagor and in its name, place and stead, in any and all capacities, after the occurrence and continuation of an Event of Default (as such term is defined in the Collateral Trust Agreement), to execute any document and to file the same in the appropriate offices (to the extent it may lawfully do so), and to perform each and every act and thing reasonably requisite and necessary to be done to perfect the security interest contemplated by the preceding sentence. The Mortgagee shall have all rights and remedies with respect to the part of the Mortgaged Property that is the subject of a security interest afforded by the UCC in addition to, but not in limitation of, the other rights afforded the Mortgagee hereunder.

SECTION 1.11. Filing and Recording. The Mortgagor will cause this Mortgage and any other security instrument creating a security interest in or evidencing the lien hereof upon the Mortgaged Property and each instrument of further assurance reasonably necessary to create, perfect and preserve Mortgagee's security interest hereunder, to be filed, registered or recorded and, if necessary, refiled, rerecorded and reregistered, in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to perfect the lien hereof upon, and the security interest of the Mortgagee in, the Mortgaged Property until this Mortgage is terminated and released in full in accordance with Section 3.04. The Mortgagor will pay all filing, registration and recording fees, all Federal, state, county and municipal recording, documentary or intangible taxes and other taxes, duties, imposts, assessments and charges, and all reasonable expenses incidental to

or arising out of or in connection with the execution, delivery and recording of this Mortgage, UCC continuation statements any mortgage supplemental hereto, any security instrument or any instrument of further assurance.

SECTION 1.12. Further Assurances. The Mortgagor will, at the cost of the Mortgagor and without expense to the Mortgagee, do, execute, acknowledge and deliver all such further acts, deeds, conveyances, mortgages, assignments, notices of assignment, transfers and assurances as required or as the Mortgagee shall from time to time reasonably require for the better assuring, conveying, assigning, transferring and confirming unto the Mortgagee the property and rights hereby conveyed or assigned or intended now or hereafter so to be, or which the Mortgagor may be or may hereafter become bound to convey or assign to the Mortgagee, or for carrying out the intention or facilitating the performance of the terms of this Mortgage, or for filing, registering or recording this Mortgage, and on written demand, the Mortgagor will also execute and deliver and hereby appoints the Mortgagee (and its successors and assigns) as its true and lawful attorney-in-fact and agent, which agency is coupled with an interest and with full power of substitution, upon the occurrence and continuation of an Event of Default, for the Mortgagor and in its name, place and stead, in any and all capacities, to execute and file to the extent it may lawfully do so (provided that the Mortgagee shall not be required to do so), one or more financing statements, chattel mortgages or comparable security instruments reasonably required to evidence more effectively the lien hereof upon the personal property and to perform each and every act and thing requisite and necessary to be done to accomplish the same.

SECTION 1.13. Additions to Mortgaged Property. Subject to the limitations set forth in the Mortgage Bond Indenture, all right, title and interest of the Mortgagor in and to all extensions, improvements, betterments, renewals, substitutions and replacements of, and all additions and appurtenances to, the Mortgaged Property hereafter acquired by or released to the Mortgagor or constructed, assembled or placed by the Mortgagor upon the Mortgaged Property, and all conversions of the security constituted thereby, immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case without any further mortgage, conveyance, assignment or other act by the Mortgagor, shall become subject to the lien and security interest of this Mortgage as fully and completely and with the same effect as though now owned by the Mortgagor and specifically described in the grant of the Mortgaged Property above, but at any and all times the Mortgagor will execute and deliver to the Mortgagee any and all such further assurances, mortgages, deeds of trust, conveyances or assignments thereof as reasonably necessary for the purpose of expressly and specifically subjecting the same to the lien and security interest of this Mortgage.

SECTION 1.14. No Claims Against Mortgagee. Nothing contained in this Mortgage shall constitute any consent or request by the Mortgagee, express or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Mortgaged Property or any part thereof, nor as giving the Mortgagor any right, power or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against the Mortgagee in respect thereof.

SECTION 1.15. Receiver, Trustee, Etc. In case a receiver or trustee of the Mortgagor, or of all or a substantial part of the Mortgaged Property or business of the Mortgagor, shall be lawfully appointed, all acts or requests which the Mortgagor may do or make under the foregoing provisions of this Article I or Article X of the Mortgage Bond Indenture may be done or made by such receiver or trustee. In case the Mortgagee shall be in possession of the Mortgaged Property under this Mortgage, the Mortgagee in its absolute discretion, without any action or request by the Mortgagor or any receiver or trustee, and without thereby limiting any other right or power of the Mortgagee, may take any action authorized by this Mortgage to be taken by the Mortgagor, by the Mortgagor and the Mortgagee or by the Mortgagee on the request of the Mortgagor notwithstanding the continuance of any Event of Default.

SECTION 1.16. Covenants Running with the Land. All Secured Obligations contained in this Mortgage are intended by the Mortgagor and the Mortgagee to be, and shall be construed as, covenants running with the Mortgaged Property. As used herein, "Mortgagor" shall refer to the party named in the first paragraph of this Mortgage and to any subsequent owner of all or any portion of the Mortgaged Property. All Persons who may have or acquire an interest in the Mortgaged Property shall be deemed to have notice of, and be bound by, the terms of the Mortgage Bond Indenture, the Collateral Trust Agreement and the Equal and Ratable Bond Indentures; however, no such party shall be entitled to any rights thereunder without the prior written consent of Mortgagee. In addition, all of the covenants of the Mortgagor in the Mortgage Bond Indenture are incorporated herein by reference and, together with covenants in this Section, shall be covenants running with the land.

SECTION 1.17. Fixture Filing. (a) Certain portions of the Mortgaged Property are or will become "fixtures" (as that term is defined in the UCC), upon being filed for record in the real estate records of the county wherein such fixtures are situated, shall operate also as a financing statement filed as a fixture filing in accordance with the applicable provisions of the UCC upon such portions of the Mortgaged Property that are or become fixtures.

(b) The real property to which the fixtures relate is described in Exhibit A attached hereto. The record owner of the real property described in Exhibit A attached hereto is the Mortgagor. The name, type of organization and jurisdiction of organization of the debtor for purposes of this financing statement are the name, type of organization and jurisdiction of organization of the Mortgagor set forth in the first paragraph of this Mortgage, and the name of the secured party for purposes of this financing statement is the name of the Mortgagee set forth in the first paragraph of this Mortgage. The mailing address of the Mortgagor/debtor is the address of the Mortgagor set forth in the first paragraph of this Mortgage. The mailing address of the Mortgagee/secured party from which information concerning the security interest hereunder may be obtained is the address of the Mortgagee set forth in the first paragraph of this Mortgage. The Mortgagor's business identification number assigned by the Office of the Secretary of State of the State of Iowa is 177228. The Mortgagor shall inform the Mortgagee (and take any steps required by Sections 1.11 and 1.12) if any of the Mortgagor's information set forth in this subparagraph (b) shall change.

## ARTICLE II

### Defaults and Remedies

SECTION 2.01. Events of Default. Any Event of Default under the Collateral Trust Agreement (as such term is defined therein) shall constitute an event of default (an "Event of Default") under this Mortgage.

SECTION 2.02. Rights to Take Possession, Operate and Apply Revenues. (a) If an Event of Default shall occur and be continuing, after the expiration of any notice and cure periods as set forth in the Mortgage Bond Indenture, the Mortgagor shall, within ten (10) days of demand of the Mortgagee, forthwith surrender to the Mortgagee actual possession of the Mortgaged Property and, if and to the extent not prohibited by applicable law, the Mortgagee may itself, or by such officers or agents as it may appoint, enter and take exclusive possession of all the Mortgaged Property and of all books, records and accounts relating thereto or located thereon without the appointment of a receiver or an application therefor and exclude the Mortgagor and its agents and employees wholly therefrom.

(b) If the Mortgagor shall for any reason fail to surrender or deliver the Mortgaged Property or any part thereof in accordance with the terms hereof, the Mortgagee may invoke any

legal remedies to dispossess the Mortgagor. The Mortgagor will pay to the Mortgagee, upon demand, all reasonable documented and out of pocket expenses of obtaining such judgment or decree, including compensation to the Mortgagee's attorneys (excluding internal counsel) and agents; and all such expenses and compensation shall, until paid, be secured by this Mortgage.

(c) In each and every Event of Default, and during the continuance thereof, the Mortgagee directly or by its agents or attorney may, to the extent permitted by law, enter upon the Mortgaged Property; may exclude the Mortgagor and its agents and employees wholly therefrom; either directly or by its receivers, agents, employees or attorneys, may use, operate, lease, manage and control the Mortgaged Property, and conduct the business of the Mortgaged Property in any reasonable manner; may make all repairs, renewals, replacements and useful alterations, additions, betterments and improvements to the Mortgaged Property as the Mortgagee may deem necessary and proper; may manage and operate the Mortgaged Property and exercise all rights and powers of the Mortgagor in respect thereof, and be entitled to collect and receive all tolls, earnings, income, rents, issues and profits thereof; and, after deducting all expenses incurred hereunder and all payments which may be made for taxes, assessments, insurance and prior or other proper charges upon the Mortgaged Property or any part thereof, as well as compensation for the services of the Mortgagee, its agents, employees, attorneys (excluding internal counsel) and receivers, the Mortgagee shall apply the moneys it obtains from the foregoing in accordance with the Collateral Trust Agreement.

(d) If at any time after the principal of the Mortgage Bonds, 2002 Indenture Notes and 2006 Indenture Notes shall have been so declared due and payable and before any sale of the Mortgaged Property shall have been made pursuant to this Section 2.02, all arrears of interest upon all of such Mortgage Bonds, 2002 Indenture Notes and 2006 Indenture Notes, with interest upon overdue installments of interest at the same rates respectively as were borne by the respective Mortgage Bonds, 2002 Indenture Notes and 2006 Indenture Notes on which installments of interest were overdue, shall either be paid by the Mortgagor or be collected out of the Mortgaged Property, and all Events of Default shall have been remedied, then the Mortgage Bond Trustee, by written notice to the Mortgagor and to the Mortgagee, may rescind such declaration and its consequences; but no such rescission shall extend to or affect any subsequent Event of Default, or impair any right consequent thereon.

SECTION 2.03. Right to Cure the Mortgagor's Failure to Perform. Should the Mortgagor fail in the payment, performance or observance of any term, covenant or condition required by this Mortgage or the Mortgage Bond Indenture (but only with respect to the

Mortgaged Property), after the expiration of any applicable cure period set forth herein or the Mortgage Bond Indenture, the Mortgagee may pay, perform or observe the same, and all payments made or costs or expenses incurred by the Mortgagee in connection therewith shall be secured hereby and shall be, without demand, immediately repaid by the Mortgagor to the Mortgagee with interest thereon. The Mortgagee is hereby empowered to enter and to authorize others to enter upon the Mortgaged Property or any part thereof for the purpose of performing or observing any such defaulted term, covenant or condition without having any obligation to so perform or observe and without thereby becoming liable to the Mortgagor, to any person in possession holding under the Mortgagor or to any other person, other than as determined to have been caused by the Mortgagee's own gross negligence or willful misconduct. In connection with any such entry, the Mortgagee shall provide prior written notice, enter during regular business hours (except in the case of an emergency) and use commercially reasonable efforts not to interrupt the Mortgagor's operations at the Mortgaged Property.

SECTION 2.04. Right to a Receiver. During the continuance of an Event of Default, upon application to a court of competent jurisdiction or as otherwise required by applicable law and without notice, a receiver may be appointed to take possession of, and to operate, maintain and manage, the whole or any part of the Mortgaged Property, and the Mortgagor shall transfer and deliver to such receiver all such Mortgaged Property, wheresoever it may be situated; and in every case, when a receiver of the whole or of any part of such Mortgaged Property shall be appointed under this Section 2.04, or otherwise, the net income and profits of such Mortgaged Property shall be paid over to, and shall be received by, the Mortgagee. Any receiver so appointed shall have all of the rights and powers permitted under the laws of the state wherein the Mortgaged Property is located, including the full power to rent, maintain and otherwise operate the Mortgaged Property upon such terms as may be approved by the court. The Mortgagor shall pay to the Mortgagee upon demand all reasonable documented and out of pocket expenses, including receiver's fees, reasonable attorney's fees (excluding internal counsel) and disbursements, costs and agent's compensation incurred pursuant to the provisions of this Section 2.04; and all such expenses shall be secured by this Mortgage and shall be, without demand, immediately repaid by the Mortgagor to the Mortgagee.

SECTION 2.05. Foreclosure and Sale. (a) If an Event of Default shall occur and be continuing, after the expiration of any notice and cure periods set forth herein or the Mortgage Bond Indenture, the Mortgagee may elect to institute proceedings for the complete foreclosure of this Mortgage, either by judicial action or by power of sale, in which case the Mortgaged Property may be sold for cash or credit in one or more parcels. With respect to any notices

required or permitted under the UCC, the Mortgagor agrees that ten (10) days' prior written notice shall be deemed commercially reasonable. At any such sale by virtue of any judicial proceedings, power of sale, or any other legal right, remedy or recourse, the title to and right of possession of any such property shall pass to the purchaser thereof, and to the fullest extent permitted by law, the Mortgagor shall be completely and irrevocably divested of all of its right, title, interest, claim, equity, equity of redemption, and demand whatsoever, either at law or in equity, in and to the property sold and such sale shall be a perpetual bar both at law and in equity against the Mortgagor, and against all other Persons claiming or to claim the property sold or any part thereof, by, through or under Mortgagor.

(b) In case of any sale of any Mortgaged Property, any holder of Mortgage Bonds or the Mortgagee, may bid for and purchase any Mortgaged Property, and, upon compliance with the terms of sale, may hold, retain, possess and dispose of such Mortgaged Property in absolute right of such holder or the Mortgagee, without further accountability, and shall be entitled, for the purpose of making settlement or payment for the Mortgaged Property purchased, to use and apply any Mortgage Bonds by presenting such Mortgage Bonds, in order that there may be credited thereon the sum apportionable and applicable thereto out of the net proceeds of such sale; and thereupon such purchaser shall be credited on account of such purchase price, with the sum apportionable and applicable out of such net proceeds to the payment of or as credit on the outstanding Mortgage Bonds so presented.

(c) From time to time the Mortgagee, or other person acting in any sale of Mortgaged Property to be made under this Mortgage, may adjourn such sale by announcement at the time and place appointed for such sale or for such adjourned sale or sales; and without further notice or publication, such sale may be made at the time and place to which such sale shall be so adjourned.

(d) Upon the completion of any sale of any Mortgaged Property under or by virtue of this Mortgage, the Mortgagee shall execute and deliver on behalf of the Mortgagor and itself, as Mortgagee, to the purchaser a sufficient deed or other instruments conveying, assigning and transferring such Mortgaged Property free from the lien of this Mortgage. The Mortgagee and its successors are hereby appointed the attorneys of the Mortgagor, in its name and stead, to make all necessary conveyances, assignments and transfers of Mortgaged Property, including customary representations and warranties, and for that purpose may execute all necessary deeds and instruments of conveyance, assignment and transfer, and may substitute one or more persons with similar power, the Mortgagor hereby ratifying and confirming all that its attorneys, or such

substitute or substitutes, shall do by virtue hereof. Nevertheless, the Mortgagor, if so requested by the Mortgagee, shall join in the execution and delivery of such conveyances, assignments and transfers. Any such sale of Mortgaged Property made under or by virtue of this Mortgage; whether under the power of sale herein granted or pursuant to judicial proceedings, shall be deemed to have been sold at a commercially reasonable price and shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the Mortgagor and the Mortgagee hereunder, in and to the Mortgaged Property sold, and shall be a perpetual bar, both at law and in equity, against the Mortgagor, its successors and assigns, and against any and all persons claiming or to claim the Mortgaged Property sold or any part thereof, from, through or under the Mortgagor or its successors or assigns or this Mortgage.

(e) The Mortgaged Property may be sold subject to unpaid taxes and Permissible Encumbrances, and, after deducting all costs, fees and expenses of the Mortgagee (including costs of evidence of title in connection with the sale), the Mortgagee or an officer that makes any sale shall apply the proceeds of sale in the manner set forth in Section 2.07.

(f) Any foreclosure or other sale of less than the whole of the Mortgaged Property or any defective or irregular sale made hereunder shall not exhaust the power of foreclosure or of sale provided for herein; and subsequent sales may be made hereunder until the Secured Obligations have been satisfied, or the entirety of the Mortgaged Property has been sold.

(g) If an Event of Default shall occur and be continuing, the Mortgagee may instead of, or in addition to, exercising the rights described in Section 2.05(a) above and either with or without entry or taking possession as herein permitted, proceed by a suit or suits in law or in equity or by any other appropriate proceeding or remedy (i) to specifically enforce the performance of any term, covenant, condition or agreement of this Mortgage or any other right, or (ii) to pursue any other remedy available to the Mortgagee under applicable law, all as the Mortgagee shall determine most effectual for such purposes.

**SECTION 2.06. Other Remedies.** (a) In case an Event of Default shall occur and be continuing, the Mortgagee may also exercise, to the extent not prohibited by law, any or all of the remedies available to a secured party under the UCC, rights and recourses granted in the Mortgage Bond Indenture and the Collateral Trust Agreement and available at law or in equity (including under the UCC), which rights (a) shall be cumulative and concurrent, (b) may be pursued separately, successively or concurrently against the Mortgagor under the Mortgage Bond Indenture, or against the Mortgaged Property, or against any one or more of them, at the sole discretion of Mortgagee, (c) may be exercised as often as occasion therefor shall arise, and the

exercise or failure to exercise any of them shall not be construed as a waiver or release thereof or of any other right, remedy or recourse, and (d) are intended to be, and shall be, nonexclusive. No action by Mortgagee in the enforcement of any rights, remedies or recourses under the Mortgage Bond Indenture or otherwise at law or equity shall be deemed to cure any Event of Default.

(b) In connection with a sale of the Mortgaged Property or any personal property and the application of the proceeds of sale as provided in Section 2.07, the Mortgagee shall be entitled to enforce payment of and to receive up to the principal amount of the Secured Obligations, plus all other charges, payments and costs due under this Mortgage, and to recover a deficiency judgment for any portion of the aggregate principal amount of the Secured Obligations remaining unpaid, with interest.

SECTION 2.07. Application of Sale Proceeds. (a) If an Event of Default shall have occurred and be continuing, at any time at the Mortgagee's election, the Mortgagee may apply all or any part of the net cash proceeds of Shared Collateral realized through the exercise by the Mortgagee of its remedies hereunder, whether or not held in any Collateral Account, in payment of the Secured Obligations as provided in the Collateral Trust Agreement.

(b) The Mortgagee shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in each case in accordance with and subject to the requirements of the Collateral Trust Agreement. The receipt by the Mortgagee or other authorized person of money paid for the purchase of Mortgaged Property shall be a sufficient discharge to any purchaser of such Mortgaged Property; and no such purchaser or the representative, grantee or assignee of such purchaser, after paying such purchase money and receiving such receipt, shall be affected by, or in any manner answerable for, any loss, misapplication or non-application of such purchase money, or be bound to inquire as to the authorization, necessity, expediency or regularity of such sale.

SECTION 2.08. Mortgagor as Tenant Holding Over. If the Mortgagor remains in possession of any of the Mortgaged Property after any foreclosure sale by the Mortgagee, at the Mortgagee's election the Mortgagor shall be deemed a tenant holding over and shall forthwith surrender possession to the purchaser or purchasers at such sale or be summarily dispossessed or evicted, forcibly or otherwise, with or without process of law, according to provisions of law applicable to tenants holding over.

SECTION 2.09. Waiver of Appraisal, Valuation, Stay, Extension and Redemption Laws. The Mortgagor waives, to the extent not prohibited by law, (a) the benefit of all laws now

existing or that hereafter may be enacted (i) providing for any appraisal or valuation of any portion of the Mortgaged Property and/or (ii) in any way extending the time for the enforcement or the collection of amounts due under any of the Secured Obligations or creating or extending a period of redemption from any sale made in collecting such debt or any other amounts due the Mortgagee; (b) any right to at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any homestead exemption, stay, statute of limitations, extension or redemption, or sale of the Mortgaged Property as separate tracts, units or estates or as a single parcel in the event of foreclosure or notice of deficiency; and (c) all rights of redemption (both statutory and equitable), valuation, appraisal, stay of execution, notice of election to mature or declare due the whole of or each of the Secured Obligations and marshaling in the event of foreclosure of this Mortgage.

SECTION 2.10. Discontinuance of Proceedings. In case the Mortgagee shall have proceeded to enforce any right under this Mortgage by foreclosure, entry or otherwise, and such proceeding shall have been discontinued or abandoned because of a waiver, or for any other reason, or shall have been determined adversely to the Mortgagee, then and in every such case the Mortgagor and the Mortgagee shall be restored to their former positions and rights hereunder in respect of the Mortgaged Property; and all rights, remedies and powers of the Mortgagee shall continue as though no such proceeding had been taken, but no such discontinuance or abandonment shall waive any Event of Default which may then exist or the right of the Mortgagee thereafter to exercise any right, remedy or recourse under the Mortgage Bond Indenture or Collateral Trust Agreement for such Event of Default.

SECTION 2.11. Suits to Protect the Mortgaged Property. The Mortgagee shall have power to institute and to maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the lien of this Mortgage by any acts of the Mortgagor, or of others, in violation of this Mortgage or which are unlawful, or as the Mortgagee may be advised shall be necessary or expedient to preserve and to protect its interests and the security and interests of the holders of the Mortgage Bonds, 2002 Indenture Notes and 2006 Indenture Notes in respect of the Mortgaged Property, or in respect of the income, earnings, rents, issues and profits thereof, including power to institute and to maintain suits or proceedings to restrain the enforcement of, or compliance with, or the observance of, any legislative or other governmental enactment, rule or order which may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, or observance of, such enactment, rule or order would impair the lien of this Mortgage or be prejudicial to the interests of the Mortgage Bonds, 2002 Indenture Notes, 2006 Indenture Notes or the Mortgagee, provided that the Mortgagee shall have no obligation to exercise such power.

SECTION 2.12. Possession by Mortgagee. Notwithstanding the appointment of any receiver, liquidator or trustee of the Mortgagor, any of its property or the Mortgaged Property, the Mortgagee shall be entitled, to the extent not prohibited by law, to remain in possession and control of all parts of the Mortgaged Property now or hereafter granted under this Mortgage to the Mortgagee in accordance with the terms hereof and applicable law.

SECTION 2.13. Waiver. (a) No delay or failure by the Mortgagee to exercise any right, power or remedy accruing upon any breach or Event of Default shall exhaust or impair any such right, power or remedy or be construed to be a waiver of any such breach or Event of Default or acquiescence therein; and every right, power and remedy given by this Mortgage to the Mortgagee may be exercised from time to time and as often as may be deemed expedient by the Mortgagee. No consent or waiver by the Mortgagee to or of any breach or Event of Default by the Mortgagor in the performance of the Secured Obligations shall be deemed or construed to be a consent or waiver to or of any other breach or Event of Default in the performance of the same or of any other Secured Obligations by the Mortgagor hereunder. No failure on the part of the Mortgagee to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall constitute a waiver by the Mortgagee of its rights hereunder or impair any rights, powers or remedies consequent on any future Event of Default by Mortgagor.

(b) Even if the Mortgagee (i) grants some forbearance or an extension of time for the payment of any sums secured hereby, (ii) takes other or additional security for the payment of any sums secured hereby, (iii) waives or does not exercise some right granted herein, (iv) releases a part of the Mortgaged Property from this Mortgage, (v) agrees to change some of the terms, covenants, conditions or agreements of the Mortgage Bond Indenture, (vi) consents to the filing of a map, plat or replat affecting the Mortgaged Property, (vii) consents to the granting of an easement or other right affecting the Mortgaged Property or (viii) makes or consents to an agreement subordinating the Mortgagee's lien on the Mortgaged Property hereunder; no such act or omission shall preclude the Mortgagee from exercising any other right, power or privilege herein granted or intended to be granted in the event of any breach or Event of Default then made or of any subsequent default; nor, except as otherwise expressly provided in an instrument executed by the Mortgagee, shall this Mortgage be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or part of the Mortgaged Property, the Mortgagee

is hereby authorized and empowered to deal with any vendee or transferee with reference to the Mortgaged Property secured hereby, or with reference to any of the terms, covenants, conditions or agreements hereof, as fully and to the same extent as it might deal with the original parties hereto and without in any way releasing or discharging any liabilities, obligations or undertakings.

SECTION 2.14. Mortgagee May File Proofs of Claims. The Mortgagee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Mortgagee and of the holders of the Mortgage Bonds, 2002 Indenture Notes or 2006 Indenture Notes allowed in any judicial proceedings relative to the Mortgagor, its creditors or Mortgaged Property. Nothing contained in this Mortgage shall be deemed to authorize the Mortgagee to authorize or consent to or accept or adopt on behalf of any holder of Mortgage Bonds, 2002 Indenture Notes or 2006 Indenture Notes, any plan of reorganization, arrangement, adjustment or composition affecting the Mortgage Bonds, 2002 Indenture Notes, 2006 Indenture Notes or any holder thereof, or to authorize the Mortgagee to vote in respect of the claim of any holder of Mortgage Bonds, 2002 Indenture Notes or 2006 Indenture Notes in any such proceeding.

SECTION 2.15. Mortgagee May Enforce Rights. All rights of action under this Mortgage may be enforced by the Mortgagee without the possession of any Mortgage Bond, 2002 Indenture Note or 2006 Indenture Note or the production thereof at trial or other proceedings relative thereto, and any such suit or proceedings instituted by the Mortgagee shall be brought in its own name, and any recovery of judgment shall be for the ratable benefit of the holders of the Mortgage Bonds, 2002 Indenture Notes or 2006 Indenture Notes.

SECTION 2.16. Payment of Litigation Expenses. Each holder of any Mortgage Bond or any Equal and Ratable Note, its acceptance hereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Mortgage, or in any suit against the Mortgagee for any action taken or omitted by it as Mortgagee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess costs, including attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but this Section 2.19 shall not apply to any suit instituted by the Mortgagee, to any suit instituted by any holders having more than 10% in aggregate principal amount of outstanding Mortgage Bonds, 2002 Indenture Notes or 2006 Indenture Notes, or to any suit instituted by any holder for the enforcement of the payment of the principal of, premium, if any, or interest, if any, on any Mortgage Bond, 2002 Indenture Note or 2006 Indenture Note on or after the respective due dates expressed therein.

### ARTICLE III

#### Miscellaneous

SECTION 3.01. Partial Invalidity. In the event any one or more of the provisions contained in this Mortgage shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall, at the option of the Mortgagee, not affect any other provision of this Mortgage, and this Mortgage shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein.

SECTION 3.02. Notices. All notices and communications hereunder shall be in writing and given to the Mortgagor and the Mortgagee in accordance with the terms of the Mortgage Bond Indenture at the address set forth on the first page of this Mortgage.

SECTION 3.03. Successors and Assigns. All of the grants, covenants, terms, provisions and conditions herein shall run with the Mortgaged Property and shall apply to, bind and inure to, the benefit of the permitted successors and assigns of the Mortgagor and the successors and assigns of the Mortgagee. The Mortgagor shall not, without the prior written consent of the Mortgagee, assign any rights, duties or obligations hereunder except as otherwise permitted by the Mortgage Bond Indenture or Collateral Trust Agreement.

SECTION 3.04. Satisfaction and Cancellation. (a) The conveyance to the Mortgagee of the Mortgaged Property as security created and consummated by this Mortgage shall be null and void upon payment in full of all Secured Obligations.

(b) Upon a sale or financing by the Mortgagor of all or any portion of the Mortgaged Property in accordance with the Mortgage Bond Indenture and Collateral Trust Agreement and the application of the net cash proceeds of such sale or financing in accordance with the terms of the Mortgage Bond Indenture and/or Collateral Trust Agreement, (i) the Mortgagee, at the Mortgagor's expense, shall release the liens and security interests of this Mortgage as to the applicable portion of the Mortgaged Property; and (ii) upon the Mortgagor's written request, the Mortgagee shall deliver an assignment of this Mortgage in proper form for recording, to the

Mortgagor or to any person at the Mortgagor's direction, without recourse to the Mortgagee and without any representation or warranty by the Mortgagee other than that the Mortgagee is the Mortgagee under the Mortgage, that it has not assigned, encumbered or otherwise transferred the Mortgage or any part thereof, and the Mortgagee has the authority to assign the Mortgage to the assignee thereof, and the Mortgagee shall deliver to the Mortgagor a payoff letter or similar writing as of the date of such assignment; provided, however, that the Mortgagee shall have received at the time of, and with respect to such satisfaction or assignment, reimbursement of all reasonable out of pocket costs actually incurred by the Mortgagee in preparing and delivering such satisfaction or assignment.

(c) In connection with any termination or release pursuant to paragraph (a), the Mortgage shall be marked "satisfied" by the Mortgagee, and this Mortgage shall be canceled of record at the request and at the expense of the Mortgagor. The Mortgagee shall execute any documents reasonably requested by the Mortgagor to accomplish the foregoing or to accomplish any release contemplated by this Section 3.04 and the Mortgagor will pay all reasonable and documented out of pocket costs and expenses, including reasonable attorneys' fees (excluding internal counsel), disbursements and other charges, incurred by the Mortgagee in connection with the preparation and execution of such documents.

SECTION 3.05. Definitions. As used in this Mortgage, the singular shall include the plural as the context requires and the following words and phrases shall have the following meanings: (a) "including" shall mean "including but not limited to;" (b) "provisions" shall mean "provisions, terms, covenants and/or conditions;" (c) "lien" shall mean "lien, charge, encumbrance, security interest, mortgage or Mortgage;" (d) "obligation" shall mean "obligation, duty, covenant and/or condition;" and (e) "any of the Mortgaged Property" shall mean "the Mortgaged Property or any part thereof or interest therein." Any act that the Mortgagee is permitted to perform hereunder may be performed at any time and from time to time by the Mortgagee or any person or entity designated by the Mortgagee. Each appointment of the Mortgagee as attorney-in-fact for the Mortgagor under the Mortgage is irrevocable, with power of substitution and coupled with an interest. Subject to the applicable provisions hereof, the Mortgagee has the right to refuse to grant its consent, approval or acceptance or to indicate its satisfaction, in its reasonable discretion, whenever such consent, approval, acceptance or satisfaction is required hereunder.

SECTION 3.06. Amendments, etc. This Mortgage may not be amended, supplemented or otherwise modified without the written consent of the Mortgagee in accordance with the Collateral Trust Agreement.

SECTION 3.07. No Oral Modification. This Mortgage may not be changed or terminated orally. Any agreement made by the Mortgagor and the Mortgagee after the date of this Mortgage relating to this Mortgage shall be superior to the rights of the holder of any intervening or subordinate Mortgage, lien or encumbrance.

SECTION 3.08. Collateral Trust Agreement Governs. In exercising its rights hereunder, the Mortgagee agrees to be bound by the provisions of the Collateral Trust Agreement and shall be entitled to the privileges, rights, indemnities and other benefits thereof. In the event of any conflict between the terms of the Collateral Trust Agreement and this Mortgage, the terms of the Collateral Trust Agreement shall govern and control.

SECTION 3.09. Entire Agreement. This Mortgage and the Collateral Trust Agreement embody the entire agreement and understanding between the Mortgagee and the Mortgagor and supersede all prior agreements and understandings between such parties relating to the subject matter hereof and thereof.

#### ARTICLE IV

##### Particular Provisions

This Mortgage is subject to the following provisions relating to the particular laws of the state wherein the Mortgaged Property is located:

SECTION 4.01. Applicable Law; Certain Particular Provisions. This Mortgage shall be governed by and construed in accordance with the internal law of the state of Iowa, except that the Mortgagor expressly acknowledges that by its terms, the Mortgage Bond Indenture and Equal and Ratable Bond Indentures shall be governed by the internal law of the State of New York, without regard to principles of conflict of law. The Mortgagor and the Mortgagee agree to submit to jurisdiction and the laying of venue for any suit on this Mortgage in the state of Iowa.

SECTION 4.02. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER OR UNDER THE MORTGAGE BOND INDENTURE OR THE COLLATERAL TRUST AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER THEREOF OR THE TRUSTEE/OBLIGOR RELATIONSHIP THAT IS BEING ESTABLISHED. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN ITS RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 4.02 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER WILL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS HERETO OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE LOANS MADE HEREUNDER. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

SECTION 4.03. Local Law Provisions.

(a) This Mortgage is subject to the following terms and provisions:

(i) Any action to enforce or to foreclose this Mortgage will be construed in accordance with the laws of the State of Iowa by a court located in the county in which the applicable Mortgaged Property is located. In the event of any conflict between the

terms of this Mortgage and the provisions of Iowa law, then the conflict shall be resolved according to the terms of Iowa law as interpreted by a court located in the county in which the applicable Mortgaged Property is located.

(ii) In connection with the exercise of remedies, any action with respect to agricultural property requires a mediation procedure as outlined in Iowa Code Chapter 654.2C and the Mortgagor has the right to cure certain defaults within thirty (30) days after receiving any notice of Event of Default.

(iii) Any mortgage accepted from a “transmitting utility” as defined by Iowa Code Section 554.9102 shall comply with Section 554B.3 of the Iowa Code.

(iv) Any non-residential mortgage granted in Iowa shall be entitled to the protections and procedures set forth in Chapters 654 and 655A of the Iowa Code.

(b) In the event of any conflict between the terms and provisions contained in the body of this Mortgage and the terms and provisions set forth in this Section 4.03, the terms and provisions set forth in this Section 4.03 shall govern and control.

IN WITNESS WHEREOF, this Mortgage has been duly executed by the Mortgagor as of the date first above written.

MIDAMERICAN ENERGY COMPANY, an Iowa corporation

By: \_\_\_\_\_  
Name: William J. Fehrman  
Title: President and Chief Executive Officer

By: \_\_\_\_\_  
Name: Paul J. Leighton  
Title: Vice President and Corporate Secretary

STATE OF IOWA COUNTY OF POLK

This instrument was acknowledged before me on  
of MidAmerican Energy Company, an Iowa corporation.

, 2013, by William J. Fehrman, President and Chief Executive Officer

---

Notary Public in and for the State of Iowa

STATE OF IOWA COUNTY OF POLK

This instrument was acknowledged before me on  
MidAmerican Energy Company, an Iowa corporation.

, 2013, by Paul J. Leighton, Vice President and Corporate Secretary of

---

Notary Public in and for the State of Iowa

Description of the Property

[To be provided]

GIBSON DUNN

Gibson, Dunn & Crutcher LLP  
200 Park Avenue  
New York, NY 10166-0193  
Tel 212.351.4000  
www.gibsondunn.com

Client: 64901-00034

August 28, 2013

MidAmerican Energy Company  
666 Grant Avenue  
Des Moines, Iowa 50309

Re: MidAmerican Energy Company  
Registration Statement on Form S-3

Ladies and Gentlemen:

We have acted as counsel to MidAmerican Energy Company, an Iowa corporation (the “Company”), in connection with the preparation and filing with the Securities and Exchange Commission (the “Commission”) of a Registration Statement on Form S-3 (the “Registration Statement”) under the Securities Act of 1933, as amended (the “Securities Act”), relating to the registration under the Securities Act and the proposed issuance and sale from time to time pursuant to Rule 415 under the Securities Act, together or separately and in one or more series (if applicable) of the Company’s: (i) unsecured debt securities, which may either be senior debt securities (the “Senior Debt Securities”) or subordinated debt securities (the “Subordinated Debt Securities”) and (ii) first mortgage bonds (the “First Mortgage Bonds”) and, collectively with the Senior Debt Securities and the Subordinated Debt Securities, the “Securities”).

The Senior Debt Securities are to be issued under an indenture entered into between the Company and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.) (the “Trust Company”), as indenture trustee (the “Senior Base Indenture”). The Subordinated Debt Securities are to be issued under an indenture to be entered into between the Company and the Trust Company, as indenture trustee (the “Subordinated Base Indenture”). The First Mortgage Bonds are to be issued under an indenture to be entered into between the Company and the Trust Company, as indenture trustee (the “Mortgage Bond Indenture”) and, collectively with the Senior Base Indenture and Subordinated Base Indenture, the “Base Indentures”).

In arriving at the opinions expressed below, we have examined originals, or copies certified or otherwise identified to our satisfaction as being true and complete copies of the originals, of the Senior Base Indenture, the form of the Subordinated Base Indenture, the form of the Mortgage Bond Indenture and such other documents, corporate records, certificates of officers of the Company and of public officials and other instruments as we have deemed necessary or advisable to enable us to render these opinions. In our examination, we have assumed the genuineness of all signatures, the legal capacity and competency of all natural persons, the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies. As to any facts material to these opinions, we have relied to the extent we deemed appropriate and without independent investigation upon statements and representations of officers and other representatives of the Company and others.

Brussels - Century City - Dallas - Denver - Dubai - Hong Kong - London - Los Angeles - Munich - New York  
Orange County - Palo Alto - Paris - San Francisco - São Paulo - Singapore - Washington, D.C.

We have assumed without independent investigation that:

(i) at the time any Securities are sold pursuant to the Registration Statement (the “Relevant Time”), the Registration Statement and any supplements and amendments thereto (including post-effective amendments) will be effective and will comply with all applicable laws;

(ii) at the Relevant Time, a prospectus supplement will have been prepared and filed with the Commission describing the Securities offered thereby and all related documentation and will comply with all applicable laws;

(iii) all Securities will be issued and sold in the manner stated in the Registration Statement and the applicable prospectus supplement;

(iv) at the Relevant Time, all corporate or other action required to be taken by the Company to duly authorize each proposed issuance of Securities and any related documentation (including the execution (in the case of certificated Securities), delivery and performance of the Securities and any related documentation referred to in paragraph 1 below) shall have been duly completed and shall remain in full force and effect;

(v) at the Relevant Time, the relevant Base Indenture shall have been duly executed and delivered by the Company and all other parties thereto and duly qualified under the Trust Indenture Act of 1939, as amended; and

(vi) at the Relevant Time, a definitive purchase, underwriting or similar agreement and any other necessary agreement with respect to any Securities offered or issued will have been duly authorized by all necessary corporate or other action of the Company and duly executed and delivered by the Company and the other parties thereto.

Based on the foregoing and in reliance thereon, and subject to the assumptions, exceptions, qualifications and limitations set forth herein, we are of the opinion that:

1. With respect to any Securities, when:

- a. the terms and conditions of such Securities have been duly established by supplemental indenture or officers' certificate in accordance with the terms and conditions of the relevant Base Indenture,

- b. any such supplemental indenture has been duly executed and delivered by the Company and the relevant trustee (together with the relevant Base Indenture, the “Indenture”), and
- c. such Securities have been executed (in the case of certificated Securities), delivered and authenticated in accordance with the terms of the applicable Indenture and issued and sold for the consideration set forth in the applicable definitive purchase, underwriting or similar agreement,

such Securities will be legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms.

The opinions expressed above are subject to the following exceptions, qualifications, limitations and assumptions:

A. We render no opinion herein as to matters involving the laws of any jurisdiction other than the State of New York and the United States of America. This opinion is limited to the effect of the current state of the laws of the State of New York, the United States of America and the facts as they currently exist. We assume no obligation to revise or supplement this opinion in the event of future changes in such laws or the interpretations thereof or such facts.

B. The opinions above with respect to the Indenture and the Securities (collectively, the “Documents”) are each subject to (i) the effect of any bankruptcy, insolvency, reorganization, moratorium, arrangement or similar laws affecting the rights and remedies of creditors’ generally, including without limitation the effect of statutory or other laws regarding fraudulent transfers or preferential transfers and (ii) general principles of equity, including without limitation concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance, injunctive relief or other equitable remedies regardless of whether enforceability is considered in a proceeding in equity or at law.

C. We express no opinion regarding the effectiveness of (i) any waiver of stay, extension or usury laws or of unknown future rights; (ii) any waiver (whether or not stated as such) under the Indenture or any other Document of, or any consent thereunder relating to, unknown future rights or the rights of any party thereto existing, or duties owing to it, as a matter of law; (iii) any waiver (whether or not stated as such) contained in the Indenture or any other Document of rights of any party, or duties owing to it, that is broadly or vaguely stated or does not describe the right or duty purportedly waived with reasonable specificity; (iv) provisions relating to indemnification, exculpation or contribution, to the extent such provisions may be held unenforceable as contrary to public policy or federal or state securities laws or due to the negligence or willful misconduct of the indemnified party;

# GIBSON DUNN

MidAmerican Energy Company

August 28, 2013

Page 4

(v) any purported fraudulent transfer “savings” clause; (vi) any provision in any Document waiving the right to object to venue in any court; (vii) any agreement to submit to the jurisdiction of any Federal court; (viii) any waiver of the right to jury trial or (ix) any provision to the effect that every right or remedy is cumulative and may be exercised in addition to any other right or remedy or that the election of some particular remedy does not preclude recourse to one or more others.

You have informed us that you intend to issue Securities from time to time on a delayed or continuous basis, and we understand that prior to issuing any Securities pursuant to the Registration Statement (i) you will advise us in writing of the terms thereof, and (ii) you will afford us an opportunity to (x) review the operative documents pursuant to which such Securities are to be issued or sold (including the applicable offering documents), and (y) file such supplement or amendment to this opinion (if any) as we may reasonably consider necessary or appropriate.

We consent to the filing of this opinion as an exhibit to the Registration Statement, and we further consent to the use of our name under the caption “Legal Matters” in the Registration Statement and the prospectus that forms a part thereof. In giving these consents, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ GIBSON, DUNN & CRUTCHER LLP

**[LETTERHEAD OF MIDAMERICAN ENERGY COMPANY]**

August 28, 2013

MidAmerican Energy Company  
666 Grand Avenue  
Des Moines, Iowa 50309

Ladies and Gentlemen:

I am the Assistant General Counsel of MidAmerican Energy Company, an Iowa corporation (the "Company"). I have served in such capacity in connection with the preparation and filing with the Securities and Exchange Commission (the "Commission") of a Registration Statement on Form S-3 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), relating to the registration under the Securities Act and the proposed issuance and sale from time to time pursuant to Rule 415 under the Securities Act, together or separately and in one or more series (if applicable) of the Company's: (i) unsecured debt securities, which may either be senior debt securities (the "Senior Debt Securities") or subordinated debt securities (the "Subordinated Debt Securities") and (ii) first mortgage bonds (the "First Mortgage Bonds") and, collectively with the Senior Debt Securities and the Subordinated Debt Securities, the "Securities").

The Senior Debt Securities are to be issued under an indenture, dated as of October 1, 2006 (the "Senior Base Indenture"), entered into between the Company and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.) (the "Trust Company"), as indenture trustee. The Subordinated Debt Securities are to be issued under an indenture (the "Subordinated Base Indenture") to be entered into between the Company and the Trust Company, as indenture trustee. The First Mortgage Bonds are to be issued under an indenture (the "Mortgage Bond Indenture", and collectively with the Senior Base Indenture and the Subordinated Base Indenture, the "Base Indentures") to be entered into between the Company and the Trust Company, as indenture trustee. Prior to issuing First Mortgage Bonds, the Company will execute a mortgage, security agreement, fixture filing and financing statement (the "Mortgage") in favor of the Trust Company, in its capacity as collateral trustee (the "Collateral Trustee"), and the Company also will enter into an intercreditor and collateral trust agreement (the "Collateral Trust Agreement") and, together with the Mortgage, the "Security Documents") with the Trust Company, in its capacity as the Mortgage Bond Trustee, and the Trust Company in its capacity as the Collateral Trustee.

In arriving at the opinions expressed below, I have examined originals, or copies certified or otherwise identified to my satisfaction as being true and complete copies of the originals, of the Senior Base Indenture, the form of the Subordinated Base Indenture, the form of the Mortgage Bond Indenture and such other documents, corporate records, certificates of officers of the Company and of public officials and other instruments as I have deemed necessary or advisable to enable me to render these opinions. In my examination, I have assumed the genuineness of all signatures, the legal capacity and competency of all natural persons, the authenticity of all documents submitted to me as originals and the conformity to original documents of all documents submitted to me as copies. As to any facts material to these opinions, I have relied to the extent I deemed appropriate and without independent investigation upon statements and representations of officers and other representatives of the Company and others.

Based on the foregoing and in reliance thereon, and subject to the assumptions, exceptions, qualifications and limitations set forth herein, I am of the opinion that (i) the Company is duly incorporated, is validly existing and in good standing under the laws of Iowa and has all requisite power to execute, deliver and perform its obligations under the Base Indentures and the Security Documents; (ii) the execution and delivery of the Senior Base Indenture by the Company and the performance of its obligations thereunder have been duly authorized by all necessary corporate or other action and do not violate any law, regulation, order, judgment or decree applicable to the Company; and (iii) the Senior Base Indenture has been duly executed and delivered by the Company.

I render no opinion herein as to matters involving the laws of any jurisdiction other than the State of Iowa and the United States of America. This opinion is limited to the effect of the current state of the laws of the State of Iowa, the United States of America and the facts as they currently exist. I assume no obligation to revise or supplement this opinion in the event of future changes in such laws or the interpretations thereof or such facts.

I consent to the filing of this opinion as an exhibit to the Registration Statement, and I further consent to the use of my name under the caption "Legal Matters" in the Registration Statement and the prospectus that forms a part thereof. In giving these consents, I do not thereby admit that I am within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

Sincerely,

/s/ Paul J. Leighton, Esq.

Paul J. Leighton, Esq.

Assistant General Counsel

**MIDAMERICAN ENERGY COMPANY**  
**COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES**  
(In Millions)  
(Unaudited)

	Six Months Ended	Twelve Months Ended December 31,				
	June 30, 2013	2012	2011	2010	2009	2008
<b>Earnings available for fixed charges:</b>						
Net income from continuing operations	\$ 127	\$355	\$319	\$357	\$350	\$343
<b>Add (deduct):</b>						
Income tax (benefit) expense	(30)	(99)	(17)	(49)	(27)	126
Total fixed charges	<u>77</u>	<u>153</u>	<u>166</u>	<u>163</u>	<u>165</u>	<u>165</u>
	<u>47</u>	<u>54</u>	<u>149</u>	<u>114</u>	<u>138</u>	<u>291</u>
<b>Total earnings available for fixed charges</b>	<b>\$ 174</b>	<b>\$409</b>	<b>\$468</b>	<b>\$471</b>	<b>\$488</b>	<b>\$634</b>
<b>Fixed Charges:</b>						
Interest on long-term debt	\$ 70	\$142	\$157	\$155	\$155	\$154
Other interest charges	1	1	1	1	3	4
Estimated interest portion of rental expense	6	10	8	7	7	7
Total fixed charges	<u>\$ 77</u>	<u>\$153</u>	<u>\$166</u>	<u>\$163</u>	<u>\$165</u>	<u>\$165</u>
<b>Ratio of earnings to fixed charges</b>	<b><u>2.3</u></b>	<b><u>2.7</u></b>	<b><u>2.8</u></b>	<b><u>2.9</u></b>	<b><u>3.0</u></b>	<b><u>3.8</u></b>

August 27, 2013

MidAmerican Energy Company  
Des Moines, Iowa

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial statements of MidAmerican Energy Company for the three-month periods ended March 31, 2013 and 2012, and have issued our report dated May 3, 2013, and for the three and six-month periods ended June 30, 2013 and 2012, and have issued our report dated August 2, 2013. As indicated in such reports, because we did not perform an audit, we expressed no opinion on that information.

We are aware that our reports referred to above, which were included in your Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013, are being incorporated by reference in this Registration Statement on Form S-3.

We also are aware that the aforementioned reports, pursuant to Rule 436(c) under the Securities Act of 1933, as amended, are not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

Des Moines, Iowa

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in this Registration Statement on Form S-3 of our report dated March 1, 2013, relating to the consolidated financial statements and financial statement schedule of MidAmerican Energy Company appearing in the Annual Report on Form 10-K of MidAmerican Energy Company for the year ended December 31, 2012, and to the reference to us under the heading “Experts” in the Prospectus, which is part of this Registration Statement.

/s/ Deloitte & Touche LLP

Des Moines, Iowa  
August 27, 2013

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

---

**FORM T-1**

---

**STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939  
OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE**

- CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO SECTION 305(b)(2)**

---

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A.**

(Exact name of trustee as specified in its charter)

---

(Jurisdiction of incorporation  
if not a U.S. national bank)

**95-3571558**  
(I.R.S. employer  
identification no.)

**400 South Hope Street  
Suite 400  
Los Angeles, California**  
(Address of principal executive offices)

**90071**  
(Zip code)

---

**MIDAMERICAN ENERGY COMPANY**  
(Exact name of obligor as specified in its charter)

---

**Iowa**  
(State or other jurisdiction of  
incorporation or organization)

**42-1425214**  
(I.R.S. employer  
identification no.)

**666 Grand Avenue, Suite 500  
Des Moines, Iowa**  
(Address of principal executive offices)

**50309-2580**  
(Zip code)

---

**Senior Debt Securities**  
(Title of the indenture securities)

---

---

**1. General information. Furnish the following information as to the trustee:**

**(a) Name and address of each examining or supervising authority to which it is subject.**

Name	Address
Comptroller of the Currency United States Department of the Treasury	Washington, DC 20219
Federal Reserve Bank	San Francisco, CA 94105
Federal Deposit Insurance Corporation	Washington, DC 20429

**(b) Whether it is authorized to exercise corporate trust powers.**

Yes.

**2. Affiliations with Obligor.**

**If the obligor is an affiliate of the trustee, describe each such affiliation.**

None.

**16. List of Exhibits.**

**Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R. 229.10(d).**

1. A copy of the articles of association of The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A. (Exhibit 1 to Form T-1 filed with Registration Statement No. 333-121948 and Exhibit 1 to Form T-1 filed with Registration Statement No. 333-152875).
2. A copy of certificate of authority of the trustee to commence business. (Exhibit 2 to Form T-1 filed with Registration Statement No. 333-121948).
3. A copy of the authorization of the trustee to exercise corporate trust powers (Exhibit 3 to Form T-1 filed with Registration Statement No. 333-152875).

4. A copy of the existing by-laws of the trustee (Exhibit 4 to Form T-1 filed with Registration Statement No. 333-162713).
6. The consent of the trustee required by Section 321(b) of the Act (Exhibit 6 to Form T-1 filed with Registration Statement No. 333-152875).
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the trustee, The Bank of New York Mellon Trust Company, N.A., a banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Chicago, and State of Illinois, on the 23rd day of August, 2013.

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A.

By: /s/ R. Tarnas

Name: R. Tarnas

Title: Vice President

**EXHIBIT 7**

Consolidated Report of Condition of  
**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**  
of 400 South Hope Street, Suite 400, Los Angeles, CA 90071

At the close of business June 30, 2013, published in accordance with Federal regulatory authority instructions.

	<u>Dollar amounts in thousands</u>
<b>ASSETS</b>	
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	3,555
Interest-bearing balances	243
Securities:	
Held-to-maturity securities	0
Available-for-sale securities	706,791
Federal funds sold and securities purchased under agreements to resell:	
Federal funds sold	80,200
Securities purchased under agreements to resell	0
Loans and lease financing receivables:	
Loans and leases held for sale	0
Loans and leases, net of unearned income	0
LESS: Allowance for loan and lease losses	0
Loans and leases, net of unearned income and allowance	0
Trading assets	0
Premises and fixed assets (including capitalized leases)	4,961
Other real estate owned	0
Investments in unconsolidated subsidiaries and associated companies	0
Direct and indirect investments in real estate ventures	0
Intangible assets:	
Goodwill	856,313
Other intangible assets	144,885
Other assets	144,427
<b>Total assets</b>	<b><u>\$ 1,941,375</u></b>

**LIABILITIES**

Deposits:	
In domestic offices	541
Noninterest-bearing	541
Interest-bearing	0
Not applicable	
Federal funds purchased and securities sold under agreements to repurchase:	
Federal funds purchased	0
Securities sold under agreements to repurchase	0
Trading liabilities	0
Other borrowed money:	0
(includes mortgage indebtedness and obligations under capitalized leases)	
Not applicable	
Not applicable	
Subordinated notes and debentures	0
Other liabilities	249,025
Total liabilities	249,566
Not applicable	
<b>EQUITY CAPITAL</b>	
Perpetual preferred stock and related surplus	0
Common stock	1,000
Surplus (exclude all surplus related to preferred stock)	1,121,667
Not available	
Retained earnings	566,137
Accumulated other comprehensive income	3,005
Other equity capital components	0
Not available	
Total bank equity capital	1,691,809
Noncontrolling (minority) interests in consolidated subsidiaries	0
Total equity capital	1,691,809
Total liabilities and equity capital	<u>1,941,375</u>

I, Cherisse Waligura, CFO of the above-named bank do hereby declare that the Reports of Condition and Income (including the supporting schedules) for this report date have been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and are true to the best of my knowledge and belief.

Cherisse Waligura                    ) CFO

We, the undersigned directors (trustees), attest to the correctness of the Report of Condition (including the supporting schedules) for this report date and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

Troy Kilpatrick, President        )  
Frank P. Sulzberger, Director    ) Directors (Trustees)  
William D. Lindelof, Director     )

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

---

**FORM T-1**

---

**STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939  
OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE**

- CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO SECTION 305(b)(2)**

---

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A.**

(Exact name of trustee as specified in its charter)

---

(Jurisdiction of incorporation  
if not a U.S. national bank)

**400 South Hope Street  
Suite 400**

**Los Angeles, California**  
(Address of principal executive offices)

**95-3571558**  
(I.R.S. employer  
identification no.)

**90071**  
(Zip code)

---

**MIDAMERICAN ENERGY COMPANY**  
(Exact name of obligor as specified in its charter)

---

**Iowa**  
(State or other jurisdiction of  
incorporation or organization)

**666 Grand Avenue, Suite 500  
Des Moines, Iowa**  
(Address of principal executive offices)

**42-1425214**  
(I.R.S. employer  
identification no.)

**50309-2580**  
(Zip code)

---

**Subordinated Debt Securities**  
(Title of the indenture securities)

---

---

**1. General information. Furnish the following information as to the trustee:**

**(a) Name and address of each examining or supervising authority to which it is subject.**

Name	Address
Comptroller of the Currency United States Department of the Treasury	Washington, DC 20219
Federal Reserve Bank	San Francisco, CA 94105
Federal Deposit Insurance Corporation	Washington, DC 20429

**(b) Whether it is authorized to exercise corporate trust powers.**

Yes.

**2. Affiliations with Obligor.**

**If the obligor is an affiliate of the trustee, describe each such affiliation.**

None.

**16. List of Exhibits.**

**Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R. 229.10(d).**

1. A copy of the articles of association of The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A. (Exhibit 1 to Form T-1 filed with Registration Statement No. 333-121948 and Exhibit 1 to Form T-1 filed with Registration Statement No. 333-152875).
2. A copy of certificate of authority of the trustee to commence business. (Exhibit 2 to Form T-1 filed with Registration Statement No. 333-121948).
3. A copy of the authorization of the trustee to exercise corporate trust powers (Exhibit 3 to Form T-1 filed with Registration Statement No. 333-152875).

4. A copy of the existing by-laws of the trustee (Exhibit 4 to Form T-1 filed with Registration Statement No. 333-162713).
6. The consent of the trustee required by Section 321(b) of the Act (Exhibit 6 to Form T-1 filed with Registration Statement No. 333-152875).
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the trustee, The Bank of New York Mellon Trust Company, N.A., a banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Chicago, and State of Illinois, on the 23rd day of August, 2013.

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A.

By: /s/ R. Tarnas

Name: R. Tarnas

Title: Vice President

Consolidated Report of Condition of  
THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.  
of 400 South Hope Street, Suite 400, Los Angeles, CA 90071

At the close of business June 30, 2013, published in accordance with Federal regulatory authority instructions.

	Dollar amounts in thousands
<b>ASSETS</b>	
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	3,555
Interest-bearing balances	243
Securities:	
Held-to-maturity securities	0
Available-for-sale securities	706,791
Federal funds sold and securities purchased under agreements to resell:	
Federal funds sold	80,200
Securities purchased under agreements to resell	0
Loans and lease financing receivables:	
Loans and leases held for sale	0
Loans and leases, net of unearned income	0
LESS: Allowance for loan and lease losses	0
Loans and leases, net of unearned income and allowance	0
Trading assets	0
Premises and fixed assets (including capitalized leases)	4,961
Other real estate owned	0
Investments in unconsolidated subsidiaries and associated companies	0
Direct and indirect investments in real estate ventures	0
Intangible assets:	
Goodwill	856,313
Other intangible assets	144,885
Other assets	144,427
<b>Total assets</b>	<b><u>\$ 1,941,375</u></b>

**LIABILITIES**

Deposits:	
In domestic offices	541
Noninterest-bearing	541
Interest-bearing	0
Not applicable	
Federal funds purchased and securities sold under agreements to repurchase:	
Federal funds purchased	0
Securities sold under agreements to repurchase	0
Trading liabilities	0
Other borrowed money:	0
(includes mortgage indebtedness and obligations under capitalized leases)	
Not applicable	
Not applicable	
Subordinated notes and debentures	0
Other liabilities	249,025
Total liabilities	249,566
Not applicable	
<b>EQUITY CAPITAL</b>	
Perpetual preferred stock and related surplus	0
Common stock	1,000
Surplus (exclude all surplus related to preferred stock)	1,121,667
Not available	
Retained earnings	566,137
Accumulated other comprehensive income	3,005
Other equity capital components	0
Not available	
Total bank equity capital	1,691,809
Noncontrolling (minority) interests in consolidated subsidiaries	0
Total equity capital	1,691,809
Total liabilities and equity capital	<u>1,941,375</u>

I, Cherisse Waligura, CFO of the above-named bank do hereby declare that the Reports of Condition and Income (including the supporting schedules) for this report date have been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and are true to the best of my knowledge and belief.

Cherisse Waligura                    ) CFO

We, the undersigned directors (trustees), attest to the correctness of the Report of Condition (including the supporting schedules) for this report date and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

Troy Kilpatrick, President        )  
Frank P. Sulzberger, Director    ) Directors (Trustees)  
William D. Lindelof, Director     )

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

---

**FORM T-1**

---

**STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939  
OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE**

- CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO SECTION 305(b)(2)**
- 

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A.**

(Exact name of trustee as specified in its charter)

---

(Jurisdiction of incorporation  
if not a U.S. national bank)

**95-3571558**  
(I.R.S. employer  
identification no.)

**400 South Hope Street  
Suite 400  
Los Angeles, California**  
(Address of principal executive offices)

**90071**  
(Zip code)

---

**MIDAMERICAN ENERGY COMPANY**  
(Exact name of obligor as specified in its charter)

---

**Iowa**  
(State or other jurisdiction of  
incorporation or organization)

**42-1425214**  
(I.R.S. employer  
identification no.)

**666 Grand Avenue, Suite 500  
Des Moines, Iowa**  
(Address of principal executive offices)

**50309-2580**  
(Zip code)

---

**First Mortgage Bonds**  
(Title of the indenture securities)

---

**1. General information. Furnish the following information as to the trustee:**

**(a) Name and address of each examining or supervising authority to which it is subject.**

Name	Address
Comptroller of the Currency United States Department of the Treasury	Washington, DC 20219
Federal Reserve Bank	San Francisco, CA 94105
Federal Deposit Insurance Corporation	Washington, DC 20429

**(b) Whether it is authorized to exercise corporate trust powers.**

Yes.

**2. Affiliations with Obligor.**

**If the obligor is an affiliate of the trustee, describe each such affiliation.**

None.

**16. List of Exhibits.**

**Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R. 229.10(d).**

1. A copy of the articles of association of The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A. (Exhibit 1 to Form T-1 filed with Registration Statement No. 333-121948 and Exhibit 1 to Form T-1 filed with Registration Statement No. 333-152875).
2. A copy of certificate of authority of the trustee to commence business. (Exhibit 2 to Form T-1 filed with Registration Statement No. 333-121948).
3. A copy of the authorization of the trustee to exercise corporate trust powers (Exhibit 3 to Form T-1 filed with Registration Statement No. 333-152875).

4. A copy of the existing by-laws of the trustee (Exhibit 4 to Form T-1 filed with Registration Statement No. 333-162713).
6. The consent of the trustee required by Section 321(b) of the Act (Exhibit 6 to Form T-1 filed with Registration Statement No. 333-152875).
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the trustee, The Bank of New York Mellon Trust Company, N.A., a banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Chicago, and State of Illinois, on the 23rd day of August, 2013.

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A.

By: /s/ R. Tarnas

Name: R. Tarnas

Title: Vice President

**EXHIBIT 7**

Consolidated Report of Condition of  
**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**  
of 400 South Hope Street, Suite 400, Los Angeles, CA 90071

At the close of business June 30, 2013, published in accordance with Federal regulatory authority instructions.

	<u>Dollar amounts in thousands</u>
<b>ASSETS</b>	
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	3,555
Interest-bearing balances	243
Securities:	
Held-to-maturity securities	0
Available-for-sale securities	706,791
Federal funds sold and securities purchased under agreements to resell:	
Federal funds sold	80,200
Securities purchased under agreements to resell	0
Loans and lease financing receivables:	
Loans and leases held for sale	0
Loans and leases, net of unearned income	0
LESS: Allowance for loan and lease losses	0
Loans and leases, net of unearned income and allowance	0
Trading assets	0
Premises and fixed assets (including capitalized leases)	4,961
Other real estate owned	0
Investments in unconsolidated subsidiaries and associated companies	0
Direct and indirect investments in real estate ventures	0
Intangible assets:	
Goodwill	856,313
Other intangible assets	144,885
Other assets	144,427
<b>Total assets</b>	<b><u>\$ 1,941,375</u></b>

**LIABILITIES**

Deposits:	
In domestic offices	541
Noninterest-bearing	541
Interest-bearing	0
Not applicable	
Federal funds purchased and securities sold under agreements to repurchase:	
Federal funds purchased	0
Securities sold under agreements to repurchase	0
Trading liabilities	0
Other borrowed money:	0
(includes mortgage indebtedness and obligations under capitalized leases)	
Not applicable	
Not applicable	
Subordinated notes and debentures	0
Other liabilities	249,025
Total liabilities	249,566
Not applicable	
<b>EQUITY CAPITAL</b>	
Perpetual preferred stock and related surplus	0
Common stock	1,000
Surplus (exclude all surplus related to preferred stock)	1,121,667
Not available	
Retained earnings	566,137
Accumulated other comprehensive income	3,005
Other equity capital components	0
Not available	
Total bank equity capital	1,691,809
Noncontrolling (minority) interests in consolidated subsidiaries	0
Total equity capital	1,691,809
Total liabilities and equity capital	<u>1,941,375</u>

I, Cherisse Waligura, CFO of the above-named bank do hereby declare that the Reports of Condition and Income (including the supporting schedules) for this report date have been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and are true to the best of my knowledge and belief.

Cherisse Waligura                    ) CFO

We, the undersigned directors (trustees), attest to the correctness of the Report of Condition (including the supporting schedules) for this report date and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

Troy Kilpatrick, President        )  
Frank P. Sulzberger, Director    ) Directors (Trustees)  
William D. Lindelof, Director    )

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**PRE-EFFECTIVE AMENDMENT No. 1  
TO  
Form S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**MIDAMERICAN ENERGY COMPANY**

(Exact name of registrant as specified in its charter)

Iowa 42-1425214  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

666 Grand Avenue, Suite 500  
Des Moines, Iowa 50309-2580  
(515) 242-4300

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Paul J. Leighton, Esq.  
Vice President, Secretary and Assistant General Counsel  
MidAmerican Energy Company  
666 Grand Avenue, Suite 500  
Des Moines, Iowa 50309-2580  
(515) 242-4300

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copy to:*

Peter J. Hanlon, Esq.  
J. Alan Bannister, Esq.  
Gibson, Dunn & Crutcher LLP  
200 Park Avenue  
New York, New York 10166  
(212) 351-4000

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this registration statement as determined by market conditions.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

**CALCULATION OF REGISTRATION FEE**

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per unit (2)	Proposed maximum aggregate offering price (3)	Amount of registration fee (4)(5)
Unsecured Debt Securities and First Mortgage Bonds	\$1,600,000,000	—	\$1,600,000,000	\$218,240

- (1) Includes such additional aggregate principal amount of unsecured debt securities and first mortgage bonds issued with an original issue discount such that the aggregate initial public offering price of all unsecured debt securities and first mortgage bonds will not exceed \$1,600,000,000 less the dollar amount of other unsecured debt securities and first mortgage bonds previously issued.
- (2) Omitted pursuant to Rule 457(o) under the Securities Act.
- (3) Estimated in accordance with Rule 457 under the Securities Act solely for the purpose of calculating the registration fee.
- (4) Calculated in accordance with Rule 457(o) under the Securities Act.
- (5) Pursuant to Rule 457(p) under the Securities Act, a portion of the registration fee of \$218,240 due for the registration of the securities to be registered hereby is offset by the \$204,600 registration fee associated with the unsold securities under MidAmerican Energy Company's Registration Statement on Form S-3 (No. 333-187686) which was filed on April 2, 2013 (the "Prior Registration Statement"). The remainder of \$13,640 of the registration fee due for the registration of the securities to be registered hereby is offset by the \$13,640 registration fee previously paid in connection with the initial filing of this Registration Statement on August 28, 2013.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

## **EXPLANATORY NOTE**

This Pre-Effective Amendment to Registration Statement on Form S-3 relates to the registration of an additional \$1,500,000,000 of unsecured debt securities and first mortgage bonds of MidAmerican Energy Company, an Iowa corporation.

Subject to Completion, dated August 28, 2013.

Prospectus

# MIDAMERICAN ENERGY COMPANY

## Unsecured Debt Securities First Mortgage Bonds

---

We will provide the specific terms of the securities in supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest.

---

**Investing in the securities involves risks. See “Risk Factors” on page 3.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities will not be listed on any securities exchange or included in any automated quotation system. Currently, there is no public market for the securities.

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

---

The date of this prospectus is \_\_\_\_\_, 2013

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

## TABLE OF CONTENTS

	<u>Page</u>
MidAmerican Energy Company .....	1
Forward-Looking Statements .....	1
Ratio of Earnings to Fixed Charges .....	2
Risk Factors .....	3
Use of Proceeds .....	3
Description of Debt Securities .....	3
Description of First Mortgage Bonds .....	9
Plan of Distribution .....	26
About this Prospectus .....	27
Where You Can Find More Information .....	27
Incorporation by Reference .....	27
Legal Matters .....	28
Experts .....	28

## **MidAmerican Energy Company**

We are a public utility company headquartered in Iowa that serves 0.7 million regulated retail electric customers in portions of Iowa, Illinois and South Dakota and 0.7 million regulated retail and transportation natural gas customers in portions of Iowa, South Dakota, Illinois and Nebraska. We are principally engaged in the business of generating, transmitting, distributing and selling electricity and in distributing, selling and transporting natural gas. Our service territory covers approximately 11,000 square miles. Metropolitan areas in which we distribute electricity at retail include Council Bluffs, Des Moines, Fort Dodge, Iowa City, Sioux City and Waterloo, Iowa; and the Quad Cities (Davenport and Bettendorf, Iowa and Rock Island, Moline and East Moline, Illinois). Metropolitan areas in which we distribute natural gas at retail include Cedar Rapids, Des Moines, Fort Dodge, Iowa City, Sioux City and Waterloo, Iowa; the Quad Cities; and Sioux Falls, South Dakota. We have a diverse customer base consisting of urban and rural residential customers and a variety of commercial and industrial customers. Principal industries served by us include processing and sales of food products; manufacturing, processing and fabrication of primary metals; farm and other non-electrical machinery; real estate; technology; cement and gypsum products; and government. In addition to retail sales and natural gas transportation, we sell electricity principally to markets operated by regional transmission organizations and natural gas to other utilities and market participants on a wholesale basis. We are a transmission-owning member of the Midwest Independent Transmission System Operator, Inc. and participate in its energy and ancillary services markets.

Our headquarters and principal executive offices are located at 666 Grand Avenue, Suite 500, Des Moines, Iowa 50309-2580. Our telephone number is (515) 242-4300.

### **Forward-Looking Statements**

This prospectus contains or incorporates by reference statements that do not directly or exclusively relate to historical facts. These statements are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, also referred to as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, also referred to as the Exchange Act. Forward-looking statements can typically be identified by the use of forward-looking words, such as “will,” “may,” “could,” “project,” “believe,” “anticipate,” “expect,” “estimate,” “continue,” “intend,” “potential,” “plan,” “forecast” and similar terms. These statements are based upon our current intentions, assumptions, expectations and beliefs and are subject to risks, uncertainties and other important factors. Many of these factors are outside our control and could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors include, among others:

- general economic, political and business conditions, as well as changes in laws and regulations affecting our operations or related industries;
- changes in, and compliance with, environmental laws, regulations, decisions and policies that could, among other items, increase operating and capital costs, reduce generating facility output, accelerate generating facility retirements or delay generating facility construction or acquisition;
- the outcome of rate cases and other proceedings conducted by regulatory commissions or other governmental and legal bodies and our ability to recover costs in rates in a timely manner;
- changes in economic, industry, competition or weather conditions, as well as demographic trends and new technologies, that could affect customer growth and usage, electricity and natural gas supply or our ability to obtain long-term contracts with customers and suppliers;
- a high degree of variance between actual and forecasted load or generation that could impact our hedging strategy and the cost of balancing our generation resources with our retail load obligations;
- performance and availability of our generating facilities, including the impacts of outages and repairs, transmission constraints, weather, including wind, and operating conditions;

- changes in prices, availability and demand for wholesale electricity, coal, natural gas, other fuel sources and fuel transportation that could have a significant impact on generating capacity and energy costs;
- the financial condition and creditworthiness of our significant customers and suppliers;
- changes in business strategy or development plans;
- availability, terms and deployment of capital, including reductions in demand for investment grade commercial paper, debt securities and other sources of debt financing and volatility in the London Interbank Offered Rate, the base interest rate for our credit facilities;
- changes in our credit ratings;
- risks relating to nuclear generation;
- the impact of certain contracts used to mitigate or manage volume, price and interest rate risk, including increased collateral requirements, and changes in commodity prices, interest rates and other conditions that affect the fair value of certain contracts;
- the impact of inflation on costs and our ability to recover such costs in regulated rates;
- increases in employee healthcare costs, including the implementation of the Affordable Care Act;
- the impact of investment performance and changes in interest rates, legislation, healthcare cost trends, mortality and morbidity on pension and other postretirement benefits expense and funding requirements;
- unanticipated construction delays, changes in costs, receipt of required permits and authorizations, ability to fund capital projects and other factors that could affect future generating facilities and infrastructure additions;
- the impact of new accounting guidance or changes in current accounting estimates and assumptions on our consolidated financial results;
- other risks or unforeseen events, including the effects of storms, floods, fires, explosions, litigation, wars, terrorism, embargoes and other catastrophic events; and
- other business or investment considerations that may be disclosed from time to time in our filings with the SEC or in other publicly disseminated written documents.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing factors should not be construed as exclusive.

### Ratio of Earnings to Fixed Charges

The following table sets forth the ratio of our earnings to our fixed charges for the periods indicated.

	Six Months Ended June 30,	Twelve Months Ended December 31,				
	2013	2012	2011	2010	2009	2008
Ratio of earnings to fixed charges (1)	2.3x	2.7x	2.8x	2.9x	3.0x	3.8x

- (1) For purposes of computing the ratio of earnings to fixed charges, “earnings” consist of net income from continuing operations plus income taxes, interest on long-term debt, other interest charges and interest on leases. “Earnings” also include allowances for borrowed and other funds used during construction. “Fixed charges” consist of interest on long-term debt, other interest charges and interest on rentals.

## **Risk Factors**

Investing in the securities involves risks, including the risks described in the documents we incorporate by reference herein. You should carefully consider these risks and the other information contained or incorporated by reference in this prospectus and any prospectus supplement before deciding to invest in the securities, including the risk factors incorporated by reference from our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K we file after the date of this prospectus, and all other information contained or incorporated by reference in this prospectus, as updated by our subsequent filings under the Exchange Act, and the risk factors and other information contained in the applicable prospectus supplement, before acquiring any of such securities. In addition, risks not known to us or that we believe are immaterial also may impair our business operations, financial condition and liquidity.

## **Use of Proceeds**

Unless otherwise specified in the applicable prospectus supplement, we will use the net proceeds from the sale of the securities described in this prospectus for general corporate purposes, which may include additions to working capital, reductions of our indebtedness, refinancing of existing securities and financing of capital expenditures. We may invest funds not immediately required for such purposes in short-term securities. The amount and timing of sales of the securities described in this prospectus will depend on market conditions and the availability to us of other funds.

## **Description of Unsecured Debt Securities**

This section of this prospectus describes the general terms and provisions of the unsecured debt securities that we may offer. For a description of the first mortgage bonds that we may offer, see “Description of First Mortgage Bonds.” When we offer to sell a particular series of unsecured debt securities, we will describe the specific terms of the series in a prospectus supplement to this prospectus. We will also indicate in the applicable prospectus supplement whether the general terms and provisions described in this prospectus apply to a particular series of unsecured debt securities.

### **General**

We may issue senior unsecured debt securities or subordinated unsecured debt securities, in addition to first mortgage bonds described under “Description of First Mortgage Bonds.” The senior unsecured debt securities will be our direct unsecured obligations and the subordinated unsecured debt securities will be our direct unsecured obligations. The senior unsecured debt securities will be issued under the Indenture, dated as of October 1, 2006, between us and The Bank of New York Mellon Trust Company, N.A., and the subordinated unsecured debt securities will be issued under an unsecured indenture to be entered into between us and a trustee named in the applicable prospectus supplement. The following summary of certain provisions of the unsecured indentures does not purport to be complete and is qualified in its entirety by reference to the detailed provisions of the unsecured indentures (copies of which are filed or incorporated by reference as exhibits to the registration statement of which this prospectus is a part). Except to the extent set forth in a prospectus supplement for a particular series of unsecured debt securities, the unsecured indentures, as amended or supplemented from time to time, will be substantially similar to the unsecured indentures filed or incorporated by reference as exhibits to the registration statement and described below.

### **Prospectus Supplement**

A prospectus supplement relating to a series of unsecured debt securities being offered will include specific terms relating to the offering. These terms may include:

- the title of the series of unsecured debt securities;
- whether the series of unsecured debt securities are senior unsecured debt securities or subordinated unsecured debt securities;

- the aggregate principal amount (or any limit on the aggregate principal amount) of the series of unsecured debt securities and, if any unsecured debt securities of a series are to be issued at a discount from their face amount, the method of computing the accretion of such discount;
- if other than the entire principal amount thereof, the portion of the principal amount of the unsecured debt securities payable upon declaration of acceleration of the maturity thereof;
- the rate or rates of interest, if any, which will be borne by such unsecured debt securities, which may be fixed or variable;
- the date from which interest will accrue;
- the record date for interest payable on the unsecured debt securities;
- the maturity date of the unsecured debt securities;
- the dates when, places where and manner in which principal, premium, if any, and interest will be payable;
- the securities registrar if other than the trustee;
- the terms of any mandatory redemption (including any sinking fund requirement) or any redemption at our option;
- the terms of any redemption at the option of holders of the unsecured debt securities;
- the denominations in which the unsecured debt securities are issuable;
- whether the unsecured debt securities will be represented by a global security and the terms of any such global security;
- the currency or currencies (including any composite currency) in which principal or interest or both may be paid;
- any events of default, covenants or defined terms in addition to or in lieu of those set forth in the applicable unsecured indenture;
- whether and upon what terms the unsecured debt securities may be defeased;
- any special tax implications of the unsecured debt securities; and
- any other terms in addition to or different from those contained in the applicable unsecured indenture.

The unsecured debt securities may bear interest at a fixed or a floating rate, or may bear no interest. Unsecured debt securities bearing no interest or bearing interest at a rate below the prevailing market rate at the time of issuance may be deemed to be issued at a discount below their stated principal amount. Further, the holders of any unsecured debt securities as to which we have the right to defer interest may be allocated interest income for federal and state income tax purposes without receiving equivalent, or any, interest payments. Material federal income tax consequences may result from any such deemed original issue discount or interest deferrals. Any such material federal income tax consequences will be described in the applicable prospectus supplement.

### **Ranking of Subordinated Unsecured Debt Securities**

The subordinated unsecured debt securities will be subordinate and junior in right of payment to the senior unsecured debt securities, the first mortgage bonds described in this prospectus and all of our other current and future senior debt. As of December 31, 2012, \$2.0 billion of our senior debt was outstanding, none of which was secured by our assets. If we issue first mortgage bonds or other secured debt in the future, then, by its terms, all

of such presently outstanding senior debt will be required to be equally and ratably secured with the first mortgage bonds or such other secured debt. Unless otherwise specified in the applicable prospectus supplement, no payments on the subordinated unsecured debt securities may be made if (1) any senior debt is not paid when due or (2) the maturity of any senior debt has been accelerated because of a default. Upon any distribution of our assets to creditors upon a bankruptcy, insolvency, liquidation, reorganization or similar event, all amounts due on our senior debt must be paid before any payments are made on the subordinated unsecured debt securities.

Subject to the payment in full of all senior debt, the rights of the holders of subordinated unsecured debt securities will be subrogated to the rights of the holders of our senior debt to receive payments or distributions applicable thereto until all amounts owing on the subordinated unsecured debt securities are paid in full.

Neither the subordinated unsecured indenture nor the senior unsecured indenture will limit the amount of senior debt that we can incur, and the mortgage bond indenture will not limit the amount of senior unsecured debt that we can incur.

### **Global Securities**

The unsecured debt securities of any series may be represented, in whole or in part, by one or more global securities. Each global security will:

- be registered in the name of a depository or nominee thereof that we will identify in the applicable prospectus supplement;
- be deposited with the depository or nominee or custodian; and
- bear any required legends.

As long as the depository, or its nominee, is the registered holder of a global security, the depository or nominee will be considered the sole owner and holder of the unsecured debt securities represented by the global security for all purposes under the unsecured debt securities and the applicable unsecured indenture. Except in the limited circumstances described below, owners of beneficial interests in a global security:

- will not be entitled to have the unsecured debt securities registered in their names;
- will not be entitled to physical delivery of certificated unsecured debt securities; and
- will not be considered to be holders of those unsecured debt securities under the unsecured debt securities or the applicable unsecured indenture.

Payments on a global security will be made to the depository or its nominee as the holder of the global security. Some jurisdictions have laws that require that certain purchasers of securities take physical delivery of the securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Institutions that have accounts with the depository or its nominee are referred to as “participants.” Ownership of beneficial interests in a global security will be limited to participants and to persons that may hold beneficial interests through participants. The depository will credit, on its book-entry registration and transfer system, the respective principal amounts of unsecured debt securities represented by the global security to the accounts of its participants.

Ownership of beneficial interests in a global security will be shown on and effected through records maintained by the depository, with respect to participants’ interests, or any participant, with respect to interests held by participants on behalf of other persons.

Payments, transfers, exchanges and other matters relating to beneficial interests in a global security will be subject to policies and procedures of the depository. The depository policies and procedures may change from time to time. Neither we nor the trustee will have any responsibility or liability for the depository’s or any participant’s records with respect to beneficial interests in a global security.

## **Exchange of Global Securities for Certificated Securities**

Except as otherwise may be set forth in the applicable prospectus supplement, the global securities may be exchanged for unsecured debt securities in certificated form only in the following circumstances:

- if the depository notifies us that it is unwilling or unable to continue as depository for the global securities, or if the depository is no longer registered as a clearing agency under the Securities Exchange Act and we do not appoint a replacement depository within 90 days;
- an event of default under the applicable unsecured indenture occurs; or
- if we determine, subject to the procedures of the depository, that a series of unsecured debt securities will no longer be represented by global securities.

If any global securities are exchangeable for certificated securities as described above, we will execute, and the trustee will authenticate upon our order, certificated securities of like tenor and terms in certificated form in an aggregate principal amount equal to the principal amount of such global securities. These certificated securities will be delivered to persons specified by the depository in exchange for the beneficial interests in the global securities being exchanged.

## **Redemption and Repayment**

The applicable prospectus supplement will specify the following:

- if the unsecured debt securities are subject to any sinking fund and the terms of any such sinking fund;
- if we may elect to redeem the unsecured debt securities prior to maturity and the terms of any such optional redemption;
- if we will be required to redeem the unsecured debt securities prior to maturity upon the occurrence of certain events and the terms of any such mandatory redemption; and
- if the holders of the unsecured debt securities will have the right to repayment of the unsecured debt securities prior to maturity and the terms of any such optional repayment.

If we elect or are required to redeem unsecured debt securities, a redemption notice will be sent to each holder of unsecured debt securities to be redeemed at least 30 but not more than 60 days prior to the redemption date. The redemption notice will include the following: (1) the redemption date, the places of redemption and the redemption price; (2) a statement that payment of the redemption price will be made on surrender of the unsecured debt securities at the places of redemption; (3) a statement that accrued interest to the redemption date will be paid as specified in the notice and that after the redemption date interest will cease to accrue; (4) if less than all of the unsecured debt securities of a series are to be redeemed, the particular unsecured debt securities or portions thereof to be redeemed; (5) if any unsecured debt securities are to be redeemed in part only, the portion of the unsecured debt securities to be redeemed and a statement that, upon surrender of the unsecured debt securities for redemption, new unsecured debt securities having the same terms will be issued in an amount equal to the unredeemed portion; and (6) if applicable, a statement that redemption is subject to the receipt by the trustee prior to the redemption date of sufficient funds to make such redemption.

If notice of redemption is given as specified above, the unsecured debt securities called for redemption will become due and payable on the date and at the places stated in the notice at the applicable redemption price, together with accrued interest to the redemption date. After the redemption date, the unsecured debt securities subject to redemption will cease to bear interest and will not be entitled to the benefits of the applicable unsecured indenture, other than the right to receive payment of the redemption price together with accrued interest to the redemption date.

If unsecured debt securities are repayable at the option of the holders prior to maturity, a holder that elects to have its unsecured debt securities repaid will be required to deliver such unsecured debt securities (or a guarantee of delivery from an eligible institution) to the trustee at least 30 but not more than 45 days prior to the repayment date. For unsecured debt securities represented by global securities held by the depositary, the repayment option may be exercised by a direct participant in the depositary on behalf of the beneficial owner by sending written notice to the trustee (specifying certain information regarding the unsecured debt securities to be repaid) at least 30 but not more than 60 days prior to the repayment date.

## **Covenants**

Except as described in the applicable prospectus supplement, the unsecured debt securities will be subject to covenants including the following:

- a covenant that requires us to maintain an office for payment and registration of transfer or exchange of the unsecured debt securities in New York, New York;
- a covenant that requires us to notify the trustee in writing of any event of default under an unsecured indenture within five days after we become aware of such event of default;
- a covenant that requires us to maintain our corporate existence, rights and franchises, unless the maintenance of such rights and franchises is no longer desirable in the conduct of our business; and
- a covenant that prohibits us from consolidating with or merging with or into any other person or conveying, transferring or leasing all or substantially all of our property or assets to any other person, unless the surviving company or transferee, as applicable, is a U.S. company and assumes all of our obligations under the unsecured indenture.

The covenant described immediately above includes a phrase relating to a conveyance, transfer or lease of “all or substantially all” of our property or assets. Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the nature and extent of the restriction on our ability to convey, transfer or lease all or substantially all of our property or assets, and the protections provided to the holders of unsecured debt securities by such restriction, may be uncertain.

## **Events of Default**

Except as described in the applicable prospectus supplement, the following will constitute events of default under the applicable unsecured indenture:

- we fail to pay interest on the applicable series of unsecured debt securities when due and such failure continues for 30 days;
- we fail to pay principal of, and premium, if any, on the applicable series of unsecured debt securities when due;
- we breach any other covenant or representation in the applicable unsecured indenture and such breach continues for 90 days (such period to be extended if we are diligently pursuing a cure) after we receive a notice of default with respect thereto;
- a decree or order is entered against us in an involuntary bankruptcy proceeding and is not vacated in 90 days, or a similar involuntary event relating to our bankruptcy or insolvency occurs and continues for 90 days; or
- we commence a voluntary bankruptcy case or take similar voluntary actions relating to our bankruptcy or insolvency.

Upon the occurrence of an event of default under an unsecured indenture, the holders of a majority in aggregate principal amount of the applicable series of unsecured debt securities may declare such unsecured debt securities to be immediately due and payable. Holders of a majority in principal amount of such unsecured debt securities may rescind the acceleration so long as the conditions set forth in the applicable unsecured indenture have been satisfied.

Prior to acceleration, holders of a majority in aggregate principal amount of the applicable series of unsecured debt securities may waive an event of default, other than (1) an event of default related to non-payment of principal, premium, if any, or interest and (2) an event of default related to a covenant or other provision of the applicable unsecured indenture that cannot be modified without the consent of each holder of unsecured debt securities affected thereby.

The trustee shall be under no obligation to exercise any of the rights or powers vested in it by the applicable unsecured indenture at the request or direction of any of the holders pursuant to the applicable unsecured indenture, unless such holders shall have offered to the trustee security or indemnity satisfactory to the trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

### **Modifications to the Unsecured Indenture**

Except as otherwise set forth in the applicable prospectus supplement, the unsecured debt securities will be subject to provisions which allow us and the trustee to amend the unsecured indenture without the consent of any holder of unsecured debt securities for the following purposes:

- to cure ambiguities or to cure, correct or supplement any defective or inconsistent provisions, provided that the amended provision shall not adversely affect the interests of holders of outstanding unsecured debt securities in any material respect;
- to add covenants, events of default or collateral, or to surrender a right or power conferred upon us in the unsecured indenture;
- to establish the form of additional unsecured debt securities in accordance with the terms of the unsecured indenture;
- to evidence the succession of another company to us and the assumption by the successor of our obligations under the unsecured indenture;
- to grant to or confer upon the trustee for the benefit of the holders any additional rights, remedies, powers or authority;
- to permit the trustee to comply with any duties imposed upon it by law;
- to specify further the duties and responsibilities of, and to define further the relationships among, the trustee and any authenticating agent or paying agent for the unsecured debt securities; and
- to change or eliminate any of the provisions of the unsecured indenture, so long as the change or elimination becomes effective only when there are no unsecured debt securities outstanding that were created prior to the execution of the supplemental indenture or other document evidencing such change or elimination.

Except as set forth in the applicable prospectus supplement, the unsecured debt securities will be subject to contain provisions which allow us and the trustee to amend the unsecured indenture for any other purpose with the consent of holders of a majority in aggregate principal amount of the applicable series of unsecured debt securities, other than amendments which:

- change the stated maturity of the applicable series of unsecured debt securities;
- reduce the principal amount of the applicable series of unsecured debt securities;

- reduce the interest rate for the applicable series of unsecured debt securities;
- extend the dates for scheduled payments of principal and interest on the applicable series of unsecured debt securities;
- impair the right of a holder of the applicable series of unsecured debt securities to institute suit for the payment of its unsecured debt securities; or
- reduce the percentage of holders of unsecured debt securities required to consent to amendments or waive defaults under the unsecured indenture.

The items described in the first five bullets above will require the consent of all holders of senior unsecured debt securities or subordinated unsecured debt securities, as the case may be, affected by the amendment. The item described in the last bullet above will require the consent of all holders of senior unsecured debt securities or subordinated unsecured debt securities, as the case may be.

### **Governing Law**

The senior unsecured indenture and the subordinated unsecured indenture will be governed by the laws of the State of New York.

### **Description of First Mortgage Bonds**

This section of this prospectus describes the general terms and provisions of the first mortgage bonds that we may offer. We may issue first mortgage bonds from time to time in one or more series, and when we offer to sell a particular series of first mortgage bonds, we will describe the specific terms of the series in a prospectus supplement to this prospectus. We will also indicate in the applicable prospectus supplement whether the general terms and provisions described in this prospectus apply to a particular series of first mortgage bonds.

### **General**

The first mortgage bonds will be issued under an Indenture, which we refer to as the “Mortgage Bond Indenture,” between us and The Bank of New York Mellon Trust Company, N.A., as trustee, which we refer to as the “Bond Trustee.” No first mortgage bonds are currently outstanding under the Mortgage Bond Indenture, and the initial series of first mortgage bonds will be the initial series issued under the Mortgage Bond Indenture. The Mortgage Bond Indenture will not limit the aggregate principal amount of first mortgage bonds that may be issued, subject to meeting certain conditions to issuance, including those described under “—Issuance of First Mortgage Bonds.”

The first mortgage bonds will be secured by a lien on certain of our property pursuant to a Mortgage, Security Agreement, Fixture Filing and Financing Statement, which we refer to as the “Mortgage,” from us to The Bank of New York Mellon Trust Company, N.A., as collateral trustee, which we refer to as the “Collateral Trustee.” We will execute the Mortgage prior to issuing any first mortgage bonds. This Mortgage will constitute a mortgage lien, subject to permissible encumbrances, as described below under “—Security and Priority—Permissible Encumbrances,” as well as exceptions and exclusions as described below under “—Security and Priority—Excepted Property,” on all of our electric generating, transmission and distribution property within the State of Iowa. See “—Security and Priority.”

If we issue first mortgage bonds, we will be required to secure equally and ratably with the first mortgage bonds certain of our then outstanding debt (including certain of our presently outstanding unsecured debt), to the extent required by the terms of such outstanding debt. As of June 30, 2013, \$2.0 billion of our senior notes were outstanding and entitled to become so secured pursuant to their terms. We refer to our outstanding debt required to be so secured as our “Equal and Ratable Notes.” Collateral administration will be governed by the Mortgage Bond Indenture and an Intercreditor and Collateral Trust Agreement, which we refer to as the “Collateral Trust Agreement,” among us, the Bond Trustee and the Collateral Trustee. Under the Collateral Trust Agreement, the

Collateral Trustee will agree to hold the trust estate (including all of the Collateral Trustee's right, title and interest under the Mortgage) for the equal and ratable benefit of the holders of the first mortgage bonds and the holders of the Equal and Ratable Notes.

The Collateral Trust Agreement also provides that, except in the circumstances described below under “—Description of First Mortgage Bonds—Remedies” and “—Description of First Mortgage Bonds—Release and Substitution of Property” with respect to the continuation of a Triggering Event (defined below) and upon prior notice by the Requisite Secured Parties (defined below), the Collateral Trustee will follow the directions of the Bond Trustee for, among other things, the release of property subject to the Mortgage, the application of cash held by the Collateral Trustee and the exercise of remedies under the Mortgage, in each case with such directions given only in accordance with the applicable provisions of the Indenture.

Further, under the Collateral Trust Agreement, the Collateral Trustee will agree that the proceeds of any collection, sale or other realization of any part of the shared collateral pursuant to the Mortgage or other shared collateral document will be held in trust by the Collateral Trustee and applied first, to the payment of any unpaid fees of the Collateral Trustee and all taxes, assessments or Prior Liens and second, to the holders of all outstanding first mortgage bonds and the holders of all outstanding Equal and Ratable Notes, equally and ratably until paid in full.

The following summary of certain provisions of the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement does not purport to be complete and is qualified in its entirety by reference to the detailed provisions of the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement (copies of which are filed as exhibits to the registration statement of which this prospectus is a part). Capitalized terms used below are used as defined in the Mortgage Bond Indenture. Except to the extent set forth in a prospectus supplement for a particular series of first mortgage bonds, the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement, each as amended or supplemented from time to time, will be substantially similar to the forms of the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement filed as exhibits to the registration statement and described below.

### **Prospectus Supplement**

A prospectus supplement relating to a series of first mortgage bonds being offered will include specific terms relating to the offering. These terms may include:

- the title of the series of first mortgage bonds;
- the principal amount of the series of first mortgage bonds to be issued at any particular time;
- if other than the entire principal amount thereof, the portion of the principal amount of the first mortgage bonds payable upon declaration of acceleration of the maturity thereof;
- the rate of interest, if any, which will be borne by the first mortgage bonds, and if the interest rate is not a fixed rate, the formula for determining the interest rate from time to time;
- the date from which interest will accrue;
- the record date for interest payable on the first mortgage bonds;
- the maturity date of the first mortgage bonds;
- the dates when, places where and manner in which principal, premium, if any, and interest will be payable;
- the terms of any mandatory redemption (including any sinking fund requirement) or any redemption at our option;
- the terms of any redemption at the option of holders of the first mortgage bonds;
- the denominations in which the first mortgage bonds are issuable;
- whether the first mortgage bonds will be represented by a global security and the terms of any such global security;

- the currency or currencies (including any composite currency) in which principal, premium, if any, or interest may be paid;
- if payments of principal, premium, if any, or interest may be made in a currency other than that in which the first mortgage bonds are stated to be payable, the terms and conditions applying to payments in that currency;
- any events of default, covenants or defined terms in addition to or in lieu of those set forth in the Mortgage Bond Indenture;
- any special tax implications of the first mortgage bonds; and
- any other terms in addition to or different from those contained in the Mortgage Bond Indenture.

The first mortgage bonds may bear interest at a fixed or a floating rate, or may bear no interest. First mortgage bonds bearing no interest or bearing interest at a rate below the prevailing market rate at the time of issuance may be deemed to be issued at a discount below their stated principal amount. Further, the holders of any first mortgage bonds as to which we have the right to defer interest may be allocated interest income for federal and state income tax purposes without receiving equivalent, or any, interest payments. Material federal income tax consequences may result from any such deemed original issue discount or interest deferrals. Any such material federal income tax consequences will be described in the applicable prospectus supplement.

### **Security and Priority**

The first mortgage bonds will be secured, equally and ratably (except as to sinking funds and other analogous funds established for the exclusive benefit of a particular series) with all first mortgage bonds, regardless of series, from time to time issued and outstanding under the Mortgage Bond Indenture. In addition, if we issue first mortgage bonds, we will be required to secure equally and ratably with the first mortgage bonds our Equal and Ratable Notes. As of June 30, 2013, \$2.0 billion of our senior notes were outstanding and entitled to become so secured pursuant to their terms.

The Mortgage constitutes a first mortgage lien, subject to Permissible Encumbrances as described below, on all of our electric generating, transmission and distribution property within the State of Iowa, other than property duly released from the lien of the Mortgage in accordance with the terms of the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement and other than Excepted Property, as described below. None of our gas distribution property within the State of Iowa or outside the State of Iowa or our other property located outside of the State of Iowa will initially be subject to the lien of the Mortgage. However, we may enter into supplemental indentures with the Bond Trustee and supplemental mortgages in favor of the Collateral Trustee, in either case without the consent of the holders of first mortgage bonds, to subject such Excepted Property, at our option, to the lien of the Mortgage. This property would then constitute Bondable Property, as described below under “—Issuance of First Mortgage Bonds,” and would therefore be available as a basis for the issuance of first mortgage bonds. We refer to our property that is subject, or intended to be subject, to the lien of the Mortgage as “Mortgaged Property.”

We may obtain the release of property from the lien of the Mortgage from time to time, upon the bases provided for release in the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement. See “—Release and Substitution of Property.”

The Mortgage provides that after-acquired property (other than Excepted Property) will be subject to the lien of the Mortgage. However, in the case of consolidation or merger (whether or not we are the surviving company) or transfer of all or substantially all of the Mortgaged Property, the surviving company will not be required to grant a first lien mortgage upon any of the properties either owned or subsequently acquired by the surviving company. See “—Merger, Consolidation, Conveyance and Lease.”

Our principal plants and properties, insofar as they constitute real estate, are owned in fee; certain of our other facilities are located on premises held by us under leases, permits or easements; and our electric

transmission and distribution lines and systems (which constitute a substantial portion of our investment in physical property) are for the most part located over or under highways, streets, other public places or property owned by others for which permits, grants, easements, licenses or franchises (deemed satisfactory but without examination of underlying land titles) have been obtained.

*Excepted Property.* The lien of the Mortgage does not cover certain property, which we refer to as “Excepted Property,” including:

- all cash, shares of stock, bonds, notes and other obligations and securities (i) not deposited, or required to be deposited, with the Collateral Trustee by the express provisions of the Mortgage Bond Indenture, the Collateral Trust Agreement or the Mortgage, as applicable or (ii) held by the Collateral Trustee for the benefit of a trustee for Equal and Ratable Notes, as applicable;
- all bills, notes and other instruments, accounts receivable, claims, credits, judgments, demands, general intangibles, choses in action, permits, franchises, patents, patent applications, patent licenses and other patent rights, trade names, trademarks, and all contracts, leases and agreements of whatsoever kind and nature, not pledged or required to be pledged with the Collateral Trustee pursuant to the terms of the Mortgage Bond Indenture;
- all merchandise, equipment, spare parts, tools, materials, supplies and fuel held for sale or lease in the ordinary course of business or for use or consumption in, or in the operation of, any properties of, or for the benefit of, us, or held in advance of use thereof for maintenance, replacement or fixed capital purposes;
- all electricity, gas, steam, water and other materials, products or services generated, manufactured, produced, provided or purchased by us for sale or distribution or used or to be used by us;
- all railcars, aircraft, watercraft, automobiles, buses, trucks, tractors, trailers and similar vehicles and movable equipment, and all components, spare parts, accessories, supplies and fuel used or to be used in connection with any of the foregoing;
- all office furniture and office equipment;
- all leasehold interests and leasehold improvements;
- the last day of the term of any lease or leasehold now owned or hereafter acquired by us which is specifically subjected to the lien of the Mortgage;
- all timber, crops, sand, gravel, rocks, earth, natural gas, oil, coal, uranium and other minerals, products or components of land and minerals, harvested, mined or extracted from or otherwise separated from the earth, or lying or being upon, within or under any properties of ours, including Mortgaged Property, and timber, crops, sand, gravel, rocks, earth, natural gas, oil, coal, uranium and other land and mineral rights, leases and royalties and income therefrom, and rights to explore for minerals;
- except as the same may be specifically subjected to the lien of the Mortgage, all nuclear fuel, cores and materials;
- all satellites and other equipment and materials used or to be used in outer space; all business machines; all communications equipment; all computer equipment; all record production, storage and retrieval equipment; all telephone equipment; and all components, spare parts, accessories, programs and supplies used or to be used in connection with any of the foregoing;
- all real or personal property which meets all of the following conditions:
  - is not specifically described in Exhibit A to the Mortgage,
  - is not specifically subjected or required to be subjected to the lien of the Mortgage by any express provision of the Mortgage or the Mortgage Bond Indenture, and
  - is not an integral part of or used or to be used (i) as an integral part of our electric generating, transmission and distribution operations in the State of Iowa, or (ii) in connection with the

operation of any property specifically subjected or required to be subjected to the lien of the Mortgage by the express provisions of the Mortgage or the Mortgage Bond Indenture;

- all real and personal property which is not in the State of Iowa;
- our franchise to be a corporation; and
- all books and records.

*Permissible Encumbrances.* The lien of the Mortgage is subject to Permissible Encumbrances. These include:

- the lien of the Mortgage and other liens in favor of the Collateral Trustee and subject to the Collateral Trust Agreement, and all liens and encumbrances junior thereto;
- liens for taxes or assessments by governmental bodies not yet due or the payment of which is being contested in good faith by us;
- any right of any municipal or other governmental body or agency, by virtue of any franchise, grant, license, permit, contract or statute, to occupy, purchase or designate a purchaser of, or to order the sale of, any Mortgaged Property upon payment of reasonable compensation therefor, or to modify or terminate any franchise, grant, license, permit, contract or other right, or to regulate our property and business;
- liens and charges incidental to our construction or current operations which are not delinquent or, whether or not delinquent, are being contested in good faith by us;
- easements, leases, rights of way, restrictions, exceptions or reservations, and zoning ordinances, regulations and restrictions, with respect to any of our property or rights of way, which do not, individually or in the aggregate, materially impair the use of such property or rights of way for the purposes for which such property or rights of way are held by us;
- irregularities in or defects of title to any of our property or rights of way which do not materially impair the use of such property or rights of way for the purposes for which such property or rights of way are held by us;
- liens securing obligations neither (i) assumed by us nor (ii) on account of which we customarily pay interest, directly or indirectly, existing upon real property, or rights in or relating to real property acquired by us for rights of way for lines, pipes, structures and appurtenances thereto;
- party-wall agreements and agreements for and obligations relating to the joint or common use of property owned solely by us or owned by us in common or jointly with one or more Persons;
- liens securing indebtedness incurred by a Person, other than us, which indebtedness has been neither assumed nor guaranteed by us nor on which we customarily pay interest, existing on property which we own jointly or in common with such Person or such Person and others, if there is an effective bar against partition of such property which would preclude the sale of such property by such other Person or the holder of such lien without our consent;
- any attachment, judgment and other similar lien arising in connection with court proceedings (i) in an amount not in excess of the greater of \$100,000,000 or 5% of the principal amount of the Bonds outstanding at the time such attachment, judgment or lien arises, or (ii) the execution of which has been stayed or which has been appealed and secured, if necessary, by an appeal bond;
- the burdens of any law or governmental rule, regulation, order or permit requiring us to maintain certain facilities or to perform certain acts as a condition of its occupancy or use of, or interference with, any public or private lands or highways or any river, stream or other waters;
- any duties or obligations of us to any federal, state or local or other governmental authority with respect to any franchise, grant, license, permit or contract which affects any Mortgaged Property;
- liens in favor of a government or governmental entity securing (i) payments pursuant to a statute (other than taxes and assessments), or (ii) indebtedness incurred to finance all or part of the purchase price or Cost of construction of the property subject to such lien;

- any other liens or encumbrances of whatever nature or kind which, in the opinion of counsel, do not, individually or in the aggregate, materially impair the lien of the Mortgage or the security afforded thereby for the benefit of the holders of first mortgage bonds;
- any trustee's lien under the Mortgage Bond Indenture or under the Collateral Trust Agreement;
- any Prior Lien if such Prior Lien shall not attach to any Mortgaged Property other than the Mortgaged Property that was or became subject to the Prior Lien at the time of acquisition by us of such Mortgaged Property, other than pursuant to an after-acquired property clause of such Prior Lien; but, if we, as successor corporation, shall have executed a supplemental indenture relating thereto, the extension of such Prior Lien to Mortgaged Property subsequently acquired by us shall be permitted.
- liens existing at the date of the Mortgage Bond Indenture;
- leases existing at the date of the Mortgage Bond Indenture affecting properties owned by us at such date and renewals and extensions thereof; and leases affecting such properties entered into after such date or affecting properties acquired by us after such date which, in either case, (i) have respective terms of not more than ten (10) years (including extensions or renewals at the option of the tenant) or (ii) do not materially impair the use by us of such properties for the respective purposes for which they are held by us;
- liens vested in lessors, licensors, franchisors or permittees for rent or other amounts to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases, licenses, franchises or permits, so long as the payment of such rent or other amounts or the performance of such other obligations or acts is not delinquent or is being contested in good faith and by appropriate proceedings; and
- any lien securing indebtedness for the payment, prepayment or redemption of which there have been irrevocably deposited in trust with the trustee or other holder of such lien moneys and/or Investment Securities which (together with the interest reasonably expected to be earned from the investment and reinvestment in Investment Securities of the moneys and/or the principal of and interest on the Investment Securities so deposited) shall be sufficient for such purpose; provided, however, that if such indebtedness is to be redeemed or otherwise prepaid prior to the stated maturity thereof, any notice requisite to such redemption or prepayment shall have been given in accordance with the mortgage or other instrument creating such lien or irrevocable instructions to give such notice shall have been given to such trustee or other holder.

“Prior Lien” means any mortgage, lien, charge, encumbrance, security interest on or in, or pledge of, any Mortgaged Property existing both at and immediately prior to the time of the acquisition by us of such Mortgaged Property, or created as a purchase money mortgage on such Mortgaged Property at the time of its acquisition by us, in each case ranking prior to or on a parity with the lien of the Mortgage.

The Mortgage Bond Indenture and Collateral Trust Agreement provide that the Bond Trustee and Collateral Trustee are entitled to payment, prior to the first mortgage bonds, of their reasonable compensation and expenses and indemnity against certain liabilities.

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

An unlimited principal amount of first mortgage bonds may be issued under the Mortgage Bond Indenture, subject to the following conditions with respect to collateral coverage. The Mortgage Bond Indenture permits us to issue first mortgage bonds from time to time on any or a combination of three different bases:

- (1) on the basis of Bondable Property (as described below) that has not become Bonded (as described below), in a principal amount not exceeding 70% of the Cost or Fair Value (whichever is less) of that Bondable Property;
- (2) on the basis of first mortgage bonds or Equal and Ratable Notes that have been purchased, paid, retired, redeemed or otherwise discharged by us since the date of the Mortgage Bond Indenture or are then

being purchased, paid, retired, redeemed or otherwise discharged by us, and which have not previously been Bonded, in a principal amount not exceeding the principal amount of such purchased, paid, retired, redeemed or otherwise discharged first mortgage bonds or Equal and Ratable Notes; and

- (3) on the basis of cash deposited with the Bond Trustee for this purpose (which we may later withdraw on the basis of Bondable Property that has not become Bonded or on the basis of purchased, paid, retired, redeemed or otherwise discharged first mortgage bonds or Equal and Ratable Notes, as described below under “—Withdrawal or Application of Certain Cash”), in a principal amount not exceeding the amount of such deposited cash.

“Bonded” or “Bonding” as applied to first mortgage bonds or Bondable Property generally means that first mortgage bonds or Bondable Property are within one or more of the following classes:

- (a) the aggregate amount of Bondable Property which has been used as a basis for the authentication and delivery of first mortgage bonds or the withdrawal of cash and (b) an aggregate amount of Bondable Property with a value equal to 10/7 (ten sevenths) of the sum of (i) the aggregate principal amount of outstanding Equal and Ratable Notes and (ii) the aggregate principal amount of any outstanding Prior Lien Debt.
- first mortgage bonds that have been purchased, paid, retired, redeemed or otherwise discharged by us and have been used as a basis for the authentication and delivery of first mortgage bonds or the withdrawal of cash, and first mortgage bonds paid, purchased or redeemed with money used or applied by the Bond Trustee.
- first mortgage bonds which have been used as a basis for a waiver by us of our right to the authentication and delivery of first mortgage bonds on the basis of first mortgage bonds that have been purchased, paid, retired, redeemed or otherwise discharged by us.
- first mortgage bonds and Bondable Property which have been allocated or used as a basis for any credit or action or pursuant to any provision of, or retired through the operation of, any sinking, improvement, maintenance, replacement or analogous fund for any series of first mortgage bonds; provided, however, that any such first mortgage bonds or Bondable Property so allocated or used shall be reinstated as Unbonded when all of the first mortgage bonds of the series of first mortgage bonds in connection with such fund was established are retired first mortgage bonds.

All Bondable Property which is retired, abandoned, destroyed, released or otherwise disposed of will be deemed retired Bondable Property, but may later again become Bondable Property.

Bondable Property includes our property in Iowa used in our electric generating, transmission and distribution operations and may consist of: construction work in progress; property in the process of purchase to which we have legal title; our fractional and other undivided interests in property owned jointly or in common with other Persons; engineering, economic, environmental, financial, geological and legal and other analyses and surveys, data processing equipment and software associated with the acquisition or construction of property; paving, grading and other improvements to property owned by others but used by us; and certain property owned by us located on property owned by others, including governmental and municipal agencies. We may at our option subject to the lien of the Mortgage gas distribution property within the State of Iowa or outside the State of Iowa or our other property used in our electric generating, transmission and distribution operations located outside of the State of Iowa, which would then become Bondable Property.

The “amount” of Bondable Property is its Cost or Fair Value (whichever is less) determined in accordance with Generally Accepted Accounting Principles in effect at the date of the Mortgage Bond Indenture or, at our option, at the date of their determination, *minus*, in the case of Bondable Property which is (A) owned by us subject to a Prior Lien at the date of the Mortgage Bond Indenture or (B) acquired by us after the date of the Mortgage Bond Indenture, subject to a Prior Lien (other than a Prior Lien to which such Bondable Property

becomes subject, solely as a result of that acquisition, pursuant to an after-acquired property clause of that Prior Lien), 10/7 (ten sevenths) of the aggregate principal amount of the related indebtedness secured by a Prior Lien (which we refer to as “Prior Lien Debt”). In determining Generally Accepted Accounting Principles, we may conform to accounting orders from any governmental regulatory commission.

Bonded Bondable Property generally consists of (i) Bondable Property which has been the basis of the authentication and delivery of outstanding first mortgage bonds, (ii) Bondable Property with a value equal to 10/7 (ten sevenths) of the aggregate principal amount of any outstanding Equal and Ratable Notes and any Prior Lien Debt, (iii) Bondable Property which has been used as the basis for the release of Mortgaged Property, (iv) Bondable Property which has been used as the basis for the withdrawal of cash and (v) Bondable Property allocated or used as a basis for certain credit or action or pursuant to certain sinking, improvement, maintenance, replacement or analogous fund for any series of first mortgage bonds .

It is expected that the first mortgage bonds will be issued on the basis of Bondable Property or the deposit of cash. At June 30, 2013, we had approximately \$10.34 billion of property that we intend to pledge as Bondable Property, which would allow us, in accordance with the limitations described above, to have outstanding approximately \$7.24 billion in aggregate principal amount of first mortgage bonds and Equal and Ratable Notes.

### **Withdrawal or Application of Certain Cash**

Proceeds of any insurance against loss by fire may be paid or remitted to us at our request, and the Mortgage Bond Indenture will not obligate us to use the proceeds to rebuild or repair damaged or destroyed Mortgaged Property, to the extent that the Fair Value of all Mortgaged Property after the damage or destruction of Mortgaged Property with respect to which the proceeds are payable is at least 10/7 (ten sevenths) of the sum of (x) the aggregate principal amount of outstanding first mortgage bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt. Such insurance proceeds must, however, be paid to the Collateral Trustee or to the Bond Trustee or other mortgagee under any Prior Lien on the Mortgaged Property damaged or destroyed to the extent that the Fair Value of all remaining Mortgaged Property does not equal the amount described in preceding sentence. Provided that no Triggering Event shall have occurred and be continuing, during the first eighteen (18) months after receipt of any such monies by the Collateral Trustee, we may be reimbursed from such insurance proceeds held by the Collateral Trustee for amounts spent to purchase or otherwise acquire property which becomes Mortgaged Property at the time of such purchase or acquisition, or to rebuild or renew the Mortgaged Property destroyed or damaged. Any such monies held by the Collateral Trustee and not applied to such reimbursement (or for which notice of our intention to apply such monies to the rebuilding or renewal then in progress) within the first eighteen (18) months after the Collateral Trustee’s receipt will be held and applied as described below.

Unless we are in default in the payment of principal of or interest on any first mortgage bonds then outstanding or any other default under the Mortgage Bond Indenture has occurred and is continuing, cash that was deposited with the Bond Trustee as a basis for the issuance of first mortgage bonds generally may be withdrawn by us in an amount, subject to certain deductions and additions, up to 70% of the Cost or Fair Value (whichever is less) of Bondable Property that has not become Bonded.

In addition, unless we are in default in the payment of principal of or interest on any first mortgage bonds then outstanding or any other default under the Mortgage Bond Indenture has occurred and is continuing (and subject to the provisions of the Collateral Trust Agreement upon the occurrence and continuance of any Triggering Event described below), any cash that has been received or transferred to, and held by, the Bond Trustee or the Collateral Trustee under the Mortgage Bond Indenture or the Collateral Trust Agreement may be released or applied upon our request, including as follows:

- in the case of cash other than cash deposited us as a basis for the issuance of first mortgage bonds, such cash may be withdrawn by us to the extent of 100% of the lesser of the Cost or Fair Value of Unbonded Bondable Property;

- withdrawn by us in an amount equal to the principal amount of first mortgage bonds which we then have the right to have authenticated and delivered on the basis of first mortgage bonds that have been purchased, paid, retired, redeemed or otherwise discharged by us;
- applied by the Bond Trustee to payment at maturity of outstanding first mortgage bonds or to the redemption of any outstanding first mortgage bonds which are redeemable by their terms; or
- applied to the purchase of first mortgage bonds, so long as no cash is applied to the payment of more than the principal amount of any first mortgage bonds so purchased, except to the extent that the aggregate principal amount of all first mortgage bonds so purchased exceeds the aggregate cost for principal of and interest, brokerage and premium, if any, on all first mortgage bonds so purchased.

Upon the occurrence and continuation of a Triggering Event, under the Collateral Trust Agreement, the Collateral Trustee will no longer be required to release or apply any cash held by it in as described in the preceding paragraph, unless directed by the Requisite Secured Parties.

### **Release and Substitution of Property**

Unless a default under the Mortgage Bond Indenture has occurred and is continuing, we generally may obtain the release from the lien of the Mortgage of any Mortgaged Property (which does not include cash held by the Bond Trustee):

- (1) if after such release, the Fair Value of the remaining Mortgaged Property equals or exceeds a sum equal to 10/7 (ten sevenths) of the sum of (x) the aggregate principal amount of outstanding first mortgage bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt; or
- (2) if the Fair Value of the Mortgaged Property to be released is less than 1/2 of 1% of the sum of (x) the aggregate principal amount of outstanding first mortgage bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt; *provided* that the aggregate Fair Value of Mortgaged Property released in this manner in any period of 12 consecutive calendar months does not exceed 1% of such sum; or
- (3) on the basis of (a) the deposit of cash, Governmental Obligations or purchase money obligations, (b) Bondable Property to be acquired by us with the proceeds of, or otherwise in connection with, such release or (c) a waiver of the right to issue first mortgage bonds on the basis of first mortgage bonds which have been purchased, paid, retired, redeemed or otherwise discharged by us after the date of the Mortgage Bond Indenture, and have not previously been Bonded; or
- (4) if any Mortgaged Property is taken by exercise of the power of eminent domain, and all net proceeds of such taking, purchase or sale (or, in the case of a sale or conveyance in anticipation thereof, an aggregate amount of Governmental Obligations or purchase money obligations having a fair value to the Company in cash), and cash, not less than the Fair Value of the Mortgaged Property taken, purchased, sold or conveyed, together with all net sums payable for any damage to any Mortgaged Property by or in connection with any such taking, purchase, sale or conveyance, to the extent not deposited under a Prior Lien with the trustee, mortgagee or other holder or such Prior Lien, are deposited with the Collateral Trustee, to be held and applied in accordance with the Collateral Trust Agreement and the Mortgage Bond Indenture. See “—Description of First Mortgage Bonds—Withdrawal or Application of Certain Cash.”

At any time when a default under the Mortgage Bond Indenture has occurred and is continuing, we may only obtain any such release if we satisfy such conditions in (1), (2), (3) or (4) and we have the consent of the Bond Trustee, except that upon the continuance of a Triggering Event in connection with the exercise of remedies at the direction of the Requisite Secured Parties as described below under “—Description of the First Mortgage Bonds—Remedies”, we may not obtain such release unless directed by the Requisite Secured Parties and certain other conditions of the Collateral Trust Agreement are satisfied.

“Requisite Secured Parties” means the holders of a majority in principal amount of the sum of (x) all outstanding first mortgage bonds and (y) all outstanding Equal and Ratable Notes.

A “Triggering Event” would occur upon any of the following: (i) our failure to pay the principal amount of the Equal and Ratable Notes or first mortgage bonds of any series, upon final maturity, after expiration of any relevant grace period, (ii) a decree or order is entered against us in an involuntary bankruptcy proceeding and is not vacated in 90 days, or a similar involuntary event relating to our bankruptcy or insolvency occurs and continues for 90 days; or we petition for voluntary bankruptcy or take similar voluntary actions relating to our bankruptcy or insolvency, (iii) the acceleration of the principal amount of the first mortgage bonds or Equal and Ratable Notes or (iv) the issuance of any direction by the Bond Trustee to the Collateral Trustee, following the occurrence and during the continuance of any default under the Mortgage Bond Indenture, to commence exercise of foreclosure or similar remedies under the Mortgage and any other documents providing for collateral security with respect to the collateral that secures both the first mortgage bonds and the Equal and Ratable Notes.

In addition, at any time or from time to time, without any release or consent from the Bond Trustee, we may dispose of certain obsolete Mortgaged Property; grant certain rights of way and easements; abandon any Mortgaged Property and surrender any franchises under which we are operating that in the judgment of management are not necessary or important for the operation of the remaining Mortgaged Property; cancel or make changes in or alterations of or substitutions for leases; alter, change the location of, add to, repair or replace transmission and distribution equipment; cancel, make changes in or substitutions for or dispose of rights of way; and surrender or modify any franchise under which we may be operating if advisable in our judgment.

### **Global Securities**

The first mortgage bonds of any series may be represented, in whole or in part, by one or more global securities. Each global security will:

- be registered in the name of a depositary or nominee thereof that we will identify in the applicable prospectus supplement;
- be deposited with the depositary or nominee or custodian; and
- bear any required legends.

As long as the depositary, or its nominee, is the registered holder of a global security, the depositary or nominee will be considered the sole owner and holder of the first mortgage bonds represented by the global security for all purposes under the first mortgage bonds and the Mortgage Bond Indenture. Except in the limited circumstances described below, owners of beneficial interests in a global security:

- will not be entitled to have the first mortgage bonds registered in their names;
- will not be entitled to physical delivery of certificated first mortgage bonds; and
- will not be considered to be holders of those first mortgage bonds under the first mortgage bonds or the Mortgage Bond Indenture.

Payments on a global security will be made to the depositary or its nominee as the holder of the global security. Some jurisdictions have laws that require that certain purchasers of securities take physical delivery of the securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Institutions that have accounts with the depositary or its nominee are referred to as “participants.” Ownership of beneficial interests in a global security will be limited to participants and to persons that may hold beneficial interests through participants. The depositary will credit, on its book-entry registration and transfer system, the respective principal amounts of first mortgage bonds represented by the global security to the accounts of its participants.

Ownership of beneficial interests in a global security will be shown on and effected through records maintained by the depositary, with respect to participants' interests, or any participant, with respect to interests held by participants on behalf of other persons.

Payments, transfers, exchanges and other matters relating to beneficial interests in a global security will be subject to policies and procedures of the depositary. The depositary policies and procedures may change from time to time. Neither we nor the Bond Trustee will have any responsibility or liability for the depositary's or any participant's records with respect to beneficial interests in a global security.

### **Exchange of Global Securities for Certificated Securities**

Except as otherwise may be set forth in the applicable prospectus supplement, the global securities may be exchanged for first mortgage bonds in certificated form only in the following circumstances:

- if the depositary notifies us that it is unwilling or unable to continue as depositary for the global securities, or if the depositary is no longer registered as a clearing agency under the Securities Exchange Act and we do not appoint a replacement depositary within 90 days;
- a default under the Mortgage Bond Indenture occurs; or
- if we determine, subject to the procedures of the depositary, that a series of first mortgage bonds will no longer be represented by global securities.

If any global securities are exchangeable for certificated securities as described above, we will execute, and the Bond Trustee will authenticate upon our order, certificated securities of like tenor and terms in certificated form in an aggregate principal amount equal to the principal amount of such global securities. These certificated securities will be delivered to persons specified by the depositary in exchange for the beneficial interests in the global securities being exchanged.

### **Redemption and Repayment**

The applicable prospectus supplement will specify the following:

- if the first mortgage bonds are subject to any sinking fund and the terms of any such sinking fund;
- if we may elect to redeem the first mortgage bonds prior to maturity and the terms of any such optional redemption;
- if we will be required to redeem the first mortgage bonds prior to maturity upon the occurrence of certain events and the terms of any such mandatory redemption; and
- if the holders of the first mortgage bonds will have the right to repayment of the first mortgage bonds prior to maturity and the terms of any such optional repayment.

If we elect or are required to redeem first mortgage bonds, a redemption notice will be mailed to each holder of first mortgage bonds to be redeemed at least 30 but not more than 60 days prior to the redemption date unless otherwise provided in a supplemental indenture to the Mortgage Bond Indenture. The redemption notice will include the following: (1) the redemption date; (2) if less than all of the first mortgage bonds of a series are to be redeemed, the particular first mortgage bonds or portions thereof to be redeemed; and (3) if any first mortgage bonds are to be redeemed in part only, the portion of the first mortgage bonds to be redeemed.

If notice of redemption is given as specified above and, before the redemption date we deposit funds, obligations or instruments with the Bond Trustee sufficient to effect the redemption, then the first mortgage bonds called for redemption will become due and payable on the date stated in the redemption notice at the applicable redemption price, together with accrued interest to the redemption date. After the redemption date, the

first mortgage bonds subject to redemption will cease to bear interest and will not be entitled to the benefits of the Mortgage Bond Indenture, other than the right to receive payment of the redemption price together with accrued interest to the redemption date.

### **Covenants**

Except as described in the applicable prospectus supplement, the first mortgage bonds will be subject to covenants including the following:

- a covenant that the property subject to the Mortgage Bond Indenture is owned free and clear of all liens other than Permissible Encumbrances, and that we will maintain and preserve the lien of the Mortgage so long as any first mortgage bond is outstanding, subject to Permissible Encumbrances;
- a covenant that requires us promptly to record and file the Mortgage and all supplemental mortgages or notices in respect thereof, as required by law to preserve and protect the security of the holders of first mortgage bonds and the rights of the Bond Trustee;
- a covenant that requires us to insure the Mortgaged Property, with reasonable deductibles and retentions, against loss by fire, to the extent customary, either through insurance companies we believe to be reputable or through creation of an insurance fund or other self insurance plan;
- a covenant that requires us to maintain the Mortgaged Property in good repair, supplied with all necessary equipment and to cause to be made all necessary repairs, renewals and improvements; provided that we may discontinue the operation of any Mortgaged Property if, in our judgment, desirable in the conduct of our business and not in any material respect adverse to the interests of the holders of first mortgage bonds;
- a covenant that requires us to pay taxes and assessments on the Mortgaged Property and to use our best efforts to observe all governmental requirements as to any Mortgaged Property, and all covenants, terms and conditions upon which any Mortgaged Property is held, subject to an exception for taxes and assessments contested in good faith by appropriate proceedings;
- a covenant that requires us to maintain our corporate existence (other than in the case of a permitted merger or consolidation); and
- a covenant that prohibits us from issuing any debt securities, other than first mortgage bonds, that are required by their terms to be equally and ratably secured with the first mortgage bonds, except to replace any mutilated, lost, destroyed or stolen Equal and Ratable Notes or to effect exchanges and transfers of Equal and Ratable Notes.

### **Events of Default**

Except as described in the applicable prospectus supplement, the following will constitute defaults under the Mortgage Bond Indenture:

- we fail to pay the principal of, and premium, if any, on the first mortgage bonds when due and such failure continues for three Business Days;
- we fail to pay interest on the first mortgage bonds when due and such failure continues for 90 days;
- we fail to pay any Prior Lien Debt in one or more series, in each case in an aggregate principal amount of \$100,000,000 or greater, after giving effect to any applicable grace period;
- we breach any other covenant or condition in the Mortgage Bond Indenture or any supplemental indenture thereto and such breach continues for 90 days after we receive a written notice of default with respect thereto;
- a decree or order is entered against us in an involuntary bankruptcy proceeding and is not vacated in 90 days, or a similar involuntary event relating to our bankruptcy or insolvency occurs and continues for 90 days;

- we commence a voluntary bankruptcy case or take similar voluntary actions relating to our bankruptcy or insolvency; or
- the occurrence of a Triggering Event, to the extent not otherwise a default under the Mortgage Bond Indenture.

The Bond Trustee is required to give the holders of the first mortgage bonds notice within 90 days of any default known to the Bond Trustee, unless the default has been cured or waived, except that in the event of a default described in the fourth bullet point above, no notice may be given until at least 60 days after its occurrence, and except that the Bond Trustee may withhold a notice of default (except for certain payment defaults) if the Bond Trustee in good faith determines that withholding notice is in the interest of the holders of first mortgage bonds.

We have agreed to furnish the Bond Trustee with an annual statement as to our compliance with the conditions and covenants in the Mortgage Bond Indenture. However, the Mortgage Bond Indenture does not otherwise require us to notify the Bond Trustee of any default.

### **Remedies**

Upon the occurrence of a default under the Mortgage Bond Indenture, the Bond Trustee may, and upon the written request of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds is required to, declare all outstanding first mortgage bonds to be immediately due and payable. However, holders of a majority in principal amount of the outstanding first mortgage bonds may rescind the acceleration if, before any sale of the Mortgaged Property pursuant to the Collateral Trust Agreement:

- all arrears of interest upon the first mortgage bonds, with interest on overdue interest installments at the first mortgage bonds' respective rates of interest have been paid by or on our behalf or collected out of the Mortgaged Property and
- all defaults have been remedied.

Prior to acceleration, holders of a majority in aggregate principal amount of the affected series of first mortgage bonds may waive a default under the Mortgage Bond Indenture, other than (1) a default related to non-payment of principal, premium, if any, or interest, (2) a default arising from the creation of a Prior Lien except Permissible Encumbrances or (3) a default related to a covenant or other provision of the Mortgage Bond Indenture that may not be modified without the consent of each holder of first mortgage bonds affected thereby.

Subject to the provisions of the Mortgage Bond Indenture relating to the duties of the Bond Trustee, if a default occurs and is continuing, the Bond Trustee will be under no obligation to exercise any of its rights or powers under the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement, unless the holders of a majority in principal amount of the outstanding first mortgage bonds have requested the Bond Trustee to take action and have offered to the Bond Trustee security or indemnity satisfactory to the Bond Trustee against its costs, expenses and liabilities.

No holder of first mortgage bonds has any right to institute any suit, action or proceeding for the foreclosure of the Mortgage, or for the appointment of a receiver or for any other remedy under the Indenture unless:

- holders of at least 33% of the outstanding first mortgage bonds have requested the Bond Trustee to take action and offered the Bond Trustee security and indemnity satisfactory to it; and
- the Bond Trustee for a period of 60 days has refused or neglected to act on such notice.

Following the occurrence of a Triggering Event and the delivery of prior written notice to the Bond Trustee and the Collateral Trustee, the Requisite Secured Parties will have the right to direct the time, method and place

of conducting any proceeding for the exercise of any right or remedy available to the Collateral Trustee with respect to the collateral that secures both the first mortgage bonds and the Equal and Ratable Notes, or of exercising any trust or power conferred on the Collateral Trustee, or for the taking of any other action authorized by the instruments comprising the Trust Estate and, thereafter, shall have the exclusive right and authority to direct the Collateral Trustee as to such matters.

During the continuance of a default under the Mortgage Bond Indenture, if the events described in the previous paragraph have not occurred, then:

- the Bond Trustee, in its discretion from time to time (i) may direct the Collateral Trustee to sell, subject to Prior Liens, all or any part of the Mortgaged Property as provided in the Mortgage or exercise any other rights or remedies provided for under the Mortgage; or (ii) may proceed, and may instruct the Collateral Agent to proceed, to protect and to enforce the rights of the Bond Trustee and of the holders of first mortgage bonds under the Mortgage Bond Indenture and the rights of the Collateral Trustee and the holders of first mortgage bonds under the Mortgage and the Collateral Trust Agreement, by suit in equity or at law, whether for the specific performance of any covenant or agreement in the Mortgage Bond Indenture, the Mortgage or the Collateral Trust Agreement (as applicable) or in aid of the execution of any power granted by the Mortgage Bond Indenture, the Mortgage or the Collateral Trust Agreement or for the foreclosure of the Mortgage, or for the enforcement of any other appropriate legal or equitable remedy; and
- upon the written direction of the holders of not less than a majority in aggregate principal amount of the outstanding first mortgage bonds, the Bond Trustee is required to take all action so directed to protect and enforce its rights and the rights of the holders of first mortgage bonds under the Mortgage Bond Indenture, under the Mortgage and under the Collateral Trust Agreement, or to take appropriate judicial proceedings by action, suit or otherwise; but the holders of not less than a majority in aggregate principal amount of the outstanding first mortgage bonds, from time to time have the right to direct and control the actions of the Bond Trustee and the Bond Trustee generally has no obligation to take any such action unless so directed.

The Mortgage Bond Indenture also provides that a court in its discretion may require the plaintiff in any suit to enforce any right or remedy under the Mortgage Bond Indenture, the Mortgage or the Collateral Trust Agreement, or against the Bond Trustee or the Collateral Trustee, to file an undertaking to pay the costs of the suit. The Mortgage Bond Indenture further provides that the court may assess reasonable costs including attorneys' fees against any party to the suit. However, these provisions do not apply to a suit instituted by the Bond Trustee, a suit instated by a holder or holders of more than 10% in aggregate principal amount of the outstanding first mortgage bonds or to any suit instituted by any holder of first mortgage bonds for the payment of overdue principal, premium, if any, or interest.

### **Merger, Consolidation, Conveyance and Lease**

The Mortgage Bond Indenture does not prevent us from consolidating or merging with or into, or conveying, transferring or leasing all or substantially all of the Mortgaged Property to another person so long as, among other things:

- the consolidation, merger, conveyance, transfer or lease is on terms which would not create any Prior Lien (other than any Permissible Encumbrances) on the Mortgaged Property, or impair the Lien or security of the Mortgage or any of the rights or powers of the Bond Trustee or holders of the first mortgage bonds under the Indenture or the Bond Trustee under the Mortgage or Collateral Trust Agreement;
- if the other party to the consolidation, merger, conveyance, transfer or lease has outstanding or proposes to issue in connection with the transaction any secured obligations, to the lien of which

any of the Mortgaged Property would be subject, the lien of the Mortgage is established as superior to the lien of such other secured obligations with respect to the Mortgaged Property;

- any such lease is made subject to immediate termination by us or the Bond Trustee during the continuance of a default, and by the purchaser of the Mortgaged Property leased at any sale under the Mortgage Bond Indenture; and
- in the event of a consolidation, merger, conveyance or transfer, or a lease with a term extending beyond the maturity of any outstanding first mortgage bonds, the surviving company, or the person acquiring all or substantially all the Mortgaged Property, or the lessee, assumes the due and punctual payment of the principal of, premium, if any, and interest on the first mortgage bonds and the observance of the covenants and conditions of the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement.

The Mortgage Bond Indenture requires that the surviving company either:

- grant a first (subject only to liens affecting our property prior to the consolidation, merger, conveyance, transfer or lease) lien to the Collateral Trustee upon all its property then owned and which it may later acquire (other than Excepted Property), or
- confirm the prior lien of the Mortgage upon the Mortgaged Property and extend the lien of the Mortgage as a first lien (or as a lien subject only to liens affecting our property prior to the consolidation, merger, conveyance, transfer or lease) to all property the surviving company later acquires or constructs that forms an integral part of any property subject to the lien of the Mortgage and all renewals, replacements and additional property as the surviving company purchases, constructs or acquires and covenant to maintain the Mortgaged Property in good repair, working order and condition and to comply with the covenants and conditions of the Mortgage Bond Indenture.

The covenant described immediately above includes a phrase relating to a conveyance, transfer or lease of “all or substantially all” of our property or assets. Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the nature and extent of the restriction on our ability to convey, transfer or lease all or substantially all of the Mortgaged Property, and the protections provided to the holders of first mortgage bonds by such restriction, may be uncertain. However, the Mortgage Bond Indenture provides that any conveyance, transfer or lease of Mortgaged Property, following which the Fair Value of the Mortgaged Property we retain exceeds 10/7 (ten sevenths) of the sum of (x) the aggregate principal amount of outstanding first mortgage bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt, will be deemed not to constitute a conveyance, transfer or lease of all or substantially all of the Mortgaged Property

### **Modifications to the Mortgage Bond Indenture, Mortgage or Collateral Trust Agreement**

Except as otherwise set forth in the applicable prospectus supplement, the first mortgage bonds will be subject to provisions which allow us and the Bond Trustee to amend the Mortgage Bond Indenture, and allow us and the Collateral Trustee to amend the Mortgage, in each case without the consent of any holder of first mortgage bonds for the following purposes:

- to amplify or correct the description of any property pledged or intended to be pledged by the Mortgage;
- to subject additional property to the lien of the Mortgage, including property outside the State of Iowa or which is an integral part of or used or to be used as an integral part of our gas distribution operations;
- to close the Mortgage Bond Indenture against, or provide limitations with respect to, the issuance of additional first mortgage bonds;

- to establish and create series of first mortgage bonds and establish their terms;
- to provide alternative methods or forms for evidencing and recording ownership of first mortgage bonds;
- to reflect changes in Generally Accepted Accounting Principles;
- to comply with the rules or regulations of any national securities exchange on which any first mortgage bonds may be listed;
- to modify the provisions of the Mortgage Bond Indenture as necessary to continue its qualification under the Trust Indenture Act of 1939, as amended;
- to evidence the succession of another company to us and the assumption by the successor of our obligations under the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement;
- to change or eliminate any of the provisions of the Mortgage Bond Indenture, but if the change or elimination would materially adversely affect the rights of the holders of any outstanding first mortgage bonds against us or our property, then the change or elimination shall become effective only with respect to those first mortgage bonds issued thereafter; and
- to cure ambiguities or to cure, correct or supplement any defective or inconsistent provisions, provided that the amended provision shall not materially impair the security of the Mortgage Bond Indenture or the Mortgage or materially adversely affect the outstanding first mortgage bonds.

In addition, without the consent of any holder of first mortgage bonds, the Bond Trustee, as requested by the Company, may direct the Collateral Trustee to enter into amendments with the Company to the Collateral Trust Agreement to: (i) cure any ambiguity, omission, defect or inconsistency, (ii) add guarantors or other parties so long as such addition will not materially impair the security of the Mortgage Bond Indenture or materially adversely affect the outstanding first mortgage bonds, (iii) further secure the first mortgage bonds and, as applicable, the Equal and Ratable Notes, (iv) provide more fully or clearly for the equal and ratable sharing of the lien of the Mortgage in accordance with the intent of the Collateral Trust Agreement, (v) remove any series of the Equal and Ratable Notes from the equal and ratable sharing in the lien of the Mortgage, in whole or in part, if such sharing is no longer required under the indenture governing such series, (vi) otherwise remove, lessen or release any lien or rights provided for the benefit of the Equal and Ratable Notes (or any portion thereof) to the extent we determine that such lien or rights are not required to be granted or (vii) make any other change which will not materially impair the security of the Mortgage Bond Indenture or materially adversely affect the outstanding first mortgage bonds. Under the Mortgage Bond Indenture, we and the Collateral Trustee may amend the Mortgage without the consent of any holder of first mortgage bonds to make changes corresponding to changes permitted to be made in the Collateral Trust Agreement according to the preceding clauses (iii) through (vii). Under the Collateral Trust Agreement, no such amendment, supplement or waiver to the Collateral Trust Agreement or the Mortgage that would materially and adversely affect the rights of the holders of the Equal and Ratable Notes to equally and ratably share in the security provided for in the Collateral Trust Agreement and the Mortgage may be made unless joined in, or consented to in writing, by the respective indenture trustees for each series of Equal and Ratable Notes.

Except as set forth in the applicable prospectus supplement, the first mortgage bonds will be subject to provisions which allow us and the Bond Trustee to amend the Mortgage Bond Indenture and the Mortgage for any other purpose with the consent of holders of a majority in aggregate principal amount of the first mortgage bonds which would be affected by the action to be taken, or if one or more series of first mortgage bonds would be materially adversely affected by the action to be taken, with the consent of the holders of not less than 60% in aggregate principal amount of the first mortgage bonds of such series so affected (which need not include 60% of the aggregate principal amount of the first mortgage bonds of each such series), other than amendments which:

- extend the fixed maturity of any first mortgage bonds;
- change any terms of any sinking, improvement, maintenance, replacement or analogous fund or conversion rights with respect to any first mortgage bonds;
- reduce the rate or extend the time of payment of interest on any first mortgage bonds;
- reduce the principal amount of any first mortgage bonds;

- limit the right of a holder of first mortgage bonds to institute suit for the enforcement of payment of its first mortgage bonds;
- reduce the percentage of principal amount outstanding first mortgage bonds, required to consent to any such supplemental indenture or supplemental mortgage; or
- permit us to create any Prior Lien (except in the case of a permitted merger or consolidation with another person owning property subject to a Prior Lien).

The items described in the bullets above will require the consent of all holders of first mortgage bonds affected by the amendment.

### **Governing Law**

The Mortgage Bond Indenture will be governed by the laws of the State of New York except to the extent that the law of any jurisdiction where property subject to the lien of the Mortgage is located shall mandatorily govern matters as to security interests.

## Plan of Distribution

We may offer and sell or exchange the securities described in this prospectus:

- through agents;
- through one or more underwriters;
- through one or more dealers;
- directly to one or more purchasers (through a specific bidding or auction process or otherwise); or
- through a combination of any such methods of sale.

The distribution of the securities described in this prospectus may be effected from time to time in one or more transactions either:

- at a fixed price or prices, which may be changed;
- at market prices prevailing at the time of sale;
- at prices relating to such prevailing market prices;
- at negotiated prices; or
- at a fixed exchange ratio in return for other of our securities.

Offers to purchase or exchange the securities may be solicited by agents designated by us from time to time. Any such agent will be named, and any commissions payable by us to such agent will be set forth, in the applicable prospectus supplement. Unless otherwise indicated in the applicable prospectus supplement, any such agent will be acting on a best efforts basis for the period of its appointment. Any such agent may be deemed to be an underwriter, as that term is defined in the Securities Act, of the securities so offered and sold.

If an underwriter or underwriters are utilized in the sale of the securities, we will execute an underwriting agreement with such underwriter or underwriters at the time an agreement for such sale is reached. The names of the specific managing underwriter or underwriters, as well as any other underwriters, and the terms of the transactions, including compensation of the underwriters and dealers, which may be in the form of discounts, concessions or commissions, if any, will be set forth in the applicable prospectus supplement, which will be used by the underwriters to make resales of the securities.

If a dealer is utilized in the sale of the securities, we or an underwriter will sell such securities to the dealer as principal. The dealer may then resell such securities to the public at varying prices to be determined by such dealer at the time of resale. The name of the dealer and the terms of the transactions will be set forth in the applicable prospectus supplement relating thereto.

Offers to purchase or exchange the securities may be solicited directly by us and sales or exchanges thereof may be made by us directly to institutional investors or others. The terms of any such sales, including the terms of any bidding or auction process, if utilized, will be described in the applicable prospectus supplement.

We may enter into agreements with agents, underwriters and dealers under which we agree to indemnify them against certain liabilities, including liabilities under the Securities Act, or to contribute to payments they may be required to make in respect thereof. The terms and conditions of such indemnification or contribution will be described in the applicable prospectus supplement. Certain of the agents, underwriters or dealers, or their affiliates, may be customers of, engage in transactions with or perform services for us in the ordinary course of business.

In compliance with the guidelines of the Financial Industry Regulatory Authority, Inc., or FINRA, the maximum consideration or discount to be received by any FINRA member or independent broker dealer may not exceed 8% of the aggregate proceeds of the offering.

### **About this Prospectus**

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, which we refer to as the SEC, using a “shelf” registration process. Using this process, we may offer the securities described in this prospectus, either separately or with other securities registered hereunder, in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time we offer securities, we will provide a prospectus supplement to this prospectus. The prospectus supplement will describe the specific terms of that offering. The prospectus supplement may also add, update or change the information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in the prospectus supplement. Please carefully read this prospectus and the applicable prospectus supplement, in addition to the information contained in the documents we refer you to under the heading “Where You Can Find More Information.”

### **Where You Can Find More Information**

We file annual, quarterly and special reports and other information with the SEC. You may read and copy these materials at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-732-0330 for further information on the Public Reference Room. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, like us, that file electronically with the SEC. Our SEC filings are also available to the public from the SEC’s Internet site at <http://www.sec.gov>.

This prospectus is part of a registration statement we have filed with the SEC relating to the securities described in this prospectus. As permitted by SEC rules, this prospectus does not contain all of the information set forth in the registration statement. You should read the registration statement for further information about us and the securities described in this prospectus.

### **Incorporation by Reference**

The SEC allows us to “incorporate by reference” the information that we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus. The information filed by us with the SEC in the future will automatically update and supersede this information.

We incorporate by reference our filings listed below and any additional documents that we may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the date we file the registration statement that contains this prospectus and prior to the termination of any offering, including all such documents we may file with the SEC after the date of the initial registration statement and prior to the effectiveness of the registration statement; except we are not incorporating by reference any information furnished (but not filed) under Item 2.02 or Item 7.01 of any Current Report on Form 8-K, unless specifically noted below or in a prospectus supplement:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2012;
- our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2013 and June 30, 2013; and

- our Current Report on Form 8-K dated March 8, 2013.

You may request a copy of these filings, at no cost, by writing or calling us at the following address or telephone number:

Treasurer  
MidAmerican Energy Company  
666 Grand Avenue, Suite 500  
Des Moines, Iowa 50309-2580  
(515) 242-4300

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of such document.

### **Legal Matters**

The validity of the securities described in this prospectus will be passed upon for us by Gibson, Dunn & Crutcher LLP, New York, New York. Certain matters involving the laws of Iowa will be passed upon for us by Paul J. Leighton, Esq.

### **Experts**

The consolidated financial statements and the related financial statement schedule, incorporated in this prospectus by reference from MidAmerican Energy Company's Annual Report on Form 10-K, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such consolidated financial statements and financial statement schedule have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

With respect to the unaudited interim financial statements for the periods ended March 31, 2013 and 2012 and June 30, 2013 and 2012, which are incorporated herein by reference, Deloitte & Touche LLP, an independent registered public accounting firm, have applied limited procedures in accordance with the standards of the Public Company Accounting Oversight Board (United States) for a review of such information. However, as stated in their reports included in MidAmerican Energy Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013 and incorporated by reference herein, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the United States Securities Act of 1933, as amended, for their reports on the unaudited interim financial information because those reports are not "reports" or a "part" of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 14. *Other Expenses of Issuance and Distribution***

The following table sets forth the costs and expenses payable by MidAmerican Energy Company in connection with the issuance and distribution of the securities being registered. All amounts are estimates other than the SEC registration fee.

	<u>Amount to be Paid</u>
Registration Fee	\$ 218,240
Federal Taxes	—
State Taxes and Fees	—
Printing Expenses	400,000
Legal Fees and Expenses	450,000
Accounting Fees and Expenses	140,000
Rating Agency Fees	1,400,000
Trustee Fees and Expenses	25,000
Miscellaneous Expenses	<u>50,000</u>
Total	<u>\$2,683,240</u>

**Item 15. *Indemnification of Directors and Officers***

Sections 490.850-490.855 and 490.857 of the Iowa Business Corporation Act permit corporations organized thereunder to indemnify directors, officers, employees and agents against liability under certain circumstances. The Restated Articles of Incorporation, as amended, and the Restated Bylaws, as amended, of MidAmerican Energy Company provide for indemnification of directors, officers and employees to the full extent provided by the Iowa Business Corporation Act. The Articles of Incorporation and the Bylaws state that the indemnification provided therein shall not be deemed exclusive. MidAmerican Energy Company may, but has currently elected not to, purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of MidAmerican Energy Company or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not MidAmerican Energy Company would have the power to indemnify such person against such expense, liability or loss under the Iowa Business Corporation Act. MidAmerican Energy Company may also enter into indemnification agreements with its directors and officers to further assure such persons indemnification as permitted by Iowa law.

As permitted by Section 490.832 of the Iowa Business Corporation Act, the Articles of Incorporation of MidAmerican Energy Company provide that no director shall have personal liability to MidAmerican Energy Company or its shareholders for monetary damages for any action taken, or any failure to take any action, as a director, except liability for any of the following: (1) the amount of a financial benefit received by a director to which the director is not entitled; (2) an intentional infliction of harm on the corporation or the shareholders; (3) a violation of Section 490.833 (relating to certain unlawful distributions to shareholders); or (4) an intentional violation of criminal law.

**Item 16. *Exhibits and Financial Statement Schedules***

A list of exhibits filed with this registration statement or incorporated by reference is contained in the Exhibit Index which is incorporated herein by reference.

## Item 17. *Undertakings*

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price present no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

*provided, however*, that paragraphs (1)(i), (1)(ii) and (1)(iii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) Each prospectus filed by a registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which the prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining liability of the undersigned registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(6) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(7) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Des Moines, State of Iowa, on September 6, 2013.

### MIDAMERICAN ENERGY COMPANY

By: /s/ Paul J. Leighton

Name: Paul J. Leighton

Title: Vice President, Secretary and  
Assistant General Counsel

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints, jointly and severally, Paul J. Leighton and Steven R. Weiss, as his true and lawful attorneys and agents, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, or any related registration statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ William J. Fehrman</u> William J. Fehrman	President, Chief Executive Officer and Director (principal executive officer)	September 6, 2013
<u>/s/ Thomas B. Specketer</u> Thomas B. Specketer	Vice President, Chief Financial Officer and Director (principal financial and accounting officer)	September 6, 2013
<u>/s/ Steven R. Weiss</u> Steven R. Weiss	Senior Vice President, General Counsel and Director	September 6, 2013

## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
1.1*	Form of Underwriting Agreement
4.1**	Indenture (Senior Unsecured Debt Securities), dated as of October 1, 2006 (Filed as Exhibit 4.1 to MidAmerican Energy Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, Commission File No. 333-15387)
4.2**	Form of Indenture (Subordinated Unsecured Debt Securities) (Filed as Exhibit 4.2 to MidAmerican Energy Company's Registration Statement on Form S-3 dated May 16, 2006, Commission File No. 333-134163)
4.3**	Form of Indenture (First Mortgage Bonds) (Filed as Exhibit 4.3 to MidAmerican Energy Company's Registration Statement on Form S-3 filed on August 28, 2013, Commission File No. 333-190862)
4.4**	Form of Intercreditor and Collateral Trust Agreement (Filed as Exhibit 4.4 to MidAmerican Energy Company's Registration Statement on Form S-3 filed on August 28, 2013, Commission File No. 333-190862)
4.5**	Form of Mortgage, Security Agreement, Fixture Filing and Financing Statement (Filed as Exhibit 4.5 to MidAmerican Energy Company's Registration Statement on Form S-3 filed on August 28, 2013, Commission File No. 333-190862)
5.1	Opinion of Gibson, Dunn & Crutcher LLP
5.2	Opinion of Paul J. Leighton, Esq.
12.1**	Computation of Ratios of Earnings to Fixed Charges (Filed as Exhibit 12.1 to MidAmerican Energy Company's Registration Statement on Form S-3 filed on August 28, 2013, Commission File No. 333-190862)
15.1	Awareness Letter of Deloitte & Touche LLP
23.1	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.1)
23.2	Consent of Paul J. Leighton, Esq. (included in Exhibit 5.2)
23.3	Consent of Deloitte & Touche LLP
24.1**	Power of Attorney (included in signature pages) (Included in the signature page to MidAmerican Energy Company's Registration Statement on Form S-3 filed on August 28, 2013, Commission File No. 333-190862)
25.1**	Statement of Eligibility on Form T-1 under the Trust Indenture Act of 1939 of The Bank of New York Mellon Trust Company, N.A. for the senior unsecured indenture dated as of October 1, 2006 (Filed as Exhibit 25.1 to MidAmerican Energy Company's Registration Statement on Form S-3 filed on August 28, 2013, Commission File No. 333-190862)
25.2**	Statement of Eligibility on Form T-1 under the Trust Indenture Act of 1939 of The Bank of New York Mellon Trust Company, N.A. for the form of subordinated unsecured indenture (Filed as Exhibit 25.2 to MidAmerican Energy Company's Registration Statement on Form S-3 filed on August 28, 2013, Commission File No. 333-190862)
25.3**	Statement of Eligibility on Form T-1 under the Trust Indenture Act of 1939 of The Bank of New York Mellon Trust Company, N.A. for the Mortgage Bond Indenture (Filed as Exhibit 25.3 to MidAmerican Energy Company's Registration Statement on Form S-3 filed on August 28, 2013, Commission File No. 333-190862)

\* To be filed as an exhibit to an amendment hereto or as an exhibit to a document to be incorporated by reference herein.

\*\* Previously filed.

GIBSON DUNN

Gibson, Dunn & Crutcher LLP  
200 Park Avenue  
New York, NY 10166-0193  
Tel 212.351.4000  
www.gibsondunn.com

Client: 64901-00034

September 6, 2013

MidAmerican Energy Company  
666 Grant Avenue  
Des Moines, Iowa 50309

Re: MidAmerican Energy Company  
Registration Statement on Form S-3 (File No. 333-190862) and Pre Effective Amendment No. 1 thereto

Ladies and Gentlemen:

We have acted as counsel to MidAmerican Energy Company, an Iowa corporation (the “Company”), in connection with the preparation and filing with the Securities and Exchange Commission (the “Commission”) of a Registration Statement on Form S-3, File No. 333-190862, (the “Earlier Registration Statement”) under the Securities Act of 1933, as amended (the “Securities Act”) and a Pre-Effective Amendment No. 1 to such Earlier Registration Statement (the “Pre-Effective Amendment” and together with the Earlier Registration Statement, the “Registration Statement”), relating to the registration under the Securities Act and the proposed issuance and sale from time to time pursuant to Rule 415 under the Securities Act, together or separately and in one or more series (if applicable) of the Company’s: (i) unsecured debt securities, which may either be senior debt securities (the “Senior Debt Securities”) or subordinated debt securities (the “Subordinated Debt Securities”) and (ii) first mortgage bonds (the “First Mortgage Bonds” and, collectively with the Senior Debt Securities and the Subordinated Debt Securities, the “Securities”).

The Senior Debt Securities are to be issued under an indenture entered into between the Company and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.) (the “Trust Company”), as indenture trustee (the “Senior Base Indenture”). The Subordinated Debt Securities are to be issued under an indenture to be entered into between the Company and the Trust Company, as indenture trustee (the “Subordinated Base Indenture”). The First Mortgage Bonds are to be issued under an indenture to be entered into between the Company and the Trust Company, as indenture trustee (the “Mortgage Bond Indenture” and, collectively with the Senior Base Indenture and Subordinated Base Indenture, the “Base Indentures”).

In arriving at the opinions expressed below, we have examined originals, or copies certified or otherwise identified to our satisfaction as being true and complete copies of the originals, of the Senior Base Indenture, the form of the Subordinated Base Indenture, the form of the Mortgage Bond Indenture and such other documents, corporate records, certificates of officers of the Company and of public officials and other instruments as we have deemed necessary or advisable to enable us to render these opinions. In our examination, we have assumed the genuineness of all signatures, the legal capacity and competency of all natural persons, the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies. As to any facts material to these opinions, we have relied to the extent we deemed appropriate and without independent investigation upon statements and representations of officers and other representatives of the Company and others.

Brussels • Century City • Dallas • Denver • Dubai • Hong Kong • London • Los Angeles • Munich • New York  
Orange County • Palo Alto • Paris • San Francisco • São Paulo • Singapore • Washington, D.C.

# GIBSON DUNN

MidAmerican Energy Company  
September 6, 2013  
Page 2

We have assumed without independent investigation that:

(i) at the time any Securities are sold pursuant to the Registration Statement (the “Relevant Time”), the Registration Statement and any supplements and amendments thereto (including post-effective amendments) will be effective and will comply with all applicable laws;

(ii) at the Relevant Time, a prospectus supplement will have been prepared and filed with the Commission describing the Securities offered thereby and all related documentation and will comply with all applicable laws;

(iii) all Securities will be issued and sold in the manner stated in the Registration Statement and the applicable prospectus supplement;

(iv) at the Relevant Time, all corporate or other action required to be taken by the Company to duly authorize each proposed issuance of Securities and any related documentation (including the execution (in the case of certificated Securities), delivery and performance of the Securities and any related documentation referred to in paragraph 1 below) shall have been duly completed and shall remain in full force and effect;

(v) at the Relevant Time, the relevant Base Indenture shall have been duly executed and delivered by the Company and all other parties thereto and duly qualified under the Trust Indenture Act of 1939, as amended; and

(vi) at the Relevant Time, a definitive purchase, underwriting or similar agreement and any other necessary agreement with respect to any Securities offered or issued will have been duly authorized by all necessary corporate or other action of the Company and duly executed and delivered by the Company and the other parties thereto.

Based on the foregoing and in reliance thereon, and subject to the assumptions, exceptions, qualifications and limitations set forth herein, we are of the opinion that:

1. With respect to any Securities, when:

- a. the terms and conditions of such Securities have been duly established by supplemental indenture or officers' certificate in accordance with the terms and conditions of the relevant Base Indenture,

- b. any such supplemental indenture has been duly executed and delivered by the Company and the relevant trustee (together with the relevant Base Indenture, the “Indenture”), and
- c. such Securities have been executed (in the case of certificated Securities), delivered and authenticated in accordance with the terms of the applicable Indenture and issued and sold for the consideration set forth in the applicable definitive purchase, underwriting or similar agreement,

such Securities will be legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms.

The opinions expressed above are subject to the following exceptions, qualifications, limitations and assumptions:

A. We render no opinion herein as to matters involving the laws of any jurisdiction other than the State of New York and the United States of America. This opinion is limited to the effect of the current state of the laws of the State of New York, the United States of America and the facts as they currently exist. We assume no obligation to revise or supplement this opinion in the event of future changes in such laws or the interpretations thereof or such facts.

B. The opinions above with respect to the Indenture and the Securities (collectively, the “Documents”) are each subject to (i) the effect of any bankruptcy, insolvency, reorganization, moratorium, arrangement or similar laws affecting the rights and remedies of creditors’ generally, including without limitation the effect of statutory or other laws regarding fraudulent transfers or preferential transfers and (ii) general principles of equity, including without limitation concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance, injunctive relief or other equitable remedies regardless of whether enforceability is considered in a proceeding in equity or at law.

C. We express no opinion regarding the effectiveness of (i) any waiver of stay, extension or usury laws or of unknown future rights; (ii) any waiver (whether or not stated as such) under the Indenture or any other Document of, or any consent thereunder relating to, unknown future rights or the rights of any party thereto existing, or duties owing to it, as a matter of law; (iii) any waiver (whether or not stated as such) contained in the Indenture or any other Document of rights of any party, or duties owing to it, that is broadly or vaguely stated or does not describe the right or duty purportedly waived with reasonable specificity; (iv) provisions relating to indemnification, exculpation or contribution, to the extent such provisions may be held unenforceable as contrary to public policy or federal or state securities laws or due to the negligence or willful misconduct of the indemnified party;

# GIBSON DUNN

MidAmerican Energy Company

September 6, 2013

Page 4

(v) any purported fraudulent transfer “savings” clause; (vi) any provision in any Document waiving the right to object to venue in any court; (vii) any agreement to submit to the jurisdiction of any Federal court; (viii) any waiver of the right to jury trial or (ix) any provision to the effect that every right or remedy is cumulative and may be exercised in addition to any other right or remedy or that the election of some particular remedy does not preclude recourse to one or more others.

You have informed us that you intend to issue Securities from time to time on a delayed or continuous basis, and we understand that prior to issuing any Securities pursuant to the Registration Statement (i) you will advise us in writing of the terms thereof, and (ii) you will afford us an opportunity to (x) review the operative documents pursuant to which such Securities are to be issued or sold (including the applicable offering documents), and (y) file such supplement or amendment to this opinion (if any) as we may reasonably consider necessary or appropriate.

We consent to the filing of this opinion as an exhibit to the Registration Statement, and we further consent to the use of our name under the caption “Legal Matters” in the Registration Statement and the prospectus that forms a part thereof. In giving these consents, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ GIBSON, DUNN & CRUTCHER LLP

**[LETTERHEAD OF MIDAMERICAN ENERGY COMPANY]**

September 6, 2013

MidAmerican Energy Company  
666 Grand Avenue  
Des Moines, Iowa 50309

Ladies and Gentlemen:

I am the Assistant General Counsel of MidAmerican Energy Company, an Iowa corporation (the "Company"). I have served in such capacity in connection with the preparation and filing with the Securities and Exchange Commission (the "Commission") of a Registration Statement on Form S-3, File No. 333-190862, (the "Earlier Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act") and a Pre-Effective Amendment No. 1 to such Earlier Registration Statement (the "Pre-Effective Amendment" and together with the Earlier Registration Statement, the "Registration Statement"), relating to the registration under the Securities Act and the proposed issuance and sale from time to time pursuant to Rule 415 under the Securities Act, together or separately and in one or more series (if applicable) of the Company's: (i) unsecured debt securities, which may either be senior debt securities (the "Senior Debt Securities") or subordinated debt securities (the "Subordinated Debt Securities") and (ii) first mortgage bonds (the "First Mortgage Bonds" and, collectively with the Senior Debt Securities and the Subordinated Debt Securities, the "Securities").

The Senior Debt Securities are to be issued under an indenture, dated as of October 1, 2006 (the "Senior Base Indenture"), entered into between the Company and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.) (the "Trust Company"), as indenture trustee. The Subordinated Debt Securities are to be issued under an indenture (the "Subordinated Base Indenture") to be entered into between the Company and the Trust Company, as indenture trustee. The First Mortgage Bonds are to be issued under an indenture (the "Mortgage Bond Indenture", and collectively with the Senior Base Indenture and the Subordinated Base Indenture, the "Base Indentures") to be entered into between the Company and the Trust Company, as indenture trustee. Prior to issuing First Mortgage Bonds, the Company will execute a mortgage, security agreement, fixture filing and financing statement (the "Mortgage") in favor of the Trust Company, in its capacity as collateral trustee (the "Collateral Trustee"), and the Company also will enter into an intercreditor and collateral trust agreement (the "Collateral Trust Agreement" and, together with the Mortgage, the "Security Documents") with the Trust Company, in its capacity as the Mortgage Bond Trustee, and the Trust Company in its capacity as the Collateral Trustee.

In arriving at the opinions expressed below, I have examined originals, or copies certified or otherwise identified to my satisfaction as being true and complete copies of the originals, of the Senior Base Indenture, the form of the Subordinated Base Indenture, the form of the Mortgage Bond Indenture and such other documents, corporate records, certificates of officers of the Company and of public officials and other instruments as I have deemed necessary or advisable to enable me to render these opinions. In my examination, I have assumed the genuineness of all signatures, the legal capacity and competency of all natural persons, the authenticity of all documents submitted to me as originals and the conformity to original documents of all documents submitted to me as copies. As to any facts material to these opinions, I have relied to the extent I deemed appropriate and without independent investigation upon statements and representations of officers and other representatives of the Company and others.

Based on the foregoing and in reliance thereon, and subject to the assumptions, exceptions, qualifications and limitations set forth herein, I am of the opinion that (i) the Company is duly incorporated, is validly existing and in good standing under the laws of Iowa and has all requisite power to execute, deliver and perform its obligations under the Base Indentures and the Security Documents; (ii) the execution and delivery of the Senior Base Indenture by the Company and the performance of its obligations thereunder have been duly authorized by all necessary corporate or other action and do not violate any law, regulation, order, judgment or decree applicable to the Company; and (iii) the Senior Base Indenture has been duly executed and delivered by the Company.

I render no opinion herein as to matters involving the laws of any jurisdiction other than the State of Iowa and the United States of America. This opinion is limited to the effect of the current state of the laws of the State of Iowa, the United States of America and the facts as they currently exist. I assume no obligation to revise or supplement this opinion in the event of future changes in such laws or the interpretations thereof or such facts.

I consent to the filing of this opinion as an exhibit to the Registration Statement, and I further consent to the use of my name under the caption "Legal Matters" in the Registration Statement and the prospectus that forms a part thereof. In giving these consents, I do not thereby admit that I am within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

Sincerely,

/s/ Paul J. Leighton, Esq.

Paul J. Leighton, Esq.

Assistant General Counsel

September 6, 2013

MidAmerican Energy Company  
Des Moines, Iowa

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial statements of MidAmerican Energy Company for the three-month periods ended March 31, 2013 and 2012, and have issued our report dated May 3, 2013, and for the three and six-month periods ended June 30, 2013 and 2012, and have issued our report dated August 2, 2013. As indicated in such reports, because we did not perform an audit, we expressed no opinion on that information.

We are aware that our reports referred to above, which were included in your Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013, are being incorporated by reference in this Amendment No. 1 to Registration Statement 333-190862 on Form S-3.

We also are aware that the aforementioned reports, pursuant to Rule 436(c) under the Securities Act of 1933, as amended, are not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

Des Moines, Iowa

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in this Amendment No. 1 to Registration Statement on 333-190862 Form S-3 of our report dated March 1, 2013, relating to the consolidated financial statements and financial statement schedule of MidAmerican Energy Company appearing in the Annual Report on Form 10-K of MidAmerican Energy Company for the year ended December 31, 2012, and to the reference to us under the heading “Experts” in the Prospectus, which is part of this Registration Statement.

/s/ Deloitte & Touche LLP

Des Moines, Iowa  
September 6, 2013

# EXHIBIT C-2

PROSPECTUS SUPPLEMENT

(To prospectus dated September 9, 2013)



MIDAMERICAN ENERGY COMPANY

\$350,000,000 2.40% First Mortgage Bonds due 2019

\$250,000,000 3.70% First Mortgage Bonds due 2023

\$350,000,000 4.80% First Mortgage Bonds due 2043

MidAmerican Energy Company is offering \$350,000,000 aggregate principal amount of its 2.40% first mortgage bonds due 2019, which we refer to as the "2019 First Mortgage Bonds," \$250,000,000 aggregate principal amount of its 3.70% first mortgage bonds due 2023, which we refer to as the "2023 First Mortgage Bonds," and \$350,000,000 aggregate principal amount of its 4.80% first mortgage bonds due 2043, which we refer to as the "2043 First Mortgage Bonds," and, together with the 2019 First Mortgage Bonds and 2023 First Mortgage Bonds, as the "First Mortgage Bonds." We will pay interest on the First Mortgage Bonds semi-annually on March 15 and September 15 of each year, commencing on March 15, 2014. We may at our option redeem the First Mortgage Bonds of any series, in whole at any time or in part from time to time, before maturity at the "make whole" redemption prices calculated as set forth in this prospectus supplement under "Supplemental Description of First Mortgage Bonds—Optional Redemption."

Each series of the First Mortgage Bonds will be senior secured obligations of ours and will be secured equally and ratably with all of our other first mortgage bonds from time to time outstanding and with our currently outstanding senior notes. Each series of First Mortgage Bonds will be issued only in registered form in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Investing in the First Mortgage Bonds involves risks. See "Risk Factors" beginning on page S-8 of this prospectus supplement.

Table with 4 columns: Description, Price to Investors(1), Underwriting Discount(2), Proceeds, Before Expenses, to MidAmerican Energy Company. Rows include 2019, 2023, and 2043 First Mortgage Bonds and their totals.

(1) Plus accrued interest, if any, from September 19, 2013.

(2) See "Underwriting."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

We do not currently intend to list any series of the First Mortgage Bonds on any securities exchange or to have the First Mortgage Bonds included in any automated quotation system. Currently, there is no public market for the First Mortgage Bonds.

The First Mortgage Bonds are expected to be ready for delivery in book-entry form only through The Depository Trust Company on or about September 19, 2013.

Joint Book-Running Managers

Barclays

J.P. Morgan

RBS

BNP PARIBAS

Mitsubishi UFJ Securities

US Bancorp

Co-Managers

Citigroup

Wells Fargo Securities

Deutsche Bank Securities

KeyBanc Capital Markets

Lloyds Securities

Mizuho Securities

RBC Capital Markets

SMBC Nikko

The date of this prospectus supplement is September 12, 2013

## TABLE OF CONTENTS

### Prospectus Supplement

	<u>Page</u>
About This Prospectus Supplement .....	S-ii
Summary .....	S-1
MidAmerican Energy Company .....	S-1
Summary Historical Consolidated Financial Data of MidAmerican Energy Company .....	S-2
The Offering .....	S-3
Ratio of Earnings to Fixed Charges .....	S-7
Risk Factors .....	S-8
Capitalization .....	S-9
Use of Proceeds .....	S-10
Supplemental Description of First Mortgage Bonds .....	S-11
Material United States Federal Income Tax Considerations .....	S-17
Benefit Plan Investor Considerations .....	S-20
Underwriting .....	S-21
Legal Matters .....	S-24
Experts .....	S-24

### Prospectus

	<u>Page</u>
MidAmerican Energy Company .....	1
Forward-Looking Statements .....	1
Ratio of Earnings to Fixed Charges .....	2
Risk Factors .....	3
Use of Proceeds .....	3
Description of Unsecured Debt Securities .....	3
Description of First Mortgage Bonds .....	9
Plan of Distribution .....	26
About this Prospectus .....	27
Where You Can Find More Information .....	27
Incorporation by Reference .....	27
Legal Matters .....	28
Experts .....	28

## **ABOUT THIS PROSPECTUS SUPPLEMENT**

This prospectus supplement contains information about MidAmerican Energy Company, which we refer to as the “Company,” and the terms of each series of the First Mortgage Bonds. This prospectus supplement, or the information incorporated by reference in this prospectus supplement, may add to, update or change information in the accompanying prospectus. If information in this prospectus supplement or in the information incorporated by reference is inconsistent with the accompanying prospectus, this prospectus supplement, or the information incorporated by reference, will apply and will supersede that information in the accompanying prospectus.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, in the accompanying prospectus and in any related free writing prospectus issued by us. You should also read and consider the information in the documents we have referred you to in “Where You Can Find More Information” on page 27 of the attached prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different or additional information. This document may only be used where it is legal to sell these securities. You should not assume that the information provided by this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of such documents.

In this prospectus supplement, references to “we,” “us” and “our” refer to MidAmerican Energy Company.

## SUMMARY

*This summary contains basic information about us and this offering. Because it is a summary, it does not contain all of the information that you should consider before investing in the First Mortgage Bonds. You should read this entire prospectus supplement carefully, including the section entitled "Risk Factors," in the accompanying prospectus, our financial statements and the notes thereto incorporated by reference into this prospectus supplement, and the accompanying prospectus, before making an investment decision.*

### MIDAMERICAN ENERGY COMPANY

We are a public utility company headquartered in Iowa that serves 0.7 million regulated retail electric customers in portions of Iowa, Illinois and South Dakota and 0.7 million regulated retail and transportation natural gas customers in portions of Iowa, South Dakota, Illinois and Nebraska. We are principally engaged in the business of generating, transmitting, distributing and selling electricity and in distributing, selling and transporting natural gas. Our service territory covers approximately 11,000 square miles. Metropolitan areas in which we distribute electricity at retail include Council Bluffs, Des Moines, Fort Dodge, Iowa City, Sioux City and Waterloo, Iowa; and the Quad Cities (Davenport and Bettendorf, Iowa and Rock Island, Moline and East Moline, Illinois). Metropolitan areas in which we distribute natural gas at retail include Cedar Rapids, Des Moines, Fort Dodge, Iowa City, Sioux City and Waterloo, Iowa; the Quad Cities; and Sioux Falls, South Dakota. We have a diverse customer base consisting of urban and rural residential customers and a variety of commercial and industrial customers. Principal industries served by us include processing and sales of food products; manufacturing, processing and fabrication of primary metals; farm and other non-electrical machinery; real estate; technology; cement and gypsum products; and government. In addition to retail sales and natural gas transportation, we sell electricity principally to markets operated by regional transmission organizations and natural gas to other utilities and market participants on a wholesale basis. We are a transmission-owning member of the Midcontinent Independent System Operator, Inc. and participate in its energy and ancillary services markets.

Our headquarters and principal executive offices are located at 666 Grand Avenue, Suite 500, Des Moines, Iowa 50309-2580. Our telephone number is (515) 242-4300.

**SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA OF  
MIDAMERICAN ENERGY COMPANY**

The following table sets forth certain historical consolidated financial information about us for the periods presented. The financial information below for each of the years in the five-year period ended December 31, 2012 and as of each of the years then ended, has been derived from our audited consolidated financial statements and the financial information as of and for the six-month periods ended June 30, 2013 and 2012 has been derived from our unaudited consolidated financial statements. The summary historical consolidated financial data should be read in conjunction with, and is qualified in its entirety by reference to, the financial statements, including the related notes, which are included in our Annual Reports on Form 10-K and our Quarterly Reports on Form 10-Q previously filed with the United States Securities and Exchange Commission, which we refer to as the “SEC.” The results of past accounting periods are not necessarily indicative of the results to be expected for any future accounting period. See “Where You Can Find More Information” in the accompanying prospectus.

<i>(Amounts in millions)</i>	Six Months Ended June 30,		Years Ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
	(Unaudited)						
<b>Consolidated Statement of Operations Data:</b>							
Operating revenues	\$1,677	\$1,583	\$3,242	\$3,501	\$3,810	\$3,693	\$4,700
Operating income	149	173	370	429	459	468	587
Net income <sup>(1)</sup>	127	155	355	319	357	350	343
Earnings on common stock	126	154	354	318	357	349	342

<i>(Amounts in millions)</i>	As of June 30,		As of December 31,				
	2013	2012	2012	2011	2010	2009	2008
	(Unaudited)						
<b>Consolidated Balance Sheet Data:</b>							
Total assets	\$11,092	\$10,509	\$11,232	\$10,310	\$9,010	\$8,607	\$8,520
Short-term debt	—	—	—	—	—	—	457
Long-term debt <sup>(2)</sup>	3,267	2,934	3,259	3,115	2,865	2,865	2,865
MidAmerican Energy Company common shareholder’s equity	3,613	3,391	3,608	3,244	2,931	2,929	2,569

- (1) Net income for 2012, 2011 and 2010 reflects \$16 million, \$35 million and \$61 million, respectively, of income tax benefits recognized for changes in MidAmerican Energy Company’s tax accounting methods used to determine current income tax deductions. Refer to Note 10 of Notes to Consolidated Financial Statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.
- (2) Includes current portion.

## THE OFFERING

<b>Issuer</b>	MidAmerican Energy Company
<b>Securities Offered</b>	<p>\$350,000,000 aggregate principal amount of 2.40% First Mortgage Bonds due 2019.</p> <p>\$250,000,000 aggregate principal amount of 3.70% First Mortgage Bonds due 2023.</p> <p>\$350,000,000 aggregate principal amount of 4.80% First Mortgage Bonds due 2043.</p>
<b>Interest Rate</b>	<p>The 2019 First Mortgage Bonds will bear interest from September 19, 2013 at the rate of 2.40% per year.</p> <p>The 2023 First Mortgage Bonds will bear interest from September 19, 2013 at the rate of 3.70% per year.</p> <p>The 2043 First Mortgage Bonds will bear interest from September 19, 2013 at the rate of 4.80% per year.</p>
<b>Interest Payment Dates</b>	March 15 and September 15 of each year, beginning on March 15, 2014.
<b>Ranking</b>	Each series of the First Mortgage Bonds will be senior secured obligations of ours and will be secured equally and ratably with all of our other first mortgage bonds from time to time outstanding and with certain of our then outstanding debt (including certain of our presently outstanding unsecured debt), to the extent required by the terms of such outstanding debt. As of June 30, 2013, \$2.0 billion of our senior notes were outstanding and entitled to become so secured pursuant to their terms. We refer to our outstanding debt required to be so secured as our "Equal and Ratable Notes."
<b>Indenture</b>	Each series of the First Mortgage Bonds will be issued pursuant to an Indenture, which we refer to as the "Mortgage Bond Indenture," between us and The Bank of New York Mellon Trust Company, N.A., as trustee, which we refer to as the "Bond Trustee."
<b>Security</b>	Each series of the First Mortgage Bonds and each series of our Equal and Ratable Notes will be secured, equally and ratably, pursuant to a Mortgage, Security Agreement, Fixture Filing and Financing Statement, which we refer to as the "Mortgage," from us to The Bank of New York Mellon Trust Company, N.A., as collateral trustee, which we refer to as the "Collateral Trustee." The lien of the Mortgage constitutes a first mortgage lien on substantially all of our electric generating, transmission and distribution property within the State of Iowa (other than property duly released from the lien of the Mortgage in accordance with the provisions of the Mortgage, the Mortgage Bond Indenture and the Collateral Trust Agreement (as defined below), and certain other excepted property, as described in the accompanying prospectus under "Description of First Mortgage

Bonds—Security and Priority—Excepted Property,” and subject to certain Permissible Encumbrances, as described in the accompanying prospectus under “Description of First Mortgage Bonds—Security and Priority—Permissible Encumbrances” and such other liens, charges, encumbrances, defects, qualifications, exceptions and other matters affecting title, possession or use which, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the financial condition, business or results of operations of the Company and its subsidiaries, taken as a whole.)

Collateral administration will be governed by the Mortgage Bond Indenture and an Intercreditor and Collateral Trust Agreement, which we refer to as the “Collateral Trust Agreement,” among us, the Bond Trustee and the Collateral Trustee. Under the Collateral Trust Agreement, the Collateral Trustee will agree to hold the trust estate (including all of the Collateral Trustee’s right, title and interest under the Mortgage) for the equal and ratable benefit of the holders of our first mortgage bonds and the holders of the Equal and Ratable Notes. The Collateral Trust Agreement also provides that, except as described below with respect to the continuation of a Triggering Event, the Collateral Trustee will follow the directions of the Bond Trustee for, among other things, the release of property subject to the Mortgage, the application of cash held by the Collateral Trustee and the exercise of remedies under the Mortgage, in each case with such directions given only in accordance with the applicable provisions of the Mortgage Bond Indenture.

A “Triggering Event” would occur upon any of the following: (i) our failure to pay the principal amount of the Equal and Ratable Notes or first mortgage bonds of any series, upon final maturity, after expiration of any relevant grace period, (ii) a decree or order is entered against us in an involuntary bankruptcy proceeding and is not vacated in 90 days, or a similar involuntary event relating to our bankruptcy or insolvency occurs and continues for 90 days; or we petition for voluntary bankruptcy or take similar voluntary actions relating to our bankruptcy or insolvency, (iii) the acceleration of the principal amount of the first mortgage bonds or Equal and Ratable Notes or (iv) the issuance of any direction by the Bond Trustee to the Collateral Trustee, following the occurrence and during the continuance of any default under the Mortgage Bond Indenture, to commence exercise of foreclosure or similar remedies under the Mortgage and any other documents providing for collateral security with respect to the collateral that secures both the first mortgage bonds and the Equal and Ratable Notes.

Upon the occurrence and continuation of a Triggering Event, the Mortgage Bond Indenture and the Collateral Trust Agreement provide that the holders of all of our first mortgage bonds then outstanding, together with the holders of all of our Equal and Ratable Notes then outstanding, will share certain rights with respect to the collateral.

Following a Triggering Event and delivery of prior written notice to the Bond Trustee and the Collateral Trustee, the holders of a majority in principal amount of the sum of (x) all outstanding first mortgage bonds and (y) all outstanding Equal and Ratable Notes will have the right to direct the exercise of any right or remedy available to the Collateral Trustee with respect to the collateral that secures both the first mortgage bonds and the Equal and Ratable Notes, as further described in the accompanying prospectus under “Description of First Mortgage Bonds—Remedies.” We refer to the holders of this majority in principal amount as the “Requisite Secured Parties.” In addition, upon the occurrence and continuation of a Triggering Event, the direction of the Requisite Secured Parties will be required prior to any release of collateral from the lien of the Mortgage or any withdrawal by us of cash held by the Collateral Trustee, as further described in the accompanying prospectus under “Description of First Mortgage Bonds—Withdrawal or Application of Certain Cash” and “Description of First Mortgage Bonds—Release and Substitution of Property.”

**Events of Default**

For a discussion of events that will permit acceleration of the payment of the principal of and accrued interest on the First Mortgage Bonds, see “Description of First Mortgage Bonds—Events of Default” in the accompanying prospectus.

**Further Issuances**

Subject to compliance with certain issuance conditions contained in the Mortgage Bond Indenture, we may, without the consent of the holders of any series of the First Mortgage Bonds, increase the principal amount of any series and issue additional bonds of such series having the same ranking, interest rate, maturity and other terms (other than the date of issuance and, in some circumstances, the initial interest accrual date and initial interest payment date) as any series of the First Mortgage Bonds. Any such additional bonds would, together with the existing First Mortgage Bonds of such series, constitute a single series of bonds under the Mortgage Bond Indenture and may be treated as a single class for all purposes under the Mortgage Bond Indenture, including, without limitation, voting, waivers and amendments. Subject to compliance with certain issuance conditions contained in the Mortgage Bond Indenture, we may, without the consent of the holders of any series of the First Mortgage Bonds, issue additional series of first mortgage bonds, which first mortgage bonds would be secured equally and ratably with the First Mortgage Bonds.

**Company Obligations**

Our obligations to pay the principal of, premium, if any, and interest on the First Mortgage Bonds are solely obligations of the Company and none of our direct or indirect parent companies nor any of their other subsidiaries or affiliates will guarantee or provide any credit support for our obligations on the First Mortgage Bonds.

**Optional Redemption**

Each series of the First Mortgage Bonds will be redeemable prior to maturity, in whole or in part, at our option at any time or from time to time prior to February 15, 2019 (in the case of the 2019 First Mortgage Bonds), June 15, 2023 (in the case of the 2023 First Mortgage Bonds) or March 15, 2043 (in the case of the 2043 First Mortgage Bonds) at a redemption price equal to the greater of 100% of the aggregate principal amount of the First Mortgage Bonds of such series to be redeemed and a “make-whole” amount described under “Supplemental Description of First Mortgage Bonds—Optional Redemption” in this prospectus supplement plus accrued and unpaid interest on the First Mortgage Bonds of such series to the date of redemption.

On or after February 15, 2019 (in the case of the 2019 First Mortgage Bonds), June 15, 2023 (in the case of the 2023 First Mortgage Bonds) or March 15, 2043 (in the case of the 2043 First Mortgage Bonds), we may redeem all or any part of the First Mortgage Bonds of the applicable series, at any time or from time to time, at a redemption price equal to 100% of the principal amount of First Mortgage Bonds of such series to be redeemed, plus accrued and unpaid interest thereon, to the redemption date. See “Supplemental Description of First Mortgage Bonds—Optional Redemption” in this prospectus supplement.

**Use of Proceeds**

We expect to receive net proceeds from this offering of \$938,782,000 (excluding accrued interest, if applicable), after expenses and underwriting discounts.

We intend to use the net proceeds of the sale of the First Mortgage Bonds for the repayment of maturing long-term debt in an aggregate amount of approximately \$670 million, maturing December 31, 2013, and the remainder for general corporate purposes.

**Clearance and Settlement**

Each series of the First Mortgage Bonds will be cleared through The Depository Trust Company.

**Bond Trustee, Registrar, Paying Agent and Transfer Agent**

The Bank of New York Mellon Trust Company, N.A.

**Collateral Trustee**

The Bank of New York Mellon Trust Company, N.A.

### RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of our earnings to our fixed charges for the periods indicated.

	<u>Six months</u>	<u>Twelve Months Ended December 31,</u>				
	<u>ended June 30,</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Ratio of earnings to fixed charges <sup>(1)</sup>	2.3x	2.7x	2.8x	2.9x	3.0x	3.8x

- (1) For purposes of computing the ratio of earnings to fixed charges, “earnings” consist of net income from continuing operations plus income taxes, interest on long term debt, other interest charges and interest on leases. “Earnings” also include allowances for borrowed and other funds used during construction. “Fixed charges” consist of interest on long-term debt, other interest charges and interest on leases.

## RISK FACTORS

Investment in the First Mortgage Bonds involves risks. Potential investors should carefully consider the risk factors below in addition to the risks described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2012, which is incorporated by reference herein, as well as the other information in this prospectus supplement and the accompanying prospectus, and in any documents incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision. See “Where You Can Find More Information” in the accompanying prospectus. Additional risks and uncertainties that are presently not known or that are currently deemed immaterial may also materially harm our business, operating results and financial condition and could result in a loss on your investment.

**The holders of each series of our outstanding first mortgage bonds and each series of our outstanding Equal and Ratable Notes may have divergent interests. In case of certain Triggering Events, the Requisite Secured Parties may take action that is contrary to your interests.**

Each series of the First Mortgage Bonds will be secured equally and ratably with all of our other first mortgage bonds from time to time outstanding and with the Equal and Ratable Notes. Accordingly, upon the occurrence of certain Triggering Events, the Mortgage Bond Indenture and the Collateral Trust Agreement provide that the holders of all of our first mortgage bonds then outstanding, together with the holders of all of our Equal and Ratable Notes then outstanding, will share certain rights with respect to the exercise of remedies. The term “Triggering Events,” includes certain payment defaults and certain insolvency, acceleration or foreclosure events.

Upon a Triggering Event, the Requisite Secured Parties will have the right to direct the exercise of any right or remedy available to the Collateral Trustee with respect to the collateral that secures both the first mortgage bonds and the Equal and Ratable Notes. In addition, upon a Triggering Event, the direction of the Requisite Secured Parties will be required prior to any release of collateral from the lien of the Mortgage or any withdrawal by us of cash held by the Collateral Trustee. The holders of other series of first mortgage bonds or of Equal and Ratable Notes may have interests that differ materially from yours, and these holders may constitute the Requisite Secured Parties. Consequently, actions that the Requisite Secured Parties take in the case of a Triggering Event may not be favorable to you.

**The terms of the Mortgage Bond Indenture do not prohibit us from incurring additional indebtedness that could have an adverse impact on our financial condition.**

The Mortgage Bond Indenture, which governs our rights and obligations with respect to the First Mortgage Bonds does not prohibit us from incurring indebtedness in addition to the First Mortgage Bonds. Accordingly, we could enter into acquisitions, refinancings, recapitalizations or other highly leveraged transactions that could significantly increase our total amount of outstanding indebtedness. The interest payments needed to service this increased level of indebtedness could have a material adverse effect on our operating results. A highly leveraged capital structure could also impair our overall credit quality, making it more difficult for us to finance our operations, and could result in a downgrade in the ratings of our indebtedness, including the First Mortgage Bonds, by credit rating agencies.

**There is no existing market for any series of the First Mortgage Bonds and we cannot assure you that an active trading market will develop.**

There is no existing market for any series of the First Mortgage Bonds and we cannot assure you that an active trading market will develop. If a market for any series of the First Mortgage Bonds were to develop, future trading prices for such series would depend on many factors, including prevailing interest rates, our operating results and the market for similar securities. We do not intend to apply for listing or quotation of any series of the First Mortgage Bonds on any securities exchange, stock market or automated system. As a result, it may be difficult for you to find a buyer for your First Mortgage Bonds at the time you want to sell them, and even if you find a buyer, you might not get the price you want.

## CAPITALIZATION

The following table sets forth our consolidated long-term debt and total capitalization (i) as of June 30, 2013 and (ii) as adjusted to give effect to the offering of the First Mortgage Bonds. The following data should be read in conjunction with our consolidated financial statements and notes, which are incorporated by reference in this prospectus supplement.

	<u>Actual</u>	<u>As Adjusted</u>
	<u>(In millions)</u>	
Long-term debt, excluding current portion	\$2,598	\$3,548
MidAmerican Energy Company common shareholder's equity	<u>3,613</u>	<u>3,613</u>
Total capitalization	<u>\$6,211</u>	<u>\$7,161</u>

## **USE OF PROCEEDS**

The Company expects to receive net proceeds from the sale of the First Mortgage Bonds of approximately \$938,782,000 (excluding accrued interest, if applicable), after expenses and underwriting discounts. We intend to use the net proceeds of the sale of the First Mortgage Bonds for the repayment of maturing long-term debt in an aggregate amount of approximately \$670 million, maturing December 31, 2013 and bearing an imputed rate of interest of 1.46%, and the remainder for general corporate purposes.

## SUPPLEMENTAL DESCRIPTION OF FIRST MORTGAGE BONDS

The following description of the particular terms of the First Mortgage Bonds is not complete and should be read together with “Description of First Mortgage Bonds” in the accompanying prospectus. This description supplements and, to the extent it is inconsistent with the description in the accompanying prospectus, replaces the description of the general terms and provisions of the debt securities in the accompanying prospectus. The First Mortgage Bonds will be issued under an indenture dated as of September 9, 2013 (the “Mortgage Bond Indenture”) as supplemented by a first supplemental indenture between us and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Bond Trustee”), to be dated as of September 19, 2013. References in this Supplemental Description of First Mortgage Bonds to the Mortgage Bond Indenture mean the Mortgage Bond Indenture as so supplemented. All other capitalized terms used in this Supplemental Description of First Mortgage Bonds and not defined in this prospectus supplement have the meanings given to such capitalized terms in the accompanying prospectus. This summary is qualified in its entirety by reference to the Mortgage Bond Indenture.

### General Information

Each series of First Mortgage Bonds will be our direct, senior secured obligations ranking equally with our other existing and future secured and unsubordinated indebtedness. As of June 30, 2013, \$2.0 billion of our senior notes were outstanding and entitled to become so secured pursuant to their terms, none of which were secured by any of our assets. The Mortgage Bond Indenture contains no restrictions on the amount of additional indebtedness that we may issue.

If we issue First Mortgage Bonds, we will be required to secure equally and ratably with the First Mortgage Bonds certain of our then outstanding debt (including certain of our presently outstanding unsecured debt), to the extent required by the terms of such outstanding debt. As of June 30, 2013, \$2.0 billion of our senior notes were outstanding and entitled to become so secured pursuant to their terms. We refer to our outstanding debt required to be so secured as our “Equal and Ratable Notes.” Collateral administration will be governed by the Mortgage Bond Indenture and an Intercreditor and Collateral Trust Agreement, which we refer to as the “Collateral Trust Agreement,” among us, the Bond Trustee and the Collateral Trustee. Under the Collateral Trust Agreement, the Collateral Trustee will agree to hold the trust estate (including all of the Collateral Trustee’s right, title and interest under the Mortgage) for the equal and ratable benefit of the holders of the First Mortgage Bonds and the holders of the Equal and Ratable Notes.

Each series of First Mortgage Bonds will initially be issued only in registered, book-entry form, in denominations of \$2,000 and any integral multiples of \$1,000 as described under “Delivery and Form” below. We will issue global securities in denominations that together equal the total principal amount of the outstanding First Mortgage Bonds.

We may, without the consent of the holders of the First Mortgage Bonds, issue additional First Mortgage Bonds of any series having the same ranking, interest rate, maturity and other terms (except for the public offering price and the issue date) as the First Mortgage Bonds of such series offered hereby.

### Principal and Interest

The 2019 First Mortgage Bonds will bear interest from September 19, 2013 at the rate of 2.40% per year. Interest will be paid semi-annually in arrears on March 15 and September 15 of each year, beginning March 15, 2014, to the persons in whose names the 2019 First Mortgage Bonds are registered at the close of business on the preceding March 1 and September 1, respectively.

The 2023 First Mortgage Bonds will bear interest from September 19, 2013 at the rate of 3.70% per year. Interest will be paid semi-annually in arrears on March 15 and September 15 of each year, beginning March 15, 2014, to the persons in whose names the 2023 First Mortgage Bonds are registered at the close of business on the preceding March 1 and September 1, respectively.

The 2043 First Mortgage Bonds will bear interest from September 19, 2013 at the rate of 4.80% per year. Interest will be paid semi-annually in arrears on March 15 and September 15 of each year, beginning March 15, 2014, to the persons in whose names the 2043 First Mortgage Bonds are registered at the close of business on the preceding March 1 and September 1, respectively.

Interest on each series of First Mortgage Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months. Except for defaulted interest, we will make each interest and principal payment to the persons in whose names the First Mortgage Bonds are registered at the close of business on the regular record date immediately preceding the date fixed for payments of principal and interest on the First Mortgage Bonds. We will, however, make any interest payments due at maturity or upon prior redemption of the First Mortgage Bonds to the persons to whom the related principal payments are made.

If any interest payment date falls on a day that is not a business day, the interest payment will be postponed to the next day that is a business day, and no interest on such payment will accrue for the period from and after such interest payment date. If the maturity date of the First Mortgage Bonds falls on a day that is not a business day, the payment of interest and principal may be made on the next succeeding business day, and no interest on such payment will accrue for the period from and after the maturity date or earlier redemption date, as the case may be. Interest payments for the First Mortgage Bonds will include accrued interest from and including the last date in respect of which interest has been paid, to, but excluding, the interest payment date or the date of maturity or earlier redemption date, as the case may be.

### **Optional Redemption**

The 2019 First Mortgage Bonds will be redeemable, in whole or in part, at our option at any time or from time to time prior to February 15, 2019, at a redemption price equal to the sum of (a) the greater of (i) 100% of the principal amount of the 2019 First Mortgage Bonds being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon from the redemption date to the maturity date, computed by discounting such payments, in each case, to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 12.5 basis points (the “2019 Make-Whole Amount”), plus (b) accrued interest on the principal amount thereof to the redemption date.

On and after February 15, 2019, we may redeem all or any part of the 2019 First Mortgage Bonds, at our option, at any time or from time to time, at a redemption price equal to 100% of the principal amount of the 2019 First Mortgage Bonds to be redeemed, plus accrued and unpaid interest thereon to the redemption date.

The 2023 First Mortgage Bonds will be redeemable, in whole or in part, at our option at any time or from time to time prior to June 15, 2023, at a redemption price equal to the sum of (a) the greater of (i) 100% of the principal amount of the 2023 First Mortgage Bonds being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon from the redemption date to the maturity date, computed by discounting such payments, in each case, to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 15 basis points (the “2023 Make-Whole Amount”), plus (b) accrued interest on the principal amount thereof to the redemption date.

On and after June 15, 2023, we may redeem all or any part of the 2023 First Mortgage Bonds, at our option, at any time or from time to time, at a redemption price equal to 100% of the principal amount of the 2023 First Mortgage Bonds to be redeemed, plus accrued and unpaid interest thereon to the redemption date.

The 2043 First Mortgage Bonds will be redeemable, in whole or in part, at our option at any time or from time to time prior to March 15, 2043, at a redemption price equal to the sum of (a) the greater of (i) 100% of the principal amount of the 2043 First Mortgage Bonds being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon from the redemption date to the maturity

date, computed by discounting such payments, in each case, to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 15 basis points (the “2043 Make-Whole Amount”), plus (b) accrued interest on the principal amount thereof to the redemption date.

On and after March 15, 2043, we may redeem all or any part of the 2043 First Mortgage Bonds, at our option, at any time or from time to time, at a redemption price equal to 100% of the principal amount of the 2043 First Mortgage Bonds to be redeemed, plus accrued and unpaid interest thereon to the redemption date.

For purposes of determining the 2019 Make-Whole Amount, the 2023 Make-Whole Amount and the 2043 Make-Whole Amount, the following definitions apply:

“Comparable Treasury Issue” means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the First Mortgage Bonds of such series to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such First Mortgage Bonds.

“Comparable Treasury Price” means, with respect to any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day in New York City preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated “Composite 3:30 p.m. Quotations for U.S. Government Securities” or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, the Reference Treasury Dealer Quotation for such redemption date.

“Independent Investment Banker” means an investment banking institution of international standing appointed by the Company.

“Reference Treasury Dealer” means a primary U.S. government securities dealer in New York City appointed by the Company.

“Reference Treasury Dealer Quotation” means, with respect to the Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount and quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. on the third business day in New York City preceding such redemption date).

“Treasury Rate” means the rate per annum equal to the semi-annual equivalent or interpolated (on a day-count basis) yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each registered holder of First Mortgage Bonds to be redeemed.

If less than all of the First Mortgage Bonds of a series is to be redeemed at any time, selection of the First Mortgage Bonds of a series for redemption will be made by the Bond Trustee by such method as the Bond Trustee deems fair and appropriate.

Upon the payment of the redemption price, plus accrued and unpaid interest, if any, to the date of redemption, interest will cease to accrue on and after the applicable redemption date on the First Mortgage Bonds or such series or portions thereof called for redemption.

## Events of Default

The following events constitute events of default under the Mortgage Bond Indenture:

- we fail to pay the principal of, and premium, if any, on any series of First Mortgage Bonds when due and such failure continues for three business days;
- we fail to pay interest on any series of First Mortgage Bonds when due and such failure continues for 90 days;
- we fail to pay any Prior Lien Debt (as defined in the Mortgage Bond Indenture) in one or more series, in each case in an aggregate principal amount of \$100,000,000 or greater, after giving effect to any applicable grace period;
- we breach any other covenant or condition in the Mortgage Bond Indenture and such breach continues for 90 days after we receive a written notice of default with respect thereto;
- a decree or order is entered against us in an involuntary bankruptcy proceeding and is not vacated in 90 days, or a similar involuntary event relating to our bankruptcy or insolvency occurs and continues for 90 days;
- we commence a voluntary bankruptcy case or take similar voluntary actions relating to our bankruptcy or insolvency; and
- the occurrence of any Triggering Event. See “Summary—The Offering—Security.”

Upon the occurrence of a default under the Mortgage Bond Indenture, the Bond Trustee may, and upon the written request of the holders of at least a majority in aggregate principal amount of all outstanding first mortgage bonds is required to, declare all outstanding first mortgage bonds to be immediately due and payable. However, holders of a majority in principal amount of all outstanding first mortgage bonds may rescind the acceleration if, before any sale of the Mortgaged Property pursuant to the Collateral Trust Agreement:

- all arrears of interest upon all outstanding first mortgage bonds, with interest on overdue interest installments at such outstanding first mortgage bonds’ respective rates of interest have been paid by or on our behalf or collected out of the Mortgaged Property and
- all defaults have been remedied.

Prior to acceleration, holders of a majority in aggregate principal amount of the affected series of first mortgage bonds may waive a default under the Mortgage Bond Indenture, other than (1) a default related to non-payment of principal, premium, if any, or interest, (2) a default arising from the creation of a Prior Lien except Permissible Encumbrances or (3) a default related to a covenant or other provision of the Mortgage Bond Indenture that may not be modified without the consent of each holder of first mortgage bonds affected thereby.

The Bond Trustee is under no obligation to exercise any of the rights or powers vested in it by the Bond Indenture at the request or direction of any of the holders pursuant to the Bond Indenture, unless such holders shall have offered to the Bond Trustee security or indemnity satisfactory to the Bond Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

## Delivery and Form

Each series of First Mortgage Bonds will be issued in the form of one or more securities in global form. Each global security will be deposited on the date of the closing of the sale of the First Mortgage Bonds, on behalf of the Depository Trust Company (“DTC”), and registered in the name of Cede & Co., as DTC’s nominee.

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, as amended (the Exchange Act). DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct participants and by the New York Stock Exchange, the American Stock Exchange and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain custodial relationships with direct participants, either directly or indirectly. The DTC rules applicable to DTC and its participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). Information contained on DTC's internet sites does not constitute part of this prospectus supplement, and the references in the preceding sentence are inactive textual references only. No information contained on or accessible through DTC's internet sites is incorporated by reference into, or forms a part of, this prospectus supplement.

Purchase of securities within the DTC system must be made by or through direct participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security is, in turn, to be recorded on the direct and indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owners purchased securities. Transfers of ownership interests in securities issued in the form of global securities are to be accompanied 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 such securities, except in the event that use of the book-entry system for such securities is discontinued.

DTC has no knowledge of the actual beneficial owners of the securities issued in the form of global securities. DTC's records reflect only the identity of the direct participants to whose accounts such securities are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of a series of such securities are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each direct participant to be redeemed.

Although voting with respect to securities issued in the form of global securities is limited to the holders of record of such securities, in those instances in which a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to such securities. Under its usual procedures, DTC would mail an omnibus proxy to the issuer of such securities 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 such securities are credited on the record date (identified in a listing attached to the omnibus proxy).

Payments in respect of the securities issued in the form of global securities will be made by the issuer of such securities to Cede & Co. DTC's practice is to credit direct participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices and will be the responsibility of such participant and not of DTC, the Bond Trustee or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. are the responsibility of the issuer of the applicable securities, disbursements of such payments to direct participants is the responsibility of DTC, and disbursements of such payments to the beneficial owners is the responsibility of direct and indirect participants.

DTC may discontinue providing its service as depositary with respect to any securities at any time by giving reasonable notice to the issuer of such securities. In the event that a successor depositary is not obtained, individual security certificates representing such securities are required to be printed and delivered. We may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depositary).

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be accurate, but neither we nor the underwriters assume any responsibility for the accuracy thereof. Neither we nor the underwriters have any responsibility for the performance by DTC or its participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

## MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain material United States federal income tax consequences of the purchase, ownership and disposition of the First Mortgage Bonds. It is included herein for general information only and does not address every aspect of the income or other tax laws that may be relevant to investors in any series of the First Mortgage Bonds in light of their personal circumstances or that may be relevant to certain types of investors subject to special treatment under United States federal income tax laws (for example, financial institutions, former citizens or residents of the United States, tax-exempt organizations, insurance companies, real estate investment trusts, regulated investment companies, persons that are broker-dealers, traders in securities who elect the mark to market method of accounting for their securities, U.S. Holders (as defined below) that have a functional currency other than the United States dollar, controlled foreign corporations, passive foreign investment companies, corporations that accumulate earnings to avoid United States federal income tax or investors in partnerships or other pass-through entities). In addition, this summary does not address the effect of United States federal alternative minimum tax, or any state, local or foreign tax laws that may be applicable to a particular holder and does not consider any aspects of United States federal tax law other than income taxation. This discussion is limited to initial purchasers of any series of the First Mortgage Bonds pursuant to this prospectus supplement who purchase such series of the First Mortgage Bonds for an amount of cash equal to their offering price and who hold such series of the First Mortgage Bonds as capital assets under Section 1221 of the United States Internal Revenue Code of 1986, as amended (the “Code”) and not as part of a straddle, hedging, integrated, conversion or constructive sale transaction, or as part of a “synthetic security” or other similar financial transaction. Persons considering the purchase, ownership or disposition of any series of the First Mortgage Bonds should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction. Furthermore, the discussion below is based upon provisions of the Code, the legislative history thereof, existing and proposed Treasury regulations, administrative rulings and judicial decisions, all as of the date hereof. Such authorities may be repealed, revoked or modified (including changes in effective dates, and possibly with retroactive effect) so as to result in United States federal income tax consequences different from those discussed below.

For purposes of the following discussion, a “U.S. Holder” means a beneficial owner of the First Mortgage Bonds that is, for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to United States federal income tax regardless of source; or
- a trust, if (a) a court within the United States is able to exercise primary supervision over administration of the trust and one or more United States persons have authority to control all substantial decisions of the trust or (b) it has a valid election in effect under applicable United States Treasury regulations to be treated as a domestic trust.

For purposes of the following discussion, a “Non-U.S. Holder” means a beneficial owner of the First Mortgage Bonds (other than a partnership or an entity or arrangement classified as a partnership for United States federal income tax purposes) that is not a U.S. Holder for United States federal income tax purposes.

If a partnership or an entity or arrangement treated as a partnership for United States federal income tax purposes owns any of the First Mortgage Bonds, the United States federal income tax treatment of a partner or an equity interest owner of such other entity will generally depend upon the status of the partner or owner and the activities of the partnership or other entity. If you are a partner of a partnership or an equity interest owner of another entity treated as a partnership holding any of the First Mortgage Bonds, you should consult your tax advisor.

## **U.S. Holders**

### ***Payments of Interest***

If the “stated redemption price at maturity” (generally, the sum of all payments required under the applicable series of First Mortgage Bonds other than payments of stated interest) of any series of the First Mortgage Bonds exceeds the issue price of such series of First Mortgage Bonds by at least a *de minimis* amount, a U.S. Holder will be required to include such excess in income as original issue discount (“OID”) as it accrues, in accordance with a constant yield method based on a compounding of interest before the receipt of cash payments attributable to this income, regardless of the U.S. Holder’s method of accounting for United States federal income tax purposes. It is expected, and the following discussion assumes, that each series of the First Mortgage Bonds will be issued with less than a *de minimis* amount of OID for United States federal income tax purposes.

Accordingly, interest on the First Mortgage Bonds will generally be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder’s method of accounting for United States federal income tax purposes.

### ***Sale, Exchange, Redemption or Other Taxable Disposition of First Mortgage Bonds***

Upon the sale, exchange, redemption or other taxable disposition of a First Mortgage Bond, a U.S. Holder generally will recognize gain or loss equal to the difference between (1) the amount of cash and the fair market value of any property received on such disposition (less an amount equal to any accrued and unpaid stated interest, which will be taxable as interest income, as discussed above) and (2) such holder’s adjusted tax basis in such First Mortgage Bond. A U.S. Holder’s adjusted tax basis in a First Mortgage Bond generally will equal the amount paid for the First Mortgage Bond less any principal repayments previously received by such holder. Gain or loss recognized by a U.S. Holder in respect of the disposition generally will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder has held the First Mortgage Bond for more than one year at the time of such disposition. Long-term capital gains of noncorporate U.S. Holders are entitled to reduced rates of taxation. The deductibility of capital losses is subject to limitations.

### ***Additional Tax on Net Investment Income***

For taxable years beginning after December 31, 2012, U.S. Holders that are not corporations will generally be subject to a 3.8% tax (the “Medicare tax”) on the lesser of (1) the U.S. Holder’s “net investment income” for the taxable year and (2) the excess of the U.S. Holder’s modified adjusted gross income for the taxable year over a certain threshold amount. A U.S. Holder’s net investment income will generally include any income or gain recognized by such holder with respect to the First Mortgage Bonds, unless such income or gain is derived in the ordinary course of the conduct of such holder’s trade or business (other than a trade or business that consists of certain passive or trading activities).

## **Non-U.S. Holders**

### ***Payments of Interest***

Subject to the discussion of backup withholding below, payments of interest on the First Mortgage Bonds to a Non-U.S. Holder generally will not be subject to United States federal income or withholding tax, provided that (1) the Non-U.S. Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote, (2) the Non-U.S. Holder is not (a) a controlled foreign corporation that is related to us through actual or deemed stock ownership or (b) a bank receiving interest on the First Mortgage Bonds in connection with an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, (3) such interest is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States and (4) the Non-U.S. Holder either (i) provides its name

and address on an Internal Revenue Service (IRS) Form W-8BEN (or other applicable form), and certifies, under penalties of perjury, that it is not a United States person as defined under the Code or (ii) holds the First Mortgage Bonds through certain foreign intermediaries and satisfies the certification requirements of applicable United States Treasury regulations.

If a Non-U.S. Holder cannot satisfy the requirements in the preceding paragraph, payments of interest made to such Non-U.S. Holder will be subject to the 30% United States federal withholding tax, unless such Non-U.S. Holder provides us or our paying agent with a properly executed (1) IRS Form W-8BEN (or other applicable form) claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty or (2) IRS Form W-8ECI (or other applicable form) stating that interest paid on the First Mortgage Bonds is not subject to withholding tax because it is effectively connected with such Non-U.S. Holder's conduct of a trade or business in the United States. If interest on the First Mortgage Bonds is effectively connected with the conduct by a Non-U.S. Holder of a trade or business within the United States (and, if certain tax treaties apply, is attributable to a United States permanent establishment maintained by the Non-U.S. Holder), such interest generally will be subject to United States federal income tax on a net income basis at the rate applicable to U.S. persons (and, in the case of Non-U.S. Holders that are corporations, may also be subject to a 30% branch profits tax, unless such rate is reduced by an applicable income tax treaty).

#### ***Sale, Exchange, Redemption or Other Taxable Disposition of First Mortgage Bonds***

Subject to the discussion of backup withholding below, any gain realized by a Non-U.S. Holder on the sale, exchange, redemption or other taxable disposition of the First Mortgage Bonds generally will not be subject to United States federal income tax, unless (1) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States (and, if certain tax treaties apply, is attributable to a United States permanent establishment maintained by the Non-U.S. Holder), in which case such gain will be taxed on a net income basis in the same manner as interest that is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, in the case of Non-U.S. Holders that are corporations, may also be subject to a 30% branch profits tax, unless such rate is reduced by an applicable income tax treaty) or (2) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are satisfied, in which case the Non-U.S. Holder generally will be subject to a 30% tax on the excess, if any, of such gain plus all other United States source capital gains recognized during the same taxable year over the Non-U.S. Holder's United States source capital losses recognized during such taxable year.

#### **Information Reporting and Backup Withholding**

Payments of interest made by us on, or the proceeds of the sale or other disposition of, the First Mortgage Bonds may be subject to information reporting and United States federal backup withholding tax, if the recipient of the payment fails to supply an accurate taxpayer identification number or otherwise fails to comply with applicable United States information reporting or certification requirements. Any amount withheld under the backup withholding rules is allowable as a refund or credit against the holder's United States federal income tax, provided that the required information is timely furnished to the IRS.

**PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF THE UNITED STATES FEDERAL TAX LAWS TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION PRIOR TO MAKING SUCH INVESTMENT.**

## **BENEFIT PLAN INVESTOR CONSIDERATIONS**

Any series of the First Mortgage Bonds may be purchased and held by or with the assets of an employee benefit plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), an individual retirement account or other plan subject to Section 4975 of the Code or an employee benefit plan sponsored by a state or local government or otherwise subject to laws that include restrictions substantially similar to ERISA and Section 4975 of the Code (any such law, a “Similar Law”). A fiduciary of an employee benefit plan subject to ERISA, Section 4975 of the Code or any Similar Law must determine that the purchase and holding of the First Mortgage Bonds are consistent with its fiduciary duties under ERISA, Section 4975 of the Code or any Similar Law. Such fiduciary, as well as any other prospective investor subject to ERISA, Section 4975 of the Code or any Similar Law, must also determine that its purchase and holding of the First Mortgage Bonds does not result in a non-exempt prohibited transaction as defined in Section 406 of ERISA, Section 4975 of the Code or any Similar Law. Among other things, these sections prohibit the lending of money and other extensions of credit between an employee benefit plan or individual retirement account or annuity (“IRA”) and a party in interest (as defined in ERISA) or disqualified person (as defined in the Code) with respect to such plan or IRA, unless such transaction is covered by an exemption. Each series of First Mortgage Bonds constitutes an extension of credit by the purchaser to us. Accordingly, each purchaser and transferee of the First Mortgage Bonds who is subject to ERISA, Section 4975 of the Code or a Similar Law will be deemed to have represented by its acquisition and holding of the First Mortgage Bonds that its acquisition and holding of the First Mortgage Bonds does not constitute or give rise to a non-exempt prohibited transaction under ERISA, Section 4975 of the Code or any Similar Law. Such purchaser or transferee should consult legal counsel before purchasing the First Mortgage Bonds. Nothing herein shall be construed as a representation that an investment in the First Mortgage Bonds would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, an employee benefit plan, IRA or other plan subject to ERISA, Section 4975 of the Code or a Similar Law.

## UNDERWRITING

The Company is selling the First Mortgage Bonds to the underwriters named in the table below pursuant to an underwriting agreement between the Company and the underwriters named below, for whom Barclays Capital Inc., J.P. Morgan Securities LLC and RBS Securities Inc. are acting as representatives. Subject to certain conditions, the Company has agreed to sell to each of the underwriters, and each of the underwriters has severally agreed to purchase, the principal amount of the First Mortgage Bonds set forth opposite that underwriter's name in the table below:

<u>Underwriter</u>	<u>Principal Amount of 2019 First Mortgage Bonds</u>	<u>Principal Amount of 2023 First Mortgage Bonds</u>	<u>Principal Amount of 2043 First Mortgage Bonds</u>
Barclays Capital Inc.	\$ 63,000,000	\$ 45,000,000	\$ 63,000,000
J.P. Morgan Securities LLC	63,000,000	45,000,000	63,000,000
RBS Securities Inc.	63,000,000	45,000,000	63,000,000
BNP Paribas Securities Corp.	24,500,000	17,500,000	24,500,000
Mitsubishi UFJ Securities (USA), Inc.	24,500,000	17,500,000	24,500,000
U.S. Bancorp Investments, Inc.	24,500,000	17,500,000	24,500,000
Citigroup Global Markets Inc.	17,500,000	12,500,000	17,500,000
Wells Fargo Securities, LLC	17,500,000	12,500,000	17,500,000
Deutsche Bank Securities Inc.	8,750,000	6,250,000	8,750,000
KeyBanc Capital Markets Inc.	8,750,000	6,250,000	8,750,000
Lloyds Securities Inc.	8,750,000	6,250,000	8,750,000
Mizuho Securities USA Inc.	8,750,000	6,250,000	8,750,000
RBC Capital Markets, LLC	8,750,000	6,250,000	8,750,000
SMBC Nikko Securities America, Inc.	8,750,000	6,250,000	8,750,000
Total	<u>\$350,000,000</u>	<u>\$250,000,000</u>	<u>\$350,000,000</u>

Under the terms and conditions of the underwriting agreement, the underwriters must buy all of the 2019 First Mortgage Bonds, 2023 First Mortgage Bonds or 2043 First Mortgage Bonds, if they buy any of them. The underwriting agreement provides that the obligations of the underwriters pursuant thereto are subject to certain conditions. In the event of a default by an underwriter, the underwriting agreement provides that, in certain circumstances, the purchase commitment of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated. The underwriters will offer the 2019 First Mortgage Bonds, the 2023 First Mortgage Bonds and the 2043 First Mortgage Bonds to the public if the underwriters buy the 2019 First Mortgage Bonds, the 2023 First Mortgage Bonds and the 2043 First Mortgage Bonds from the Company.

The Company will compensate the underwriters by selling the 2019 First Mortgage Bonds, the 2023 First Mortgage Bonds and the 2043 First Mortgage Bonds to them at a price that is less than the price to the public by the amount of the "Underwriting Discount" set forth on the cover page of this prospectus supplement. The underwriters will sell the 2019 First Mortgage Bonds, the 2023 First Mortgage Bonds and the 2043 First Mortgage Bonds to the public at the respective prices to the public set forth on the cover page of this prospectus supplement.

An underwriter may reject offers for the 2019 First Mortgage Bonds, the 2023 First Mortgage Bonds and the 2043 First Mortgage Bonds. After the initial public offering of the First Mortgage Bonds, the underwriters may change the offering price and other selling terms of the 2019 First Mortgage Bonds, the 2023 First Mortgage Bonds and the 2043 First Mortgage Bonds.

There is currently no established trading market for the First Mortgage Bonds. The underwriters have advised us that they intend to make a market in the First Mortgage Bonds but are not obligated to do so and may discontinue such market-making activities at any time without notice. We cannot give any assurance as to the maintenance of the trading market for, or the liquidity of, the First Mortgage Bonds.

In connection with the offering, the underwriters, or any of their respective affiliates, may purchase and sell the First Mortgage Bonds in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment includes syndicate sales of First Mortgage Bonds in excess of the principal amount of the First Mortgage Bonds to be purchased by the underwriters in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the First Mortgage Bonds in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of the First Mortgage Bonds made for the purpose of preventing or retarding a decline in the market price of the First Mortgage Bonds while the offering is in progress.

The underwriters may also impose a penalty bid. Penalty bids permit the underwriters to reclaim an initial dealers' concession from a syndicate member when such underwriters, in covering syndicate short positions or making stabilizing purchases, repurchase the First Mortgage Bonds originally sold by that syndicate member.

Any of these activities may cause the price of the First Mortgage Bonds to be higher than the price that otherwise would exist in the open market in the absence of such transactions. These transactions may be effected in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any notes which are the subject of the offering contemplated herein may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any notes may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined under the Prospectus Directive;
- by the underwriters to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives of the underwriters for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of notes shall result in a requirement for us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any notes under, the offers contemplated here in this prospectus will be deemed to have represented, warranted and agreed to and with each underwriter and us that:

- it is a qualified investor as defined under the Prospectus Directive; and
- in the case of any notes acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the notes acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in the circumstances in which the prior consent of the representatives of the underwriters has been given to the offer or resale or (ii) where notes have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of such notes to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this representation and the provision above, the expression an “offer of notes to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

This prospectus has only been communicated or caused to have been communicated and will only be communicated or caused to be communicated as an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act of 2000 (the “FSMA”)) as received in connection with the issue or sale of the First Mortgage Bonds in circumstances in which Section 21(1) of the FSMA does not apply to us. All applicable provisions of the FSMA will be complied with in respect to anything done in relation to the First Mortgage Bonds in, from or otherwise involving the United Kingdom.

The Company estimates that its expenses in connection with the sale of the First Mortgage Bonds, other than underwriting discounts, will be \$2.97 million. This estimate includes expenses relating to printing, rating agency fees, trustee’s fees, mortgage recordation fees and legal fees, among other expenses. The underwriters have agreed to reimburse us for \$1,212,500 of our offering expenses.

The Company has agreed to indemnify the underwriters against, or to contribute to payments the underwriters may be required to make in respect of, certain liabilities, including liabilities under the United States Securities Act of 1933, as amended.

The underwriters and their affiliates may engage in transactions with, and perform services for, the Company and its affiliates in the ordinary course of business and have engaged, and may engage in the future engage, in commercial banking and investment banking transactions with the Company and its affiliates.

## LEGAL MATTERS

The legality of the First Mortgage Bonds will be passed upon for us by Paul J. Leighton, our Vice President and Assistant General Counsel, and by Gibson, Dunn & Crutcher LLP, New York, New York, and for the underwriters by Latham & Watkins LLP, New York, New York. Gibson, Dunn & Crutcher LLP and Latham & Watkins LLP may rely on the opinion of Mr. Leighton as to matters of Iowa law. Latham & Watkins LLP regularly serves as special counsel to certain of our affiliates on various matters. Mr. Leighton is an officer and full-time employee of ours.

## EXPERTS

The consolidated financial statements and the related financial statement schedule, incorporated in this prospectus supplement by reference from MidAmerican Energy Company's Annual Report on Form 10-K, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such consolidated financial statements and financial statement schedule have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

With respect to the unaudited interim financial statements for the periods ended March 31, 2013 and 2012 and June 30, 2013 and 2012, which are incorporated herein by reference, Deloitte & Touche LLP, an independent registered public accounting firm, have applied limited procedures in accordance with the standards of the Public Company Accounting Oversight Board (United States) for a review of such information. However, as stated in their reports included in MidAmerican Energy Company's Quarterly Report on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013 and incorporated by reference herein, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the United States Securities Act of 1933, as amended, for their reports on the unaudited interim financial information because those reports are not "reports" or a "part" of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

Prospectus

# **MIDAMERICAN ENERGY COMPANY**

## **Unsecured Debt Securities**

### **First Mortgage Bonds**

---

We will provide the specific terms of the securities in supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest.

---

**Investing in the securities involves risks. See “Risk Factors” on page 3.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities will not be listed on any securities exchange or included in any automated quotation system. Currently, there is no public market for the securities.

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

---

**The date of this prospectus is September 9, 2013**

## TABLE OF CONTENTS

	<u>Page</u>
MidAmerican Energy Company .....	1
Forward-Looking Statements .....	1
Ratio of Earnings to Fixed Charges .....	2
Risk Factors .....	3
Use of Proceeds .....	3
Description of Debt Securities .....	3
Description of First Mortgage Bonds .....	9
Plan of Distribution .....	26
About this Prospectus .....	27
Where You Can Find More Information .....	27
Incorporation by Reference .....	27
Legal Matters .....	28
Experts .....	28

## **MidAmerican Energy Company**

We are a public utility company headquartered in Iowa that serves 0.7 million regulated retail electric customers in portions of Iowa, Illinois and South Dakota and 0.7 million regulated retail and transportation natural gas customers in portions of Iowa, South Dakota, Illinois and Nebraska. We are principally engaged in the business of generating, transmitting, distributing and selling electricity and in distributing, selling and transporting natural gas. Our service territory covers approximately 11,000 square miles. Metropolitan areas in which we distribute electricity at retail include Council Bluffs, Des Moines, Fort Dodge, Iowa City, Sioux City and Waterloo, Iowa; and the Quad Cities (Davenport and Bettendorf, Iowa and Rock Island, Moline and East Moline, Illinois). Metropolitan areas in which we distribute natural gas at retail include Cedar Rapids, Des Moines, Fort Dodge, Iowa City, Sioux City and Waterloo, Iowa; the Quad Cities; and Sioux Falls, South Dakota. We have a diverse customer base consisting of urban and rural residential customers and a variety of commercial and industrial customers. Principal industries served by us include processing and sales of food products; manufacturing, processing and fabrication of primary metals; farm and other non-electrical machinery; real estate; technology; cement and gypsum products; and government. In addition to retail sales and natural gas transportation, we sell electricity principally to markets operated by regional transmission organizations and natural gas to other utilities and market participants on a wholesale basis. We are a transmission-owning member of the Midwest Independent Transmission System Operator, Inc. and participate in its energy and ancillary services markets.

Our headquarters and principal executive offices are located at 666 Grand Avenue, Suite 500, Des Moines, Iowa 50309-2580. Our telephone number is (515) 242-4300.

### **Forward-Looking Statements**

This prospectus contains or incorporates by reference statements that do not directly or exclusively relate to historical facts. These statements are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, also referred to as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, also referred to as the Exchange Act. Forward-looking statements can typically be identified by the use of forward-looking words, such as “will,” “may,” “could,” “project,” “believe,” “anticipate,” “expect,” “estimate,” “continue,” “intend,” “potential,” “plan,” “forecast” and similar terms. These statements are based upon our current intentions, assumptions, expectations and beliefs and are subject to risks, uncertainties and other important factors. Many of these factors are outside our control and could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors include, among others:

- general economic, political and business conditions, as well as changes in laws and regulations affecting our operations or related industries;
- changes in, and compliance with, environmental laws, regulations, decisions and policies that could, among other items, increase operating and capital costs, reduce generating facility output, accelerate generating facility retirements or delay generating facility construction or acquisition;
- the outcome of rate cases and other proceedings conducted by regulatory commissions or other governmental and legal bodies and our ability to recover costs in rates in a timely manner;
- changes in economic, industry, competition or weather conditions, as well as demographic trends and new technologies, that could affect customer growth and usage, electricity and natural gas supply or our ability to obtain long-term contracts with customers and suppliers;
- a high degree of variance between actual and forecasted load or generation that could impact our hedging strategy and the cost of balancing our generation resources with our retail load obligations;
- performance and availability of our generating facilities, including the impacts of outages and repairs, transmission constraints, weather, including wind, and operating conditions;

- changes in prices, availability and demand for wholesale electricity, coal, natural gas, other fuel sources and fuel transportation that could have a significant impact on generating capacity and energy costs;
- the financial condition and creditworthiness of our significant customers and suppliers;
- changes in business strategy or development plans;
- availability, terms and deployment of capital, including reductions in demand for investment grade commercial paper, debt securities and other sources of debt financing and volatility in the London Interbank Offered Rate, the base interest rate for our credit facilities;
- changes in our credit ratings;
- risks relating to nuclear generation;
- the impact of certain contracts used to mitigate or manage volume, price and interest rate risk, including increased collateral requirements, and changes in commodity prices, interest rates and other conditions that affect the fair value of certain contracts;
- the impact of inflation on costs and our ability to recover such costs in regulated rates;
- increases in employee healthcare costs, including the implementation of the Affordable Care Act;
- the impact of investment performance and changes in interest rates, legislation, healthcare cost trends, mortality and morbidity on pension and other postretirement benefits expense and funding requirements;
- unanticipated construction delays, changes in costs, receipt of required permits and authorizations, ability to fund capital projects and other factors that could affect future generating facilities and infrastructure additions;
- the impact of new accounting guidance or changes in current accounting estimates and assumptions on our consolidated financial results;
- other risks or unforeseen events, including the effects of storms, floods, fires, explosions, litigation, wars, terrorism, embargoes and other catastrophic events; and
- other business or investment considerations that may be disclosed from time to time in our filings with the SEC or in other publicly disseminated written documents.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing factors should not be construed as exclusive.

### Ratio of Earnings to Fixed Charges

The following table sets forth the ratio of our earnings to our fixed charges for the periods indicated.

	<b>Six Months Ended June 30,</b>	<b>Twelve Months Ended December 31,</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Ratio of earnings to fixed charges (1)	2.3x	2.7x	2.8x	2.9x	3.0x	3.8x

- (1) For purposes of computing the ratio of earnings to fixed charges, “earnings” consist of net income from continuing operations plus income taxes, interest on long-term debt, other interest charges and interest on leases. “Earnings” also include allowances for borrowed and other funds used during construction. “Fixed charges” consist of interest on long-term debt, other interest charges and interest on rentals.

## **Risk Factors**

Investing in the securities involves risks, including the risks described in the documents we incorporate by reference herein. You should carefully consider these risks and the other information contained or incorporated by reference in this prospectus and any prospectus supplement before deciding to invest in the securities, including the risk factors incorporated by reference from our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K we file after the date of this prospectus, and all other information contained or incorporated by reference in this prospectus, as updated by our subsequent filings under the Exchange Act, and the risk factors and other information contained in the applicable prospectus supplement, before acquiring any of such securities. In addition, risks not known to us or that we believe are immaterial also may impair our business operations, financial condition and liquidity.

## **Use of Proceeds**

Unless otherwise specified in the applicable prospectus supplement, we will use the net proceeds from the sale of the securities described in this prospectus for general corporate purposes, which may include additions to working capital, reductions of our indebtedness, refinancing of existing securities and financing of capital expenditures. We may invest funds not immediately required for such purposes in short-term securities. The amount and timing of sales of the securities described in this prospectus will depend on market conditions and the availability to us of other funds.

## **Description of Unsecured Debt Securities**

This section of this prospectus describes the general terms and provisions of the unsecured debt securities that we may offer. For a description of the first mortgage bonds that we may offer, see “Description of First Mortgage Bonds.” When we offer to sell a particular series of unsecured debt securities, we will describe the specific terms of the series in a prospectus supplement to this prospectus. We will also indicate in the applicable prospectus supplement whether the general terms and provisions described in this prospectus apply to a particular series of unsecured debt securities.

### **General**

We may issue senior unsecured debt securities or subordinated unsecured debt securities, in addition to first mortgage bonds described under “Description of First Mortgage Bonds.” The senior unsecured debt securities will be our direct unsecured obligations and the subordinated unsecured debt securities will be our direct unsecured obligations. The senior unsecured debt securities will be issued under the Indenture, dated as of October 1, 2006, between us and The Bank of New York Mellon Trust Company, N.A., and the subordinated unsecured debt securities will be issued under an unsecured indenture to be entered into between us and a trustee named in the applicable prospectus supplement. The following summary of certain provisions of the unsecured indentures does not purport to be complete and is qualified in its entirety by reference to the detailed provisions of the unsecured indentures (copies of which are filed or incorporated by reference as exhibits to the registration statement of which this prospectus is a part). Except to the extent set forth in a prospectus supplement for a particular series of unsecured debt securities, the unsecured indentures, as amended or supplemented from time to time, will be substantially similar to the unsecured indentures filed or incorporated by reference as exhibits to the registration statement and described below.

### **Prospectus Supplement**

A prospectus supplement relating to a series of unsecured debt securities being offered will include specific terms relating to the offering. These terms may include:

- the title of the series of unsecured debt securities;
- whether the series of unsecured debt securities are senior unsecured debt securities or subordinated unsecured debt securities;

- the aggregate principal amount (or any limit on the aggregate principal amount) of the series of unsecured debt securities and, if any unsecured debt securities of a series are to be issued at a discount from their face amount, the method of computing the accretion of such discount;
- if other than the entire principal amount thereof, the portion of the principal amount of the unsecured debt securities payable upon declaration of acceleration of the maturity thereof;
- the rate or rates of interest, if any, which will be borne by such unsecured debt securities, which may be fixed or variable;
- the date from which interest will accrue;
- the record date for interest payable on the unsecured debt securities;
- the maturity date of the unsecured debt securities;
- the dates when, places where and manner in which principal, premium, if any, and interest will be payable;
- the securities registrar if other than the trustee;
- the terms of any mandatory redemption (including any sinking fund requirement) or any redemption at our option;
- the terms of any redemption at the option of holders of the unsecured debt securities;
- the denominations in which the unsecured debt securities are issuable;
- whether the unsecured debt securities will be represented by a global security and the terms of any such global security;
- the currency or currencies (including any composite currency) in which principal or interest or both may be paid;
- any events of default, covenants or defined terms in addition to or in lieu of those set forth in the applicable unsecured indenture;
- whether and upon what terms the unsecured debt securities may be defeased;
- any special tax implications of the unsecured debt securities; and
- any other terms in addition to or different from those contained in the applicable unsecured indenture.

The unsecured debt securities may bear interest at a fixed or a floating rate, or may bear no interest. Unsecured debt securities bearing no interest or bearing interest at a rate below the prevailing market rate at the time of issuance may be deemed to be issued at a discount below their stated principal amount. Further, the holders of any unsecured debt securities as to which we have the right to defer interest may be allocated interest income for federal and state income tax purposes without receiving equivalent, or any, interest payments. Material federal income tax consequences may result from any such deemed original issue discount or interest deferrals. Any such material federal income tax consequences will be described in the applicable prospectus supplement.

### **Ranking of Subordinated Unsecured Debt Securities**

The subordinated unsecured debt securities will be subordinate and junior in right of payment to the senior unsecured debt securities, the first mortgage bonds described in this prospectus and all of our other current and future senior debt. As of December 31, 2012, \$2.0 billion of our senior debt was outstanding, none of which was secured by our assets. If we issue first mortgage bonds or other secured debt in the future, then, by its terms, all

of such presently outstanding senior debt will be required to be equally and ratably secured with the first mortgage bonds or such other secured debt. Unless otherwise specified in the applicable prospectus supplement, no payments on the subordinated unsecured debt securities may be made if (1) any senior debt is not paid when due or (2) the maturity of any senior debt has been accelerated because of a default. Upon any distribution of our assets to creditors upon a bankruptcy, insolvency, liquidation, reorganization or similar event, all amounts due on our senior debt must be paid before any payments are made on the subordinated unsecured debt securities.

Subject to the payment in full of all senior debt, the rights of the holders of subordinated unsecured debt securities will be subrogated to the rights of the holders of our senior debt to receive payments or distributions applicable thereto until all amounts owing on the subordinated unsecured debt securities are paid in full.

Neither the subordinated unsecured indenture nor the senior unsecured indenture will limit the amount of senior debt that we can incur, and the mortgage bond indenture will not limit the amount of senior unsecured debt that we can incur.

### **Global Securities**

The unsecured debt securities of any series may be represented, in whole or in part, by one or more global securities. Each global security will:

- be registered in the name of a depository or nominee thereof that we will identify in the applicable prospectus supplement;
- be deposited with the depository or nominee or custodian; and
- bear any required legends.

As long as the depository, or its nominee, is the registered holder of a global security, the depository or nominee will be considered the sole owner and holder of the unsecured debt securities represented by the global security for all purposes under the unsecured debt securities and the applicable unsecured indenture. Except in the limited circumstances described below, owners of beneficial interests in a global security:

- will not be entitled to have the unsecured debt securities registered in their names;
- will not be entitled to physical delivery of certificated unsecured debt securities; and
- will not be considered to be holders of those unsecured debt securities under the unsecured debt securities or the applicable unsecured indenture.

Payments on a global security will be made to the depository or its nominee as the holder of the global security. Some jurisdictions have laws that require that certain purchasers of securities take physical delivery of the securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Institutions that have accounts with the depository or its nominee are referred to as “participants.” Ownership of beneficial interests in a global security will be limited to participants and to persons that may hold beneficial interests through participants. The depository will credit, on its book-entry registration and transfer system, the respective principal amounts of unsecured debt securities represented by the global security to the accounts of its participants.

Ownership of beneficial interests in a global security will be shown on and effected through records maintained by the depository, with respect to participants’ interests, or any participant, with respect to interests held by participants on behalf of other persons.

Payments, transfers, exchanges and other matters relating to beneficial interests in a global security will be subject to policies and procedures of the depository. The depository policies and procedures may change from time to time. Neither we nor the trustee will have any responsibility or liability for the depository’s or any participant’s records with respect to beneficial interests in a global security.

## **Exchange of Global Securities for Certificated Securities**

Except as otherwise may be set forth in the applicable prospectus supplement, the global securities may be exchanged for unsecured debt securities in certificated form only in the following circumstances:

- if the depository notifies us that it is unwilling or unable to continue as depository for the global securities, or if the depository is no longer registered as a clearing agency under the Securities Exchange Act and we do not appoint a replacement depository within 90 days;
- an event of default under the applicable unsecured indenture occurs; or
- if we determine, subject to the procedures of the depository, that a series of unsecured debt securities will no longer be represented by global securities.

If any global securities are exchangeable for certificated securities as described above, we will execute, and the trustee will authenticate upon our order, certificated securities of like tenor and terms in certificated form in an aggregate principal amount equal to the principal amount of such global securities. These certificated securities will be delivered to persons specified by the depository in exchange for the beneficial interests in the global securities being exchanged.

## **Redemption and Repayment**

The applicable prospectus supplement will specify the following:

- if the unsecured debt securities are subject to any sinking fund and the terms of any such sinking fund;
- if we may elect to redeem the unsecured debt securities prior to maturity and the terms of any such optional redemption;
- if we will be required to redeem the unsecured debt securities prior to maturity upon the occurrence of certain events and the terms of any such mandatory redemption; and
- if the holders of the unsecured debt securities will have the right to repayment of the unsecured debt securities prior to maturity and the terms of any such optional repayment.

If we elect or are required to redeem unsecured debt securities, a redemption notice will be sent to each holder of unsecured debt securities to be redeemed at least 30 but not more than 60 days prior to the redemption date. The redemption notice will include the following: (1) the redemption date, the places of redemption and the redemption price; (2) a statement that payment of the redemption price will be made on surrender of the unsecured debt securities at the places of redemption; (3) a statement that accrued interest to the redemption date will be paid as specified in the notice and that after the redemption date interest will cease to accrue; (4) if less than all of the unsecured debt securities of a series are to be redeemed, the particular unsecured debt securities or portions thereof to be redeemed; (5) if any unsecured debt securities are to be redeemed in part only, the portion of the unsecured debt securities to be redeemed and a statement that, upon surrender of the unsecured debt securities for redemption, new unsecured debt securities having the same terms will be issued in an amount equal to the unredeemed portion; and (6) if applicable, a statement that redemption is subject to the receipt by the trustee prior to the redemption date of sufficient funds to make such redemption.

If notice of redemption is given as specified above, the unsecured debt securities called for redemption will become due and payable on the date and at the places stated in the notice at the applicable redemption price, together with accrued interest to the redemption date. After the redemption date, the unsecured debt securities subject to redemption will cease to bear interest and will not be entitled to the benefits of the applicable unsecured indenture, other than the right to receive payment of the redemption price together with accrued interest to the redemption date.

If unsecured debt securities are repayable at the option of the holders prior to maturity, a holder that elects to have its unsecured debt securities repaid will be required to deliver such unsecured debt securities (or a guarantee of delivery from an eligible institution) to the trustee at least 30 but not more than 45 days prior to the repayment date. For unsecured debt securities represented by global securities held by the depositary, the repayment option may be exercised by a direct participant in the depositary on behalf of the beneficial owner by sending written notice to the trustee (specifying certain information regarding the unsecured debt securities to be repaid) at least 30 but not more than 60 days prior to the repayment date.

## **Covenants**

Except as described in the applicable prospectus supplement, the unsecured debt securities will be subject to covenants including the following:

- a covenant that requires us to maintain an office for payment and registration of transfer or exchange of the unsecured debt securities in New York, New York;
- a covenant that requires us to notify the trustee in writing of any event of default under an unsecured indenture within five days after we become aware of such event of default;
- a covenant that requires us to maintain our corporate existence, rights and franchises, unless the maintenance of such rights and franchises is no longer desirable in the conduct of our business; and
- a covenant that prohibits us from consolidating with or merging with or into any other person or conveying, transferring or leasing all or substantially all of our property or assets to any other person, unless the surviving company or transferee, as applicable, is a U.S. company and assumes all of our obligations under the unsecured indenture.

The covenant described immediately above includes a phrase relating to a conveyance, transfer or lease of “all or substantially all” of our property or assets. Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the nature and extent of the restriction on our ability to convey, transfer or lease all or substantially all of our property or assets, and the protections provided to the holders of unsecured debt securities by such restriction, may be uncertain.

## **Events of Default**

Except as described in the applicable prospectus supplement, the following will constitute events of default under the applicable unsecured indenture:

- we fail to pay interest on the applicable series of unsecured debt securities when due and such failure continues for 30 days;
- we fail to pay principal of, and premium, if any, on the applicable series of unsecured debt securities when due;
- we breach any other covenant or representation in the applicable unsecured indenture and such breach continues for 90 days (such period to be extended if we are diligently pursuing a cure) after we receive a notice of default with respect thereto;
- a decree or order is entered against us in an involuntary bankruptcy proceeding and is not vacated in 90 days, or a similar involuntary event relating to our bankruptcy or insolvency occurs and continues for 90 days; or
- we commence a voluntary bankruptcy case or take similar voluntary actions relating to our bankruptcy or insolvency.

Upon the occurrence of an event of default under an unsecured indenture, the holders of a majority in aggregate principal amount of the applicable series of unsecured debt securities may declare such unsecured debt securities to be immediately due and payable. Holders of a majority in principal amount of such unsecured debt securities may rescind the acceleration so long as the conditions set forth in the applicable unsecured indenture have been satisfied.

Prior to acceleration, holders of a majority in aggregate principal amount of the applicable series of unsecured debt securities may waive an event of default, other than (1) an event of default related to non-payment of principal, premium, if any, or interest and (2) an event of default related to a covenant or other provision of the applicable unsecured indenture that cannot be modified without the consent of each holder of unsecured debt securities affected thereby.

The trustee shall be under no obligation to exercise any of the rights or powers vested in it by the applicable unsecured indenture at the request or direction of any of the holders pursuant to the applicable unsecured indenture, unless such holders shall have offered to the trustee security or indemnity satisfactory to the trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

### **Modifications to the Unsecured Indenture**

Except as otherwise set forth in the applicable prospectus supplement, the unsecured debt securities will be subject to provisions which allow us and the trustee to amend the unsecured indenture without the consent of any holder of unsecured debt securities for the following purposes:

- to cure ambiguities or to cure, correct or supplement any defective or inconsistent provisions, provided that the amended provision shall not adversely affect the interests of holders of outstanding unsecured debt securities in any material respect;
- to add covenants, events of default or collateral, or to surrender a right or power conferred upon us in the unsecured indenture;
- to establish the form of additional unsecured debt securities in accordance with the terms of the unsecured indenture;
- to evidence the succession of another company to us and the assumption by the successor of our obligations under the unsecured indenture;
- to grant to or confer upon the trustee for the benefit of the holders any additional rights, remedies, powers or authority;
- to permit the trustee to comply with any duties imposed upon it by law;
- to specify further the duties and responsibilities of, and to define further the relationships among, the trustee and any authenticating agent or paying agent for the unsecured debt securities; and
- to change or eliminate any of the provisions of the unsecured indenture, so long as the change or elimination becomes effective only when there are no unsecured debt securities outstanding that were created prior to the execution of the supplemental indenture or other document evidencing such change or elimination.

Except as set forth in the applicable prospectus supplement, the unsecured debt securities will be subject to contain provisions which allow us and the trustee to amend the unsecured indenture for any other purpose with the consent of holders of a majority in aggregate principal amount of the applicable series of unsecured debt securities, other than amendments which:

- change the stated maturity of the applicable series of unsecured debt securities;
- reduce the principal amount of the applicable series of unsecured debt securities;

- reduce the interest rate for the applicable series of unsecured debt securities;
- extend the dates for scheduled payments of principal and interest on the applicable series of unsecured debt securities;
- impair the right of a holder of the applicable series of unsecured debt securities to institute suit for the payment of its unsecured debt securities; or
- reduce the percentage of holders of unsecured debt securities required to consent to amendments or waive defaults under the unsecured indenture.

The items described in the first five bullets above will require the consent of all holders of senior unsecured debt securities or subordinated unsecured debt securities, as the case may be, affected by the amendment. The item described in the last bullet above will require the consent of all holders of senior unsecured debt securities or subordinated unsecured debt securities, as the case may be.

### **Governing Law**

The senior unsecured indenture and the subordinated unsecured indenture will be governed by the laws of the State of New York.

### **Description of First Mortgage Bonds**

This section of this prospectus describes the general terms and provisions of the first mortgage bonds that we may offer. We may issue first mortgage bonds from time to time in one or more series, and when we offer to sell a particular series of first mortgage bonds, we will describe the specific terms of the series in a prospectus supplement to this prospectus. We will also indicate in the applicable prospectus supplement whether the general terms and provisions described in this prospectus apply to a particular series of first mortgage bonds.

### **General**

The first mortgage bonds will be issued under an Indenture, which we refer to as the “Mortgage Bond Indenture,” between us and The Bank of New York Mellon Trust Company, N.A., as trustee, which we refer to as the “Bond Trustee.” No first mortgage bonds are currently outstanding under the Mortgage Bond Indenture, and the initial series of first mortgage bonds will be the initial series issued under the Mortgage Bond Indenture. The Mortgage Bond Indenture will not limit the aggregate principal amount of first mortgage bonds that may be issued, subject to meeting certain conditions to issuance, including those described under “—Issuance of First Mortgage Bonds.”

The first mortgage bonds will be secured by a lien on certain of our property pursuant to a Mortgage, Security Agreement, Fixture Filing and Financing Statement, which we refer to as the “Mortgage,” from us to The Bank of New York Mellon Trust Company, N.A., as collateral trustee, which we refer to as the “Collateral Trustee.” We will execute the Mortgage prior to issuing any first mortgage bonds. This Mortgage will constitute a mortgage lien, subject to permissible encumbrances, as described below under “—Security and Priority—Permissible Encumbrances,” as well as exceptions and exclusions as described below under “—Security and Priority—Excepted Property,” on all of our electric generating, transmission and distribution property within the State of Iowa. See “—Security and Priority.”

If we issue first mortgage bonds, we will be required to secure equally and ratably with the first mortgage bonds certain of our then outstanding debt (including certain of our presently outstanding unsecured debt), to the extent required by the terms of such outstanding debt. As of June 30, 2013, \$2.0 billion of our senior notes were outstanding and entitled to become so secured pursuant to their terms. We refer to our outstanding debt required to be so secured as our “Equal and Ratable Notes.” Collateral administration will be governed by the Mortgage Bond Indenture and an Intercreditor and Collateral Trust Agreement, which we refer to as the “Collateral Trust Agreement,” among us, the Bond Trustee and the Collateral Trustee. Under the Collateral Trust Agreement, the

Collateral Trustee will agree to hold the trust estate (including all of the Collateral Trustee's right, title and interest under the Mortgage) for the equal and ratable benefit of the holders of the first mortgage bonds and the holders of the Equal and Ratable Notes.

The Collateral Trust Agreement also provides that, except in the circumstances described below under “—Description of First Mortgage Bonds—Remedies” and “—Description of First Mortgage Bonds—Release and Substitution of Property” with respect to the continuation of a Triggering Event (defined below) and upon prior notice by the Requisite Secured Parties (defined below), the Collateral Trustee will follow the directions of the Bond Trustee for, among other things, the release of property subject to the Mortgage, the application of cash held by the Collateral Trustee and the exercise of remedies under the Mortgage, in each case with such directions given only in accordance with the applicable provisions of the Indenture.

Further, under the Collateral Trust Agreement, the Collateral Trustee will agree that the proceeds of any collection, sale or other realization of any part of the shared collateral pursuant to the Mortgage or other shared collateral document will be held in trust by the Collateral Trustee and applied first, to the payment of any unpaid fees of the Collateral Trustee and all taxes, assessments or Prior Liens and second, to the holders of all outstanding first mortgage bonds and the holders of all outstanding Equal and Ratable Notes, equally and ratably until paid in full.

The following summary of certain provisions of the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement does not purport to be complete and is qualified in its entirety by reference to the detailed provisions of the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement (copies of which are filed as exhibits to the registration statement of which this prospectus is a part). Capitalized terms used below are used as defined in the Mortgage Bond Indenture. Except to the extent set forth in a prospectus supplement for a particular series of first mortgage bonds, the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement, each as amended or supplemented from time to time, will be substantially similar to the forms of the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement filed as exhibits to the registration statement and described below.

### **Prospectus Supplement**

A prospectus supplement relating to a series of first mortgage bonds being offered will include specific terms relating to the offering. These terms may include:

- the title of the series of first mortgage bonds;
- the principal amount of the series of first mortgage bonds to be issued at any particular time;
- if other than the entire principal amount thereof, the portion of the principal amount of the first mortgage bonds payable upon declaration of acceleration of the maturity thereof;
- the rate of interest, if any, which will be borne by the first mortgage bonds, and if the interest rate is not a fixed rate, the formula for determining the interest rate from time to time;
- the date from which interest will accrue;
- the record date for interest payable on the first mortgage bonds;
- the maturity date of the first mortgage bonds;
- the dates when, places where and manner in which principal, premium, if any, and interest will be payable;
- the terms of any mandatory redemption (including any sinking fund requirement) or any redemption at our option;
- the terms of any redemption at the option of holders of the first mortgage bonds;
- the denominations in which the first mortgage bonds are issuable;
- whether the first mortgage bonds will be represented by a global security and the terms of any such global security;

- the currency or currencies (including any composite currency) in which principal, premium, if any, or interest may be paid;
- if payments of principal, premium, if any, or interest may be made in a currency other than that in which the first mortgage bonds are stated to be payable, the terms and conditions applying to payments in that currency;
- any events of default, covenants or defined terms in addition to or in lieu of those set forth in the Mortgage Bond Indenture;
- any special tax implications of the first mortgage bonds; and
- any other terms in addition to or different from those contained in the Mortgage Bond Indenture.

The first mortgage bonds may bear interest at a fixed or a floating rate, or may bear no interest. First mortgage bonds bearing no interest or bearing interest at a rate below the prevailing market rate at the time of issuance may be deemed to be issued at a discount below their stated principal amount. Further, the holders of any first mortgage bonds as to which we have the right to defer interest may be allocated interest income for federal and state income tax purposes without receiving equivalent, or any, interest payments. Material federal income tax consequences may result from any such deemed original issue discount or interest deferrals. Any such material federal income tax consequences will be described in the applicable prospectus supplement.

### **Security and Priority**

The first mortgage bonds will be secured, equally and ratably (except as to sinking funds and other analogous funds established for the exclusive benefit of a particular series) with all first mortgage bonds, regardless of series, from time to time issued and outstanding under the Mortgage Bond Indenture. In addition, if we issue first mortgage bonds, we will be required to secure equally and ratably with the first mortgage bonds our Equal and Ratable Notes. As of June 30, 2013, \$2.0 billion of our senior notes were outstanding and entitled to become so secured pursuant to their terms.

The Mortgage constitutes a first mortgage lien, subject to Permissible Encumbrances as described below, on substantially all of our electric generating, transmission and distribution property within the State of Iowa, other than property duly released from the lien of the Mortgage in accordance with the terms of the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement and other than Excepted Property, as described below. None of our gas distribution property within the State of Iowa or outside the State of Iowa or our other property located outside of the State of Iowa will initially be subject to the lien of the Mortgage. However, we may enter into supplemental indentures with the Bond Trustee and supplemental mortgages in favor of the Collateral Trustee, in either case without the consent of the holders of first mortgage bonds, to subject such Excepted Property, at our option, to the lien of the Mortgage. This property would then constitute Bondable Property, as described below under “—Issuance of First Mortgage Bonds,” and would therefore be available as a basis for the issuance of first mortgage bonds. We refer to our property that is subject, or intended to be subject, to the lien of the Mortgage as “Mortgaged Property.”

We may obtain the release of property from the lien of the Mortgage from time to time, upon the bases provided for release in the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement. See “—Release and Substitution of Property.”

The Mortgage provides that after-acquired property (other than Excepted Property) will be subject to the lien of the Mortgage. However, in the case of consolidation or merger (whether or not we are the surviving company) or transfer of all or substantially all of the Mortgaged Property, the surviving company will not be required to grant a first lien mortgage upon any of the properties either owned or subsequently acquired by the surviving company. See “—Merger, Consolidation, Conveyance and Lease.”

Our principal plants and properties, insofar as they constitute real estate, are owned in fee; certain of our other facilities are located on premises held by us under leases, permits or easements; and our electric

transmission and distribution lines and systems (which constitute a substantial portion of our investment in physical property) are for the most part located over or under highways, streets, other public places or property owned by others for which permits, grants, easements, licenses or franchises (deemed satisfactory but without examination of underlying land titles) have been obtained.

*Excepted Property.* The lien of the Mortgage does not cover certain property, which we refer to as “Excepted Property,” including:

- all cash, shares of stock, bonds, notes and other obligations and securities (i) not deposited, or required to be deposited, with the Collateral Trustee by the express provisions of the Mortgage Bond Indenture, the Collateral Trust Agreement or the Mortgage, as applicable or (ii) held by the Collateral Trustee for the benefit of a trustee for Equal and Ratable Notes, as applicable;
- all bills, notes and other instruments, accounts receivable, claims, credits, judgments, demands, general intangibles, choses in action, permits, franchises, patents, patent applications, patent licenses and other patent rights, trade names, trademarks, and all contracts, leases and agreements of whatsoever kind and nature, not pledged or required to be pledged with the Collateral Trustee pursuant to the terms of the Mortgage Bond Indenture;
- all merchandise, equipment, spare parts, tools, materials, supplies and fuel held for sale or lease in the ordinary course of business or for use or consumption in, or in the operation of, any properties of, or for the benefit of, us, or held in advance of use thereof for maintenance, replacement or fixed capital purposes;
- all electricity, gas, steam, water and other materials, products or services generated, manufactured, produced, provided or purchased by us for sale or distribution or used or to be used by us;
- all railcars, aircraft, watercraft, automobiles, buses, trucks, tractors, trailers and similar vehicles and movable equipment, and all components, spare parts, accessories, supplies and fuel used or to be used in connection with any of the foregoing;
- all office furniture and office equipment;
- all leasehold interests and leasehold improvements;
- the last day of the term of any lease or leasehold now owned or hereafter acquired by us which is specifically subjected to the lien of the Mortgage;
- all timber, crops, sand, gravel, rocks, earth, natural gas, oil, coal, uranium and other minerals, products or components of land and minerals, harvested, mined or extracted from or otherwise separated from the earth, or lying or being upon, within or under any properties of ours, including Mortgaged Property, and timber, crops, sand, gravel, rocks, earth, natural gas, oil, coal, uranium and other land and mineral rights, leases and royalties and income therefrom, and rights to explore for minerals;
- except as the same may be specifically subjected to the lien of the Mortgage, all nuclear fuel, cores and materials;
- all satellites and other equipment and materials used or to be used in outer space; all business machines; all communications equipment; all computer equipment; all record production, storage and retrieval equipment; all telephone equipment; and all components, spare parts, accessories, programs and supplies used or to be used in connection with any of the foregoing;
- all real or personal property which meets all of the following conditions:
  - is not specifically described in Exhibit A to the Mortgage,
  - is not specifically subjected or required to be subjected to the lien of the Mortgage by any express provision of the Mortgage or the Mortgage Bond Indenture, and
  - is not an integral part of or used or to be used (i) as an integral part of our electric generating, transmission and distribution operations in the State of Iowa, or (ii) in connection with the

operation of any property specifically subjected or required to be subjected to the lien of the Mortgage by the express provisions of the Mortgage or the Mortgage Bond Indenture;

- all real and personal property which is not in the State of Iowa;
- our franchise to be a corporation; and
- all books and records.

*Permissible Encumbrances.* The lien of the Mortgage is subject to Permissible Encumbrances. These include:

- the lien of the Mortgage and other liens in favor of the Collateral Trustee and subject to the Collateral Trust Agreement, and all liens and encumbrances junior thereto;
- liens for taxes or assessments by governmental bodies not yet due or the payment of which is being contested in good faith by us;
- any right of any municipal or other governmental body or agency, by virtue of any franchise, grant, license, permit, contract or statute, to occupy, purchase or designate a purchaser of, or to order the sale of, any Mortgaged Property upon payment of reasonable compensation therefor, or to modify or terminate any franchise, grant, license, permit, contract or other right, or to regulate our property and business;
- liens and charges incidental to our construction or current operations which are not delinquent or, whether or not delinquent, are being contested in good faith by us;
- easements, leases, rights of way, restrictions, exceptions or reservations, and zoning ordinances, regulations and restrictions, with respect to any of our property or rights of way, which do not, individually or in the aggregate, materially impair the use of such property or rights of way for the purposes for which such property or rights of way are held by us;
- irregularities in or defects of title to any of our property or rights of way which do not materially impair the use of such property or rights of way for the purposes for which such property or rights of way are held by us;
- liens securing obligations neither (i) assumed by us nor (ii) on account of which we customarily pay interest, directly or indirectly, existing upon real property, or rights in or relating to real property acquired by us for rights of way for lines, pipes, structures and appurtenances thereto;
- party-wall agreements and agreements for and obligations relating to the joint or common use of property owned solely by us or owned by us in common or jointly with one or more Persons;
- liens securing indebtedness incurred by a Person, other than us, which indebtedness has been neither assumed nor guaranteed by us nor on which we customarily pay interest, existing on property which we own jointly or in common with such Person or such Person and others, if there is an effective bar against partition of such property which would preclude the sale of such property by such other Person or the holder of such lien without our consent;
- any attachment, judgment and other similar lien arising in connection with court proceedings (i) in an amount not in excess of the greater of \$100,000,000 or 5% of the principal amount of the Bonds outstanding at the time such attachment, judgment or lien arises, or (ii) the execution of which has been stayed or which has been appealed and secured, if necessary, by an appeal bond;
- the burdens of any law or governmental rule, regulation, order or permit requiring us to maintain certain facilities or to perform certain acts as a condition of its occupancy or use of, or interference with, any public or private lands or highways or any river, stream or other waters;
- any duties or obligations of us to any federal, state or local or other governmental authority with respect to any franchise, grant, license, permit or contract which affects any Mortgaged Property;
- liens in favor of a government or governmental entity securing (i) payments pursuant to a statute (other than taxes and assessments), or (ii) indebtedness incurred to finance all or part of the purchase price or Cost of construction of the property subject to such lien;

- any other liens or encumbrances of whatever nature or kind which, in the opinion of counsel, do not, individually or in the aggregate, materially impair the lien of the Mortgage or the security afforded thereby for the benefit of the holders of first mortgage bonds;
- any trustee's lien under the Mortgage Bond Indenture or under the Collateral Trust Agreement;
- any Prior Lien if such Prior Lien shall not attach to any Mortgaged Property other than the Mortgaged Property that was or became subject to the Prior Lien at the time of acquisition by us of such Mortgaged Property, other than pursuant to an after-acquired property clause of such Prior Lien; but, if we, as successor corporation, shall have executed a supplemental indenture relating thereto, the extension of such Prior Lien to Mortgaged Property subsequently acquired by us shall be permitted.
- liens existing at the date of the Mortgage Bond Indenture;
- leases existing at the date of the Mortgage Bond Indenture affecting properties owned by us at such date and renewals and extensions thereof; and leases affecting such properties entered into after such date or affecting properties acquired by us after such date which, in either case, (i) have respective terms of not more than ten (10) years (including extensions or renewals at the option of the tenant) or (ii) do not materially impair the use by us of such properties for the respective purposes for which they are held by us;
- liens vested in lessors, licensors, franchisors or permittees for rent or other amounts to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases, licenses, franchises or permits, so long as the payment of such rent or other amounts or the performance of such other obligations or acts is not delinquent or is being contested in good faith and by appropriate proceedings; and
- any lien securing indebtedness for the payment, prepayment or redemption of which there have been irrevocably deposited in trust with the trustee or other holder of such lien moneys and/or Investment Securities which (together with the interest reasonably expected to be earned from the investment and reinvestment in Investment Securities of the moneys and/or the principal of and interest on the Investment Securities so deposited) shall be sufficient for such purpose; provided, however, that if such indebtedness is to be redeemed or otherwise prepaid prior to the stated maturity thereof, any notice requisite to such redemption or prepayment shall have been given in accordance with the mortgage or other instrument creating such lien or irrevocable instructions to give such notice shall have been given to such trustee or other holder.

“Prior Lien” means any mortgage, lien, charge, encumbrance, security interest on or in, or pledge of, any Mortgaged Property existing both at and immediately prior to the time of the acquisition by us of such Mortgaged Property, or created as a purchase money mortgage on such Mortgaged Property at the time of its acquisition by us, in each case ranking prior to or on a parity with the lien of the Mortgage.

The Mortgage Bond Indenture and Collateral Trust Agreement provide that the Bond Trustee and Collateral Trustee are entitled to payment, prior to the first mortgage bonds, of their reasonable compensation and expenses and indemnity against certain liabilities.

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

An unlimited principal amount of first mortgage bonds may be issued under the Mortgage Bond Indenture, subject to the following conditions with respect to collateral coverage. The Mortgage Bond Indenture permits us to issue first mortgage bonds from time to time on any or a combination of three different bases:

- (1) on the basis of Bondable Property (as described below) that has not become Bonded (as described below), in a principal amount not exceeding 70% of the Cost or Fair Value (whichever is less) of that Bondable Property;
- (2) on the basis of first mortgage bonds or Equal and Ratable Notes that have been purchased, paid, retired, redeemed or otherwise discharged by us since the date of the Mortgage Bond Indenture or are then

being purchased, paid, retired, redeemed or otherwise discharged by us, and which have not previously been Bonded, in a principal amount not exceeding the principal amount of such purchased, paid, retired, redeemed or otherwise discharged first mortgage bonds or Equal and Ratable Notes; and

- (3) on the basis of cash deposited with the Bond Trustee for this purpose (which we may later withdraw on the basis of Bondable Property that has not become Bonded or on the basis of purchased, paid, retired, redeemed or otherwise discharged first mortgage bonds or Equal and Ratable Notes, as described below under “—Withdrawal or Application of Certain Cash”), in a principal amount not exceeding the amount of such deposited cash.

“Bonded” or “Bonding” as applied to first mortgage bonds or Bondable Property generally means that first mortgage bonds or Bondable Property are within one or more of the following classes:

- (a) the aggregate amount of Bondable Property which has been used as a basis for the authentication and delivery of first mortgage bonds or the withdrawal of cash and (b) an aggregate amount of Bondable Property with a value equal to 10/7 (ten sevenths) of the sum of (i) the aggregate principal amount of outstanding Equal and Ratable Notes and (ii) the aggregate principal amount of any outstanding Prior Lien Debt.
- first mortgage bonds that have been purchased, paid, retired, redeemed or otherwise discharged by us and have been used as a basis for the authentication and delivery of first mortgage bonds or the withdrawal of cash, and first mortgage bonds paid, purchased or redeemed with money used or applied by the Bond Trustee.
- first mortgage bonds which have been used as a basis for a waiver by us of our right to the authentication and delivery of first mortgage bonds on the basis of first mortgage bonds that have been purchased, paid, retired, redeemed or otherwise discharged by us.
- first mortgage bonds and Bondable Property which have been allocated or used as a basis for any credit or action or pursuant to any provision of, or retired through the operation of, any sinking, improvement, maintenance, replacement or analogous fund for any series of first mortgage bonds; provided, however, that any such first mortgage bonds or Bondable Property so allocated or used shall be reinstated as Unbonded when all of the first mortgage bonds of the series of first mortgage bonds in connection with such fund was established are retired first mortgage bonds.

All Bondable Property which is retired, abandoned, destroyed, released or otherwise disposed of will be deemed retired Bondable Property, but may later again become Bondable Property.

Bondable Property includes our property in Iowa used in our electric generating, transmission and distribution operations and may consist of: construction work in progress; property in the process of purchase to which we have legal title; our fractional and other undivided interests in property owned jointly or in common with other Persons; engineering, economic, environmental, financial, geological and legal and other analyses and surveys, data processing equipment and software associated with the acquisition or construction of property; paving, grading and other improvements to property owned by others but used by us; and certain property owned by us located on property owned by others, including governmental and municipal agencies. We may at our option subject to the lien of the Mortgage gas distribution property within the State of Iowa or outside the State of Iowa or our other property used in our electric generating, transmission and distribution operations located outside of the State of Iowa, which would then become Bondable Property.

The “amount” of Bondable Property is its Cost or Fair Value (whichever is less) determined in accordance with Generally Accepted Accounting Principles in effect at the date of the Mortgage Bond Indenture or, at our option, at the date of their determination, *minus*, in the case of Bondable Property which is (A) owned by us subject to a Prior Lien at the date of the Mortgage Bond Indenture or (B) acquired by us after the date of the Mortgage Bond Indenture, subject to a Prior Lien (other than a Prior Lien to which such Bondable Property

becomes subject, solely as a result of that acquisition, pursuant to an after-acquired property clause of that Prior Lien), 10/7 (ten sevenths) of the aggregate principal amount of the related indebtedness secured by a Prior Lien (which we refer to as “Prior Lien Debt”). In determining Generally Accepted Accounting Principles, we may conform to accounting orders from any governmental regulatory commission.

Bonded Bondable Property generally consists of (i) Bondable Property which has been the basis of the authentication and delivery of outstanding first mortgage bonds, (ii) Bondable Property with a value equal to 10/7 (ten sevenths) of the aggregate principal amount of any outstanding Equal and Ratable Notes and any Prior Lien Debt, (iii) Bondable Property which has been used as the basis for the release of Mortgaged Property, (iv) Bondable Property which has been used as the basis for the withdrawal of cash and (v) Bondable Property allocated or used as a basis for certain credit or action or pursuant to certain sinking, improvement, maintenance, replacement or analogous fund for any series of first mortgage bonds .

It is expected that the first mortgage bonds will be issued on the basis of Bondable Property or the deposit of cash. At June 30, 2013, we had approximately \$10.34 billion of property that we intend to pledge as Bondable Property, which would allow us, in accordance with the limitations described above, to have outstanding approximately \$7.24 billion in aggregate principal amount of first mortgage bonds and Equal and Ratable Notes.

### **Withdrawal or Application of Certain Cash**

Proceeds of any insurance against loss by fire may be paid or remitted to us at our request, and the Mortgage Bond Indenture will not obligate us to use the proceeds to rebuild or repair damaged or destroyed Mortgaged Property, to the extent that the Fair Value of all Mortgaged Property after the damage or destruction of Mortgaged Property with respect to which the proceeds are payable is at least 10/7 (ten sevenths) of the sum of (x) the aggregate principal amount of outstanding first mortgage bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt. Such insurance proceeds must, however, be paid to the Collateral Trustee or to the Bond Trustee or other mortgagee under any Prior Lien on the Mortgaged Property damaged or destroyed to the extent that the Fair Value of all remaining Mortgaged Property does not equal the amount described in preceding sentence. Provided that no Triggering Event shall have occurred and be continuing, during the first eighteen (18) months after receipt of any such monies by the Collateral Trustee, we may be reimbursed from such insurance proceeds held by the Collateral Trustee for amounts spent to purchase or otherwise acquire property which becomes Mortgaged Property at the time of such purchase or acquisition, or to rebuild or renew the Mortgaged Property destroyed or damaged. Any such monies held by the Collateral Trustee and not applied to such reimbursement (or for which notice of our intention to apply such monies to the rebuilding or renewal then in progress) within the first eighteen (18) months after the Collateral Trustee’s receipt will be held and applied as described below.

Unless we are in default in the payment of principal of or interest on any first mortgage bonds then outstanding or any other default under the Mortgage Bond Indenture has occurred and is continuing, cash that was deposited with the Bond Trustee as a basis for the issuance of first mortgage bonds generally may be withdrawn by us in an amount, subject to certain deductions and additions, up to 70% of the Cost or Fair Value (whichever is less) of Bondable Property that has not become Bonded.

In addition, unless we are in default in the payment of principal of or interest on any first mortgage bonds then outstanding or any other default under the Mortgage Bond Indenture has occurred and is continuing (and subject to the provisions of the Collateral Trust Agreement upon the occurrence and continuance of any Triggering Event described below), any cash that has been received or transferred to, and held by, the Bond Trustee or the Collateral Trustee under the Mortgage Bond Indenture or the Collateral Trust Agreement may be released or applied upon our request, including as follows:

- in the case of cash other than cash deposited us as a basis for the issuance of first mortgage bonds, such cash may be withdrawn by us to the extent of 100% of the lesser of the Cost or Fair Value of Unbonded Bondable Property;

- withdrawn by us in an amount equal to the principal amount of first mortgage bonds which we then have the right to have authenticated and delivered on the basis of first mortgage bonds that have been purchased, paid, retired, redeemed or otherwise discharged by us;
- applied by the Bond Trustee to payment at maturity of outstanding first mortgage bonds or to the redemption of any outstanding first mortgage bonds which are redeemable by their terms; or
- applied to the purchase of first mortgage bonds, so long as no cash is applied to the payment of more than the principal amount of any first mortgage bonds so purchased, except to the extent that the aggregate principal amount of all first mortgage bonds so purchased exceeds the aggregate cost for principal of and interest, brokerage and premium, if any, on all first mortgage bonds so purchased.

Upon the occurrence and continuation of a Triggering Event, under the Collateral Trust Agreement, the Collateral Trustee will no longer be required to release or apply any cash held by it in as described in the preceding paragraph, unless directed by the Requisite Secured Parties.

### **Release and Substitution of Property**

Unless a default under the Mortgage Bond Indenture has occurred and is continuing, we generally may obtain the release from the lien of the Mortgage of any Mortgaged Property (which does not include cash held by the Bond Trustee):

- (1) if after such release, the Fair Value of the remaining Mortgaged Property equals or exceeds a sum equal to 10/7 (ten sevenths) of the sum of (x) the aggregate principal amount of outstanding first mortgage bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt; or
- (2) if the Fair Value of the Mortgaged Property to be released is less than 1/2 of 1% of the sum of (x) the aggregate principal amount of outstanding first mortgage bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt; *provided* that the aggregate Fair Value of Mortgaged Property released in this manner in any period of 12 consecutive calendar months does not exceed 1% of such sum; or
- (3) on the basis of (a) the deposit of cash, Governmental Obligations or purchase money obligations, (b) Bondable Property to be acquired by us with the proceeds of, or otherwise in connection with, such release or (c) a waiver of the right to issue first mortgage bonds on the basis of first mortgage bonds which have been purchased, paid, retired, redeemed or otherwise discharged by us after the date of the Mortgage Bond Indenture, and have not previously been Bonded; or
- (4) if any Mortgaged Property is taken by exercise of the power of eminent domain, and all net proceeds of such taking, purchase or sale (or, in the case of a sale or conveyance in anticipation thereof, an aggregate amount of Governmental Obligations or purchase money obligations having a fair value to the Company in cash), and cash, not less than the Fair Value of the Mortgaged Property taken, purchased, sold or conveyed, together with all net sums payable for any damage to any Mortgaged Property by or in connection with any such taking, purchase, sale or conveyance, to the extent not deposited under a Prior Lien with the trustee, mortgagee or other holder or such Prior Lien, are deposited with the Collateral Trustee, to be held and applied in accordance with the Collateral Trust Agreement and the Mortgage Bond Indenture. See “—Description of First Mortgage Bonds—Withdrawal or Application of Certain Cash.”

At any time when a default under the Mortgage Bond Indenture has occurred and is continuing, we may only obtain any such release if we satisfy such conditions in (1), (2), (3) or (4) above and we have the consent of the Bond Trustee, except that upon the continuance of a Triggering Event in connection with the exercise of remedies at the direction of the Requisite Secured Parties as described below under “—Description of the First Mortgage Bonds—Remedies”, we may not obtain such release unless directed by the Requisite Secured Parties and certain other conditions of the Collateral Trust Agreement are satisfied.

“Requisite Secured Parties” means the holders of a majority in principal amount of the sum of (x) all outstanding first mortgage bonds and (y) all outstanding Equal and Ratable Notes.

A “Triggering Event” would occur upon any of the following: (i) our failure to pay the principal amount of the Equal and Ratable Notes or first mortgage bonds of any series, upon final maturity, after expiration of any relevant grace period, (ii) a decree or order is entered against us in an involuntary bankruptcy proceeding and is not vacated in 90 days, or a similar involuntary event relating to our bankruptcy or insolvency occurs and continues for 90 days; or we petition for voluntary bankruptcy or take similar voluntary actions relating to our bankruptcy or insolvency, (iii) the acceleration of the principal amount of the first mortgage bonds or Equal and Ratable Notes or (iv) the issuance of any direction by the Bond Trustee to the Collateral Trustee, following the occurrence and during the continuance of any default under the Mortgage Bond Indenture, to commence exercise of foreclosure or similar remedies under the Mortgage and any other documents providing for collateral security with respect to the collateral that secures both the first mortgage bonds and the Equal and Ratable Notes.

In addition, at any time or from time to time, without any release or consent from the Bond Trustee, we may dispose of certain obsolete Mortgaged Property; grant certain rights of way and easements; abandon any Mortgaged Property and surrender any franchises under which we are operating that in the judgment of management are not necessary or important for the operation of the remaining Mortgaged Property; cancel or make changes in or alterations of or substitutions for leases; alter, change the location of, add to, repair or replace transmission and distribution equipment; cancel, make changes in or substitutions for or dispose of rights of way; and surrender or modify any franchise under which we may be operating if advisable in our judgment.

### **Global Securities**

The first mortgage bonds of any series may be represented, in whole or in part, by one or more global securities. Each global security will:

- be registered in the name of a depositary or nominee thereof that we will identify in the applicable prospectus supplement;
- be deposited with the depositary or nominee or custodian; and
- bear any required legends.

As long as the depositary, or its nominee, is the registered holder of a global security, the depositary or nominee will be considered the sole owner and holder of the first mortgage bonds represented by the global security for all purposes under the first mortgage bonds and the Mortgage Bond Indenture. Except in the limited circumstances described below, owners of beneficial interests in a global security:

- will not be entitled to have the first mortgage bonds registered in their names;
- will not be entitled to physical delivery of certificated first mortgage bonds; and
- will not be considered to be holders of those first mortgage bonds under the first mortgage bonds or the Mortgage Bond Indenture.

Payments on a global security will be made to the depositary or its nominee as the holder of the global security. Some jurisdictions have laws that require that certain purchasers of securities take physical delivery of the securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Institutions that have accounts with the depositary or its nominee are referred to as “participants.” Ownership of beneficial interests in a global security will be limited to participants and to persons that may hold beneficial interests through participants. The depositary will credit, on its book-entry registration and transfer system, the respective principal amounts of first mortgage bonds represented by the global security to the accounts of its participants.

Ownership of beneficial interests in a global security will be shown on and effected through records maintained by the depositary, with respect to participants' interests, or any participant, with respect to interests held by participants on behalf of other persons.

Payments, transfers, exchanges and other matters relating to beneficial interests in a global security will be subject to policies and procedures of the depositary. The depositary policies and procedures may change from time to time. Neither we nor the Bond Trustee will have any responsibility or liability for the depositary's or any participant's records with respect to beneficial interests in a global security.

### **Exchange of Global Securities for Certificated Securities**

Except as otherwise may be set forth in the applicable prospectus supplement, the global securities may be exchanged for first mortgage bonds in certificated form only in the following circumstances:

- if the depositary notifies us that it is unwilling or unable to continue as depositary for the global securities, or if the depositary is no longer registered as a clearing agency under the Securities Exchange Act and we do not appoint a replacement depositary within 90 days;
- a default under the Mortgage Bond Indenture occurs; or
- if we determine, subject to the procedures of the depositary, that a series of first mortgage bonds will no longer be represented by global securities.

If any global securities are exchangeable for certificated securities as described above, we will execute, and the Bond Trustee will authenticate upon our order, certificated securities of like tenor and terms in certificated form in an aggregate principal amount equal to the principal amount of such global securities. These certificated securities will be delivered to persons specified by the depositary in exchange for the beneficial interests in the global securities being exchanged.

### **Redemption and Repayment**

The applicable prospectus supplement will specify the following:

- if the first mortgage bonds are subject to any sinking fund and the terms of any such sinking fund;
- if we may elect to redeem the first mortgage bonds prior to maturity and the terms of any such optional redemption;
- if we will be required to redeem the first mortgage bonds prior to maturity upon the occurrence of certain events and the terms of any such mandatory redemption; and
- if the holders of the first mortgage bonds will have the right to repayment of the first mortgage bonds prior to maturity and the terms of any such optional repayment.

If we elect or are required to redeem first mortgage bonds, a redemption notice will be mailed to each holder of first mortgage bonds to be redeemed at least 30 but not more than 60 days prior to the redemption date unless otherwise provided in a supplemental indenture to the Mortgage Bond Indenture. The redemption notice will include the following: (1) the redemption date; (2) if less than all of the first mortgage bonds of a series are to be redeemed, the particular first mortgage bonds or portions thereof to be redeemed; and (3) if any first mortgage bonds are to be redeemed in part only, the portion of the first mortgage bonds to be redeemed.

If notice of redemption is given as specified above and, before the redemption date we deposit funds, obligations or instruments with the Bond Trustee sufficient to effect the redemption, then the first mortgage bonds called for redemption will become due and payable on the date stated in the redemption notice at the applicable redemption price, together with accrued interest to the redemption date. After the redemption date, the

first mortgage bonds subject to redemption will cease to bear interest and will not be entitled to the benefits of the Mortgage Bond Indenture, other than the right to receive payment of the redemption price together with accrued interest to the redemption date.

### **Covenants**

Except as described in the applicable prospectus supplement, the first mortgage bonds will be subject to covenants including the following:

- a covenant that the property subject to the Mortgage Bond Indenture is owned free and clear of all liens other than Permissible Encumbrances, and that we will maintain and preserve the lien of the Mortgage so long as any first mortgage bond is outstanding, subject to Permissible Encumbrances;
- a covenant that requires us promptly to record and file the Mortgage and all supplemental mortgages or notices in respect thereof, as required by law to preserve and protect the security of the holders of first mortgage bonds and the rights of the Bond Trustee;
- a covenant that requires us to insure the Mortgaged Property, with reasonable deductibles and retentions, against loss by fire, to the extent customary, either through insurance companies we believe to be reputable or through creation of an insurance fund or other self insurance plan;
- a covenant that requires us to maintain the Mortgaged Property in good repair, supplied with all necessary equipment and to cause to be made all necessary repairs, renewals and improvements; provided that we may discontinue the operation of any Mortgaged Property if, in our judgment, desirable in the conduct of our business and not in any material respect adverse to the interests of the holders of first mortgage bonds;
- a covenant that requires us to pay taxes and assessments on the Mortgaged Property and to use our best efforts to observe all governmental requirements as to any Mortgaged Property, and all covenants, terms and conditions upon which any Mortgaged Property is held, subject to an exception for taxes and assessments contested in good faith by appropriate proceedings;
- a covenant that requires us to maintain our corporate existence (other than in the case of a permitted merger or consolidation); and
- a covenant that prohibits us from issuing any debt securities, other than first mortgage bonds, that are required by their terms to be equally and ratably secured with the first mortgage bonds, except to replace any mutilated, lost, destroyed or stolen Equal and Ratable Notes or to effect exchanges and transfers of Equal and Ratable Notes.

### **Events of Default**

Except as described in the applicable prospectus supplement, the following will constitute defaults under the Mortgage Bond Indenture:

- we fail to pay the principal of, and premium, if any, on the first mortgage bonds when due and such failure continues for three Business Days;
- we fail to pay interest on the first mortgage bonds when due and such failure continues for 90 days;
- we fail to pay any Prior Lien Debt in one or more series, in each case in an aggregate principal amount of \$100,000,000 or greater, after giving effect to any applicable grace period;
- we breach any other covenant or condition in the Mortgage Bond Indenture or any supplemental indenture thereto and such breach continues for 90 days after we receive a written notice of default with respect thereto;
- a decree or order is entered against us in an involuntary bankruptcy proceeding and is not vacated in 90 days, or a similar involuntary event relating to our bankruptcy or insolvency occurs and continues for 90 days;

- we commence a voluntary bankruptcy case or take similar voluntary actions relating to our bankruptcy or insolvency; or
- the occurrence of a Triggering Event, to the extent not otherwise a default under the Mortgage Bond Indenture.

The Bond Trustee is required to give the holders of the first mortgage bonds notice within 90 days of any default known to the Bond Trustee, unless the default has been cured or waived, except that in the event of a default described in the fourth bullet point above, no notice may be given until at least 60 days after its occurrence, and except that the Bond Trustee may withhold a notice of default (except for certain payment defaults) if the Bond Trustee in good faith determines that withholding notice is in the interest of the holders of first mortgage bonds.

We have agreed to furnish the Bond Trustee with an annual statement as to our compliance with the conditions and covenants in the Mortgage Bond Indenture. However, the Mortgage Bond Indenture does not otherwise require us to notify the Bond Trustee of any default.

### **Remedies**

Upon the occurrence of a default under the Mortgage Bond Indenture, the Bond Trustee may, and upon the written request of the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds is required to, declare all outstanding first mortgage bonds to be immediately due and payable. However, holders of a majority in principal amount of the outstanding first mortgage bonds may rescind the acceleration if, before any sale of the Mortgaged Property pursuant to the Collateral Trust Agreement:

- all arrears of interest upon the first mortgage bonds, with interest on overdue interest installments at the first mortgage bonds' respective rates of interest have been paid by or on our behalf or collected out of the Mortgaged Property and
- all defaults have been remedied.

Prior to acceleration, holders of a majority in aggregate principal amount of the affected series of first mortgage bonds may waive a default under the Mortgage Bond Indenture, other than (1) a default related to non-payment of principal, premium, if any, or interest, (2) a default arising from the creation of a Prior Lien except Permissible Encumbrances or (3) a default related to a covenant or other provision of the Mortgage Bond Indenture that may not be modified without the consent of each holder of first mortgage bonds affected thereby.

Subject to the provisions of the Mortgage Bond Indenture relating to the duties of the Bond Trustee, if a default occurs and is continuing, the Bond Trustee will be under no obligation to exercise any of its rights or powers under the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement, unless the holders of a majority in principal amount of the outstanding first mortgage bonds have requested the Bond Trustee to take action and have offered to the Bond Trustee security or indemnity satisfactory to the Bond Trustee against its costs, expenses and liabilities.

No holder of first mortgage bonds has any right to institute any suit, action or proceeding for the foreclosure of the Mortgage, or for the appointment of a receiver or for any other remedy under the Indenture unless:

- holders of at least 33% of the outstanding first mortgage bonds have requested the Bond Trustee to take action and offered the Bond Trustee security and indemnity satisfactory to it; and
- the Bond Trustee for a period of 60 days has refused or neglected to act on such notice.

Following the occurrence of a Triggering Event and the delivery of prior written notice to the Bond Trustee and the Collateral Trustee, the Requisite Secured Parties will have the right to direct the time, method and place

of conducting any proceeding for the exercise of any right or remedy available to the Collateral Trustee with respect to the collateral that secures both the first mortgage bonds and the Equal and Ratable Notes, or of exercising any trust or power conferred on the Collateral Trustee, or for the taking of any other action authorized by the instruments comprising the Trust Estate and, thereafter, shall have the exclusive right and authority to direct the Collateral Trustee as to such matters.

During the continuance of a default under the Mortgage Bond Indenture, if the events described in the previous paragraph have not occurred, then:

- the Bond Trustee, in its discretion from time to time (i) may direct the Collateral Trustee to sell, subject to Prior Liens, all or any part of the Mortgaged Property as provided in the Mortgage or exercise any other rights or remedies provided for under the Mortgage; or (ii) may proceed, and may instruct the Collateral Agent to proceed, to protect and to enforce the rights of the Bond Trustee and of the holders of first mortgage bonds under the Mortgage Bond Indenture and the rights of the Collateral Trustee and the holders of first mortgage bonds under the Mortgage and the Collateral Trust Agreement, by suit in equity or at law, whether for the specific performance of any covenant or agreement in the Mortgage Bond Indenture, the Mortgage or the Collateral Trust Agreement (as applicable) or in aid of the execution of any power granted by the Mortgage Bond Indenture, the Mortgage or the Collateral Trust Agreement or for the foreclosure of the Mortgage, or for the enforcement of any other appropriate legal or equitable remedy; and
- upon the written direction of the holders of not less than a majority in aggregate principal amount of the outstanding first mortgage bonds, the Bond Trustee is required to take all action so directed to protect and enforce its rights and the rights of the holders of first mortgage bonds under the Mortgage Bond Indenture, under the Mortgage and under the Collateral Trust Agreement, or to take appropriate judicial proceedings by action, suit or otherwise; but the holders of not less than a majority in aggregate principal amount of the outstanding first mortgage bonds, from time to time have the right to direct and control the actions of the Bond Trustee and the Bond Trustee generally has no obligation to take any such action unless so directed.

The Mortgage Bond Indenture also provides that a court in its discretion may require the plaintiff in any suit to enforce any right or remedy under the Mortgage Bond Indenture, the Mortgage or the Collateral Trust Agreement, or against the Bond Trustee or the Collateral Trustee, to file an undertaking to pay the costs of the suit. The Mortgage Bond Indenture further provides that the court may assess reasonable costs including attorneys' fees against any party to the suit. However, these provisions do not apply to a suit instituted by the Bond Trustee, a suit instated by a holder or holders of more than 10% in aggregate principal amount of the outstanding first mortgage bonds or to any suit instituted by any holder of first mortgage bonds for the payment of overdue principal, premium, if any, or interest.

### **Merger, Consolidation, Conveyance and Lease**

The Mortgage Bond Indenture does not prevent us from consolidating or merging with or into, or conveying, transferring or leasing all or substantially all of the Mortgaged Property to another person so long as, among other things:

- the consolidation, merger, conveyance, transfer or lease is on terms which would not create any Prior Lien (other than any Permissible Encumbrances) on the Mortgaged Property, or impair the Lien or security of the Mortgage or any of the rights or powers of the Bond Trustee or holders of the first mortgage bonds under the Indenture or the Bond Trustee under the Mortgage or Collateral Trust Agreement;
- if the other party to the consolidation, merger, conveyance, transfer or lease has outstanding or proposes to issue in connection with the transaction any secured obligations, to the lien of which

any of the Mortgaged Property would be subject, the lien of the Mortgage is established as superior to the lien of such other secured obligations with respect to the Mortgaged Property;

- any such lease is made subject to immediate termination by us or the Bond Trustee during the continuance of a default, and by the purchaser of the Mortgaged Property leased at any sale under the Mortgage Bond Indenture; and
- in the event of a consolidation, merger, conveyance or transfer, or a lease with a term extending beyond the maturity of any outstanding first mortgage bonds, the surviving company, or the person acquiring all or substantially all the Mortgaged Property, or the lessee, assumes the due and punctual payment of the principal of, premium, if any, and interest on the first mortgage bonds and the observance of the covenants and conditions of the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement.

The Mortgage Bond Indenture requires that the surviving company either:

- grant a first (subject only to liens affecting our property prior to the consolidation, merger, conveyance, transfer or lease) lien to the Collateral Trustee upon all its property then owned and which it may later acquire (other than Excepted Property), or
- confirm the prior lien of the Mortgage upon the Mortgaged Property and extend the lien of the Mortgage as a first lien (or as a lien subject only to liens affecting our property prior to the consolidation, merger, conveyance, transfer or lease) to all property the surviving company later acquires or constructs that forms an integral part of any property subject to the lien of the Mortgage and all renewals, replacements and additional property as the surviving company purchases, constructs or acquires and covenant to maintain the Mortgaged Property in good repair, working order and condition and to comply with the covenants and conditions of the Mortgage Bond Indenture.

The covenant described immediately above includes a phrase relating to a conveyance, transfer or lease of “all or substantially all” of our property or assets. Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the nature and extent of the restriction on our ability to convey, transfer or lease all or substantially all of the Mortgaged Property, and the protections provided to the holders of first mortgage bonds by such restriction, may be uncertain. However, the Mortgage Bond Indenture provides that any conveyance, transfer or lease of Mortgaged Property, following which the Fair Value of the Mortgaged Property we retain exceeds 10/7 (ten sevenths) of the sum of (x) the aggregate principal amount of outstanding first mortgage bonds *plus* (y) the aggregate principal amount of outstanding Equal and Ratable Notes *plus* (z) the aggregate principal amount of outstanding Prior Lien Debt, will be deemed not to constitute a conveyance, transfer or lease of all or substantially all of the Mortgaged Property

### **Modifications to the Mortgage Bond Indenture, Mortgage or Collateral Trust Agreement**

Except as otherwise set forth in the applicable prospectus supplement, the first mortgage bonds will be subject to provisions which allow us and the Bond Trustee to amend the Mortgage Bond Indenture, and allow us and the Collateral Trustee to amend the Mortgage, in each case without the consent of any holder of first mortgage bonds for the following purposes:

- to amplify or correct the description of any property pledged or intended to be pledged by the Mortgage;
- to subject additional property to the lien of the Mortgage, including property outside the State of Iowa or which is an integral part of or used or to be used as an integral part of our gas distribution operations;
- to close the Mortgage Bond Indenture against, or provide limitations with respect to, the issuance of additional first mortgage bonds;

- to establish and create series of first mortgage bonds and establish their terms;
- to provide alternative methods or forms for evidencing and recording ownership of first mortgage bonds;
- to reflect changes in Generally Accepted Accounting Principles;
- to comply with the rules or regulations of any national securities exchange on which any first mortgage bonds may be listed;
- to modify the provisions of the Mortgage Bond Indenture as necessary to continue its qualification under the Trust Indenture Act of 1939, as amended;
- to evidence the succession of another company to us and the assumption by the successor of our obligations under the Mortgage Bond Indenture, the Mortgage and the Collateral Trust Agreement;
- to change or eliminate any of the provisions of the Mortgage Bond Indenture, but if the change or elimination would materially adversely affect the rights of the holders of any outstanding first mortgage bonds against us or our property, then the change or elimination shall become effective only with respect to those first mortgage bonds issued thereafter; and
- to cure ambiguities or to cure, correct or supplement any defective or inconsistent provisions, provided that the amended provision shall not materially impair the security of the Mortgage Bond Indenture or the Mortgage or materially adversely affect the outstanding first mortgage bonds.

In addition, without the consent of any holder of first mortgage bonds, the Bond Trustee, as requested by the Company, may direct the Collateral Trustee to enter into amendments with the Company to the Collateral Trust Agreement to: (i) cure any ambiguity, omission, defect or inconsistency, (ii) add guarantors or other parties so long as such addition will not materially impair the security of the Mortgage Bond Indenture or materially adversely affect the outstanding first mortgage bonds, (iii) further secure the first mortgage bonds and, as applicable, the Equal and Ratable Notes, (iv) provide more fully or clearly for the equal and ratable sharing of the lien of the Mortgage in accordance with the intent of the Collateral Trust Agreement, (v) remove any series of the Equal and Ratable Notes from the equal and ratable sharing in the lien of the Mortgage, in whole or in part, if such sharing is no longer required under the indenture governing such series, (vi) otherwise remove, lessen or release any lien or rights provided for the benefit of the Equal and Ratable Notes (or any portion thereof) to the extent we determine that such lien or rights are not required to be granted or (vii) make any other change which will not materially impair the security of the Mortgage Bond Indenture or materially adversely affect the outstanding first mortgage bonds. Under the Mortgage Bond Indenture, we and the Collateral Trustee may amend the Mortgage without the consent of any holder of first mortgage bonds to make changes corresponding to changes permitted to be made in the Collateral Trust Agreement according to the preceding clauses (iii) through (vii). Under the Collateral Trust Agreement, no such amendment, supplement or waiver to the Collateral Trust Agreement or the Mortgage that would materially and adversely affect the rights of the holders of the Equal and Ratable Notes to equally and ratably share in the security provided for in the Collateral Trust Agreement and the Mortgage may be made unless joined in, or consented to in writing, by the respective indenture trustees for each series of Equal and Ratable Notes.

Except as set forth in the applicable prospectus supplement, the first mortgage bonds will be subject to provisions which allow us and the Bond Trustee to amend the Mortgage Bond Indenture and the Mortgage for any other purpose with the consent of holders of a majority in aggregate principal amount of the first mortgage bonds which would be affected by the action to be taken, or if one or more series of first mortgage bonds would be materially adversely affected by the action to be taken, with the consent of the holders of not less than 60% in aggregate principal amount of the first mortgage bonds of such series so affected (which need not include 60% of the aggregate principal amount of the first mortgage bonds of each such series), other than amendments which:

- extend the fixed maturity of any first mortgage bonds;
- change any terms of any sinking, improvement, maintenance, replacement or analogous fund or conversion rights with respect to any first mortgage bonds;
- reduce the rate or extend the time of payment of interest on any first mortgage bonds;
- reduce the principal amount of any first mortgage bonds;

- limit the right of a holder of first mortgage bonds to institute suit for the enforcement of payment of its first mortgage bonds;
- reduce the percentage of principal amount outstanding first mortgage bonds, required to consent to any such supplemental indenture or supplemental mortgage; or
- permit us to create any Prior Lien (except in the case of a permitted merger or consolidation with another person owning property subject to a Prior Lien).

The items described in the bullets above will require the consent of all holders of first mortgage bonds affected by the amendment.

### **Governing Law**

The Mortgage Bond Indenture will be governed by the laws of the State of New York except to the extent that the law of any jurisdiction where property subject to the lien of the Mortgage is located shall mandatorily govern matters as to security interests.

## Plan of Distribution

We may offer and sell or exchange the securities described in this prospectus:

- through agents;
- through one or more underwriters;
- through one or more dealers;
- directly to one or more purchasers (through a specific bidding or auction process or otherwise); or
- through a combination of any such methods of sale.

The distribution of the securities described in this prospectus may be effected from time to time in one or more transactions either:

- at a fixed price or prices, which may be changed;
- at market prices prevailing at the time of sale;
- at prices relating to such prevailing market prices;
- at negotiated prices; or
- at a fixed exchange ratio in return for other of our securities.

Offers to purchase or exchange the securities may be solicited by agents designated by us from time to time. Any such agent will be named, and any commissions payable by us to such agent will be set forth, in the applicable prospectus supplement. Unless otherwise indicated in the applicable prospectus supplement, any such agent will be acting on a best efforts basis for the period of its appointment. Any such agent may be deemed to be an underwriter, as that term is defined in the Securities Act, of the securities so offered and sold.

If an underwriter or underwriters are utilized in the sale of the securities, we will execute an underwriting agreement with such underwriter or underwriters at the time an agreement for such sale is reached. The names of the specific managing underwriter or underwriters, as well as any other underwriters, and the terms of the transactions, including compensation of the underwriters and dealers, which may be in the form of discounts, concessions or commissions, if any, will be set forth in the applicable prospectus supplement, which will be used by the underwriters to make resales of the securities.

If a dealer is utilized in the sale of the securities, we or an underwriter will sell such securities to the dealer as principal. The dealer may then resell such securities to the public at varying prices to be determined by such dealer at the time of resale. The name of the dealer and the terms of the transactions will be set forth in the applicable prospectus supplement relating thereto.

Offers to purchase or exchange the securities may be solicited directly by us and sales or exchanges thereof may be made by us directly to institutional investors or others. The terms of any such sales, including the terms of any bidding or auction process, if utilized, will be described in the applicable prospectus supplement.

We may enter into agreements with agents, underwriters and dealers under which we agree to indemnify them against certain liabilities, including liabilities under the Securities Act, or to contribute to payments they may be required to make in respect thereof. The terms and conditions of such indemnification or contribution will be described in the applicable prospectus supplement. Certain of the agents, underwriters or dealers, or their affiliates, may be customers of, engage in transactions with or perform services for us in the ordinary course of business.

In compliance with the guidelines of the Financial Industry Regulatory Authority, Inc., or FINRA, the maximum consideration or discount to be received by any FINRA member or independent broker dealer may not exceed 8% of the aggregate proceeds of the offering.

### **About this Prospectus**

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, which we refer to as the SEC, using a “shelf” registration process. Using this process, we may offer the securities described in this prospectus, either separately or with other securities registered hereunder, in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time we offer securities, we will provide a prospectus supplement to this prospectus. The prospectus supplement will describe the specific terms of that offering. The prospectus supplement may also add, update or change the information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in the prospectus supplement. Please carefully read this prospectus and the applicable prospectus supplement, in addition to the information contained in the documents we refer you to under the heading “Where You Can Find More Information.”

### **Where You Can Find More Information**

We file annual, quarterly and special reports and other information with the SEC. You may read and copy these materials at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-732-0330 for further information on the Public Reference Room. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, like us, that file electronically with the SEC. Our SEC filings are also available to the public from the SEC’s Internet site at <http://www.sec.gov>.

This prospectus is part of a registration statement we have filed with the SEC relating to the securities described in this prospectus. As permitted by SEC rules, this prospectus does not contain all of the information set forth in the registration statement. You should read the registration statement for further information about us and the securities described in this prospectus.

### **Incorporation by Reference**

The SEC allows us to “incorporate by reference” the information that we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus. The information filed by us with the SEC in the future will automatically update and supersede this information.

We incorporate by reference our filings listed below and any additional documents that we may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the date we file the registration statement that contains this prospectus and prior to the termination of any offering, including all such documents we may file with the SEC after the date of the initial registration statement and prior to the effectiveness of the registration statement; except we are not incorporating by reference any information furnished (but not filed) under Item 2.02 or Item 7.01 of any Current Report on Form 8-K, unless specifically noted below or in a prospectus supplement:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2012;
- our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2013 and June 30, 2013; and

- our Current Report on Form 8-K dated March 8, 2013.

You may request a copy of these filings, at no cost, by writing or calling us at the following address or telephone number:

Treasurer  
MidAmerican Energy Company  
666 Grand Avenue, Suite 500  
Des Moines, Iowa 50309-2580  
(515) 242-4300

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of such document.

### **Legal Matters**

The validity of the securities described in this prospectus will be passed upon for us by Gibson, Dunn & Crutcher LLP, New York, New York. Certain matters involving the laws of Iowa will be passed upon for us by Paul J. Leighton, Esq.

### **Experts**

The consolidated financial statements and the related financial statement schedule, incorporated in this prospectus by reference from MidAmerican Energy Company's Annual Report on Form 10-K, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such consolidated financial statements and financial statement schedule have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

With respect to the unaudited interim financial statements for the periods ended March 31, 2013 and 2012 and June 30, 2013 and 2012, which are incorporated herein by reference, Deloitte & Touche LLP, an independent registered public accounting firm, have applied limited procedures in accordance with the standards of the Public Company Accounting Oversight Board (United States) for a review of such information. However, as stated in their reports included in MidAmerican Energy Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013 and incorporated by reference herein, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the United States Securities Act of 1933, as amended, for their reports on the unaudited interim financial information because those reports are not "reports" or a "part" of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.



**\$350,000,000 2.40% First Mortgage Bonds due 2019**  
**\$250,000,000 3.70% First Mortgage Bonds due 2023**  
**\$350,000,000 4.80% First Mortgage Bonds due 2043**

**PROSPECTUS SUPPLEMENT**

*Joint Book-Running Managers*

**Barclays**

**J.P. Morgan**

**RBS**

**BNP PARIBAS**

**Mitsubishi UFJ Securities**

**US Bancorp**

*Co-Managers*

**Citigroup**

**Wells Fargo Securities**

**Deutsche Bank Securities**

**KeyBanc Capital Markets**

**Lloyds Securities**

**Mizuho Securities**

**RBC Capital Markets**

**SMBC Nikko**

**SEPTEMBER 12, 2013**